

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

**In the Matter of the Joint Application of )  
Sunflower Electric Power Corporation )  
and Mid-Kansas Electric Company, Inc. ) Docket No. 19-SEPE-054-MER  
for an Order Approving the Merger of )  
Mid-Kansas Electric Company, Inc. into )  
Sunflower Electric Power Corporation )**

**DIRECT TESTIMONY AND EXHIBITS  
OF  
MARK F. DOLJAC  
KANSAS ELECTRIC POWER COOPERATIVE, INC.**

**January 4, 2019**

**BEFORE THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS  
DIRECT TESTIMONY AND EXHIBITS OF**

**MARK F. DOLJAC  
EXECUTIVE DIRECTOR, REGULATORY AFFAIRS AND PLANNING**

**KANSAS ELECTRIC POWER COOPERATIVE, INC.**

**Docket No. 19-SEPE-054-MER**

1   **Q.     PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2   A.     My name is Mark F. Doljac. My business address is 600 Southwest  
3   Corporate View, Topeka, Kansas 66615.

4   **Q.     BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5   A.     I am Executive Director, Regulatory Affairs and Planning for the Kansas  
6   Electric Power Cooperative, Inc. (KEPCo).

7   **Q.     PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND.**

8   A.     I received the degrees of Bachelor of Science in Electrical Engineering  
9   from Kansas State University in 1986, and Master of Business Administration  
10   from Baylor University in 1989.

11   **Q.     WHAT ARE YOUR RESPONSIBILITIES WITH KEPCo?**

12   A.     As Executive Director, Regulatory Affairs and Planning, I am responsible  
13   for developing, implementing and maintaining KEPCo's rate structure with its  
14   Members; supervising the work of our Director of Forecasting and Planning,  
15   which includes short-term and long-range financial forecasting and coordinating  
16   the associated load forecasts for those purposes; supporting the preparation of  
17   rate studies; advising on rate-related matters; developing KEPCo's annual sales  
18   and purchased power expense budget; and monitoring regulatory matters as

1 they relate to the provision of service to the Members of KEPCo.

2 **Q. PLEASE BRIEFLY DESCRIBE YOUR PROFESSIONAL EXPERIENCE.**

3 A. I was employed during the summer of 1988 by the Bonneville Power  
4 Administration in Portland, Oregon, where I worked as Electrical Engineer in the  
5 area of extra-high voltage (EHV) transmission. In 1989, I began working as  
6 Assistant Engineer for Ebasco Services, Incorporated, a consulting firm that was  
7 involved in electric generation and transmission engineering and design, in  
8 Houston, Texas. I accepted a transfer to Ebasco's regional headquarters in  
9 Atlanta, Georgia in 1990, where I worked as Associate Engineer, and then Senior  
10 Associate Engineer until December 1992.<sup>1</sup> In January 1993, I began working for  
11 the Kansas Corporation Commission (Commission) as Senior Utility Engineer /  
12 Rate Analyst. In this role, I was responsible for reviewing and analyzing electric  
13 utility operations, plant performance, and investment in and construction of  
14 facilities for efficiency, reasonableness, safety and reliability, and the review and  
15 analysis of utility rate structures, including recommending alternate rates, when  
16 needed, to ensure that rates were just, reasonable, and promoted the goals and  
17 policies of the Commission. In December 2008, I was promoted to Chief of  
18 Energy Rates, a role in which I was responsible for supervising a staff of four to  
19 review and analyze electric and gas utility rates, to ensure that rates were just  
20 and reasonable and promoted the goals and policies of the Commission.

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<sup>1</sup> Ebasco Services, Inc. was purchased by Raytheon Engineers & Constructors in 1993.

1           In May 2009, I accepted employment with KEPCo as Director of Rates  
2   and Regulation, in which I was responsible for developing, implementing and  
3   maintaining KEPCo's rate structure with its Members, preparing rate studies and  
4   KEPCo's annual sales and purchased power expense budget, and monitoring  
5   regulatory matters as they relate to the provision of service to the Members of  
6   KEPCo. In January 2018, I assumed my present position.

7   **Q.     HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE KANSAS**  
8   **CORPORATION COMMISSION?**

9   A.     Yes, I have testified before this Commission numerous times. During my  
10   16 years of employment at the Commission, I testified and provided  
11   recommendations to the Commission on a broad range of matters, including  
12   fully-allocated utility cost of service, unbundling electric transmission rates,  
13   including transmission delivery charge (TDC) implementation under K.S.A. 66-  
14   1237, and other electric rate matters, generation and transmission line siting, and  
15   utility performance and quality of service. While employed by KEPCo, I filed  
16   testimony in Docket Nos. 11-MKEE-439-RTS, 12-MKEE-380-RTS, 12-MKEE-  
17   491-RTS, 13-MKEE-452-MIS, 15-SPEE-161-RTS, 16-MKEE-023-TAR, 16-  
18   WHLE-305-RTS, 16-MDWE-324-TFR and 16-KCPE-593-ACQ.

19   **Q.     PLEASE DESCRIBE KEPCo.**

20   A.     KEPCo is a generation and transmission (G&T) cooperative that serves 19  
21   member-owner distribution cooperatives, which in turn serve retail customers  
22   across approximately two-thirds of Kansas. KEPCo is a wholesale power  
23   customer of Sunflower Electric Power Corporation (Sunflower); a transmission

1 customer of the Southwest Power Pool, Inc. (SPP), from which KEPCo takes  
2 service over the transmission facilities of six transmission owners, including Mid-  
3 Kansas Electric Company, Inc. (Mid-Kansas) and Sunflower; and a wholesale  
4 transmission customer of Mid-Kansas, from which KEPCo takes service over the  
5 transmission facilities of five Mid-Kansas members, including Prairie Land  
6 Electric Cooperative, Inc. (Prairie Land), Southern Pioneer Electric Company  
7 (Southern Pioneer), Victory Electric Cooperative Association, Inc. (Victory),  
8 Western Cooperative Electric Association, Inc. (Western) and Wheatland Electric  
9 Cooperative, Inc. (Wheatland).

10 Approximately 12% of KEPCo's power supply needs, measured on the  
11 basis of energy, is supplied by requirements service purchases under the May  
12 11, 2006 Wholesale Power Agreement between KEPCo and Sunflower (WPA) as  
13 accepted by the Commission,<sup>2</sup> and later modified under a June 18, 2013  
14 Modification Agreement also approved by the Commission.<sup>3</sup> Under this  
15 agreement, Sunflower supplies all power to the load required at all but one  
16 designated delivery point for two of KEPCo's 19 Members, except for that which  
17 is supplied by resources acquired through a purchase power agreement with the

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<sup>2</sup> *In the Matter of the Application of Sunflower Electric Power Corporation and Kansas Electric Power Cooperative, Inc. for an Order Approving a New Wholesale Power Agreement*, Docket No. 06-SEPE-1203-CON, Order Approving Wholesale Power Agreement, July 17, 2006.

<sup>3</sup> *In the Matter of the Joint Application of Mid-Kansas Electric Company, LLC, Lane-Scott Electric Cooperative, Inc., Prairie Land Electric Cooperative, Inc., Southern Pioneer Electric Company, Victory Electric Cooperative Association, Inc., Western Cooperative Electric Association, Inc., and Wheatland Electric Cooperative, Inc., Joint Applicants, for an Order Approving the Transfer of Certificates of Convenience With Respect to All of Mid-Kansas' Retail Electric Services and for Other Related Relief*, Docket No. 13-MKEE-447-MIS, Order Approving Unanimous Settlement Agreement, September 17, 2013.

1 federal hydropower authority, Western Area Power Administration (WAPA).<sup>4</sup>  
2 Under KEPCo's Modification Agreement with Sunflower, which terminates after  
3 December 31, 2020, the rate KEPCo pays Sunflower for its power is essentially  
4 the same cost-based wholesale member rate that Sunflower's Members pay  
5 under its Rate Schedule WHM, as that rate is amended, including transmission  
6 charges assessed at the Sunflower transmission rate. Provisions of the WPA  
7 require that any modification of the WHM Rate must first be approved by the  
8 Commission before it may be applied to KEPCo, and KEPCo has a right to audit  
9 the cost-based calculations associated with the WHM Rate and any changes to  
10 the WHM Rate proposed by Sunflower.

11 KEPCo and Sunflower have also recently obtained Commission approval  
12 for an April 24, 2018 Master Power Purchase and Sales Agreement (Master  
13 Agreement) for Sunflower to provide 14 MW of capacity to serve one delivery  
14 point, where approximately 4.5% of KEPCo's power supply requirements on the  
15 basis of energy is served, beginning January 1, 2019, and terminating after  
16 December 31, 2020.<sup>5</sup> Sunflower will bill KEPCo the negotiated rate for its  
17 reserved capacity, as specified in the Master Agreement, and KEPCo will have

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<sup>4</sup> In other words, under this agreement, Sunflower supplies all power to KEPCo for loads of these two KEPCo members at 23 delivery points (of a total of 269 KEPCo delivery points), except for the power supplied by WAPA.

<sup>5</sup> *In the Matter of the Joint Application of Kansas Electric Power Cooperative, Inc., and Sunflower Electric Power Cooperative for Approval of Master Purchase Power and Sale Agreement*, Docket No. 19-KEPE-063-CON, *Order Approving Master Power Purchase and Sale Agreement*, November 27, 2018.

1 the option to call upon unit firm energy at the negotiated price specified in the  
2 agreement.<sup>6</sup>

3 As a transmission-dependent utility, KEPCo has member load embedded  
4 within and served from the transmission facilities of six transmission owners  
5 within the SPP Regional Transmission Organization (RTO), two notably being  
6 Mid-Kansas and Sunflower. As part of its transmission needs, KEPCo is  
7 provided Network Integration Transmission Service (NITS) by agreement under  
8 the SPP Open Access Transmission Tariff (OATT or Tariff) over certain assets  
9 owned by Mid-Kansas and Sunflower.

10 KEPCo takes NITS from SPP over (1) Mid-Kansas' facilities and is  
11 assessed Mid-Kansas' zonal rate to deliver power to approximately 81 delivery  
12 points serving the load of nine KEPCo member systems,<sup>7</sup> and (2) Sunflower's  
13 facilities and is assessed Sunflower's zonal rate to deliver power to one delivery  
14 point serving the load of one KEPCo member system.<sup>8</sup>

15 Sunflower assessed KEPCo roughly \$20.9 million in charges for power  
16 supply service during the 12 months ending December 31, 2017, constituting  
17 almost 18% of KEPCo's power supply expenses for the year. These charges  
18 were for power supply service that was provided under the Sunflower WPA  
19 described earlier, and under a power supply agreement that expired January 1,

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<sup>6</sup> The rate will change on January 1, 2020 and is specified in the agreement for each year of the term.

<sup>7</sup> These include Ark Valley Electric Cooperative Association, Inc. (3 delivery points (DP)), Bluestem Electric Cooperative, Inc. (5 DP), CMS Electric Cooperative, Inc. (10 DP), DS&O Electric Cooperative, Inc. (1 DP), Ninnescah Rural Electric Cooperative Association, Inc. (10 DP), Prairie Land Electric Cooperative, Inc. (4 DP), Rolling Hills Electric Cooperative, Inc. (31 DP), Sumner-Cowley Electric Cooperative, Inc. (4 DP), and Victory Electric Cooperative Association, Inc. (13 DP).

<sup>8</sup> This member is CMS Electric Cooperative, Inc.

1 2019, to serve the single delivery point, which is hereafter to be served under the  
2 Master Agreement described earlier.

3 SPP assessed KEPCo roughly \$5.46 million and \$310,000 in charges for  
4 transmission service to load over Mid-Kansas' and Sunflower's facilities,  
5 respectively. Mid-Kansas assessed KEPCo roughly \$2.68 million in charges for  
6 transmission service over its members' Local Access Delivery Systems<sup>9</sup> during  
7 the 12 months ending December 31, 2017. Certainly, Mid-Kansas' provision of  
8 Local Access Delivery Service (LADS) is important to KEPCo, and it is important  
9 that the administration, rates, and terms of service of the LADS are just,  
10 reasonable, and provided on comparable terms as the Mid-Kansas members  
11 provide to their own end-use consumers.

12 These service relationships demonstrate KEPCo's substantial interest in  
13 the proposed merger of Mid-Kansas and Sunflower. Any change in costs that  
14 are input into Mid-Kansas' or Sunflower's Transmission Formula Rates (TFR) or  
15 the Sunflower WHM Rate resulting from the Joint Applicants' proposed  
16 transaction could have a significant impact on the delivered power costs borne by  
17 KEPCo – costs which would then be required to be recovered from its members  
18 and ultimately its members' retail customers.

19 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY REGARDING THE**  
20 **JOINT APPLICATION IN THIS PROCEEDING?**

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<sup>9</sup> Local Access Delivery Service refers to transmission service that Mid-Kansas provides to KEPCo over its members' 34.5 kV and below systems.

1     A.     In their supporting testimony, Joint Applicants indicate that one objective  
2     of the proposed merger is to establish a consolidated rate for the Sunflower and  
3     Mid-Kansas service territories,<sup>10</sup> and they explicitly state, “Our intent is to have a  
4     single transmission formula rate for the merged company.”<sup>11</sup> The future  
5     operations and structure of Sunflower and Mid-Kansas and the potential impacts  
6     on post-merger costs are of great concern to KEPCo, as that transaction has the  
7     potential to adversely affect its member distribution cooperatives, and their retail  
8     electric consumers. I am sponsoring testimony to discuss how some changes  
9     resulting from Joint Applicants’ proposed transaction could adversely impact the  
10    rates KEPCo pays under the TFRs assessed by SPP for Network service in the  
11    Mid-Kansas and Sunflower transmission zones.

12           First, I discuss the two Commission-approved, cost-based, formula-based,  
13    wholesale transmission rates of the Joint Applicants that apply to KEPCo, their  
14    bases, how they are updated annually, and some of the current pricing terms.  
15    Second, I discuss some impacts that would result from combining the Mid-  
16    Kansas and Sunflower transmission zones on the formula-based rates, as  
17    contemplated in Joint Applicants’ filing. Third, I discuss the significance of the  
18    annual zonal true-up adjustments on these rates, and the associated impact that  
19    these adjustments will have on Mid-Kansas and Sunflower transmission  
20    customers upon the convergence of the associated transmission zones. Fourth,  
21    I recommend three conditions that I believe that the Commission should

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<sup>10</sup> *Prefiled Direct Testimony of H. Davis Rooney*, p. 5, l. 22 to p. 6, l. 4.

<sup>11</sup> *Id.*, p. 8, ll. 5-6.

1 implement for approval of the proposed merger to protect the customers of Mid-  
2 Kansas and Sunflower from harm.

3 **Q. WILL YOU PLEASE SUMMARIZE THE MERGER CONDITIONS YOU**  
4 **ARE RECOMMENDING?**

5 A. Yes. First, if the Joint Applicants opt to combine the Mid-Kansas and  
6 Sunflower transmission zones and converge the rates for each zone into a single  
7 zone, I recommend that the Commission condition any merger approval on Joint  
8 Applicants' agreement to file with FERC a transition method for the annual True-  
9 Up Adjustments and associated interest calculations that is based on the  
10 separate zonal constructs that exist before convergence of the TFRs of  
11 Sunflower and Mid-Kansas, and that deploys customer-specific rate adjustments  
12 and associated interest calculations for each of the Joint Applicants' wholesale  
13 transmission customers. The transition method would (1) equitably direct  
14 refunds and associated interest to wholesale transmission customers that would  
15 otherwise overcompensate either Joint Applicant for over-projected zonal  
16 transmission charges under a socialized true-up approach, and (2) direct  
17 collections and associated interest due to wholesale transmission customers that  
18 would otherwise undercompensate either Joint Applicant for under-projected  
19 zonal transmission charges. The transition method would address all True-Up  
20 Adjustments and corrections for the period of transmission service up until the  
21 effectuation of a combined transmission zone.

22 Second, I recommend that the Commission require Sunflower and Mid-  
23 Kansas to maintain separate books and records after merger approval, at least

1 until the FERC approves combining the transmission zones and converging the  
2 transmission rates of each for the post-merger Sunflower.

3 Third, I recommend that Joint Applicants agree to conduct a transmission  
4 system losses study for the combined transmission zone to be established under  
5 the SPP Tariff in which Joint Applicants' transmission facilities are located and to  
6 coordinate with SPP to file for the necessary FERC approvals to update the  
7 transmission system losses for the combined system concurrent with their filing  
8 to combine transmission zones in the corresponding open access transmission  
9 tariff(s) (OATT). Additionally, if Joint Applicants do not coordinate with SPP to  
10 make a filing to combine the Sunflower and Mid-Kansas transmission zones  
11 within 12 months of any merger approval, I recommend as a condition of merger  
12 approval that Joint Applicants agree to conduct a transmission losses study and  
13 to coordinate with SPP to file for the necessary FERC approvals to update the  
14 transmission system losses for the Mid-Kansas transmission zone in the  
15 corresponding OATT(s).

16 A summary of the merger conditions that I am recommending is provided  
17 in Exhibit MD-1.

18 **Q. ARE OTHER WITNESSES APPEARING ON BEHALF OF KEPCo?**

19 A. Yes. Dr. David Dismukes, a witness appearing on behalf of KEPCo in this  
20 docket, is sponsoring pre-filed direct testimony to offer his expert opinion on the  
21 proposed merger of Sunflower and Mid-Kansas based on his examination of the  
22 Joint Application and the Commission's merger standards. Dr. Dismukes also

1 recommends 11 additional merger conditions to protect KEPCo from negative  
2 consequences that could result from approval of the proposed merger.

3 **Q. ARE YOU SPONSORING ANY OTHER EXHIBITS WITH YOUR**  
4 **TESTIMONY?**

5 A. Yes. I am sponsoring eight exhibits, which are listed below:

<b>Table 1. List of Exhibits</b>	
<b>Exhibit</b>	<b>Description</b>
MD-1	Recommended Merger Conditions
MD-2	Attachment H to SPP Tariff, Addendum 19, Mid-Kansas <i>Formula Rate Implementation Protocols</i>
MD-3	Selected Pages from Revised 2019 Annual Update to the Mid-Kansas Transmission Formula Rate, Docket No. 13-MKEE-360-TFR, October 10, 2018
MD-4	Attachment H to SPP Tariff, Addendum 20, Sunflower <i>Formula Rate Implementation Protocols</i>
MD-5	Selected Pages from 2019 Annual Update to the Sunflower Transmission Formula Rate, Docket No. 14-SEPE-220-TFR, September 20, 2018
MD-6	Relevant Responses to Discovery
MD-7	Estimated Annual Impact of Merged Transmission FBR from 2019 Annual Updates
MD-8	SPP Tariff, Attachment M, Loss Compensation Procedure

6 **I. MID-KANSAS AND SUNFLOWER FORMULA-BASED RATES FOR**  
7 **TRANSMISSION SERVICE**

8 **A. MID-KANSAS TRANSMISSION FORMULA RATE (TFR)**

9 **Q. WILL YOU PLEASE DISCUSS THE MID-KANSAS TFR?**

10 A. Yes. KEPCo takes transmission service above 34.5-kV from Mid-Kansas  
11 under the SPP Tariff in the area designated as SPP Zone 15. Attachment H,  
12 Addendum 19 of the SPP Tariff includes Mid-Kansas' Formula Rate Template for

1 transmission service, a forward-looking, cost-based formula rate, which was  
2 approved by the Commission, and incorporated into the SPP Tariff upon  
3 obtaining FERC acceptance.<sup>12</sup> See Exhibit MD-2 for a copy of the Mid-Kansas  
4 TFR Protocols. The Mid-Kansas Formula Rate Implementation Protocols (Mid-  
5 Kansas Protocols) establish requirements for Mid-Kansas to systematically  
6 recalculate the Annual Update and annual True-Up Adjustment each year under  
7 a set procedure using the FERC-approved TFR and to post the results, as well  
8 as to provide parties discovery, dispute resolution, and challenge rights. Under  
9 the Mid-Kansas Protocols, by September 24 of each year, Mid-Kansas must  
10 calculate, post, and file Mid-Kansas' Annual Update (*i.e.*, projected Annual  
11 Transmission Revenue Requirement or projected ATRR) for the following  
12 calendar year using the TFR template, and apply inputs from the Mid-Kansas'  
13 Annual Reports and work papers for Mid-Kansas for the most recently completed  
14 calendar year. The Annual Update is then filed in the Commission's compliance  
15 docket, posted on SPP's website and Open Access Same-time Information  
16 System (OASIS), and Mid-Kansas must notify all Zonal Transmission Customers  
17 by email. In this way, Mid-Kansas establishes its projected ATRR and the rates  
18 charged are based on this projection. By June 1 of each year, Mid-Kansas is  
19 required to calculate and provide its annual True-Up Adjustment calculation to  
20 SPP, which is also posted on SPP's website and OASIS and filed in the

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<sup>12</sup> *In the Matter of the Application of Mid-Kansas Electric Company, LLC to Adopt and Implement Changes to Its Formula-Based Rate for the Inclusion and Recovery of Additional Assets and Removal of Facilities Financed Under Its Extraordinary Transmission Facility Extension Service Terms from the Rate Base*, Docket No. 14-MKEE-170-TAR, *Order Approving Unanimous Settlement Agreement*, April 29, 2014. *Southwest Power Pool, Inc.*, 143 FERC ¶ 61,025 (2013) (April 8 Order).

1 Commission's compliance docket. In the annual True-Up Adjustment, the ATRR  
2 is calculated for the most recently completed calendar year based on inputs from  
3 Mid-Kansas' Annual Report, books, and records for the calendar year, and the  
4 True-Up Adjustment is determined from the difference in actual and projected  
5 ATRRs for that calendar year.

6 After the annual True-Up Adjustment is determined, it is applied with  
7 interest as an adjustment to the Annual Update two years after the year to which  
8 the annual True-Up Adjustment applies. For example, the annual True-Up  
9 Adjustment of 2017 is applied with interest to the Annual Update for 2019,  
10 thereby affecting rates to be charged in 2019. So essentially, the TFR calculates  
11 the ATRR based on historical costs recorded in the Mid-Kansas' Annual Report,  
12 books, and records, resulting in a cost-based rate for wholesale transmission  
13 service. In this way, there is a 2-year lag in the annual True-Up Adjustment,  
14 which means there is a future adjustment to reflect the actual cost of  
15 transmission service.

16 In Exhibit MD-3, I have included selected pages from the 78-page TFR  
17 Annual Update compliance filing that Mid-Kansas made with Calendar Year 2017  
18 data for Mid-Kansas, which calculates the revenue requirements and rates  
19 proposed to be effective for Calendar Year 2019 as they apply to all wholesale  
20 customers taking service under the SPP Tariff with load connected to Mid-

1 Kansas' transmission system.<sup>13</sup> The excerpted TFR also includes the Annual  
2 True-Up Adjustment calculation for 2017, which is included in the Annual Update  
3 for 2019.<sup>14</sup> The annual True-Up Adjustment is required, among other things, to  
4 "[b]e based on Mid-Kansas' Annual Report for that Rate Year and upon the  
5 books and records of Mid-Kansas (Mid-Kansas' Annual Report, books, and  
6 records all to be maintained consistently with the FERC Uniform System of  
7 Accounts (USoA) and FERC accounting policies and practices); [and] ...

8 [i]nclude an identification of (i) any changes in Mid-Kansas accounting  
9 policies, practices, and procedures (including changes resulting from  
10 revisions to FERC's Uniform System of Accounts and/or Annual Report  
11 reporting requirements) from those in effect during the calendar year upon  
12 which the most recent ATRR was based and that, in Mid-Kansas'  
13 reasonable judgment, could impact the Formula Rate or the calculations  
14 under the Formula Rate for Rate Years with pending True-Up Adjustments  
15 or within the next three years; (ii) any changes in the SPP Tariff from the  
16 provisions of the SPP Tariff in effect during the calendar year upon which  
17 the most recent ATRR was based and that, in Mid-Kansas' reasonable  
18 judgment, could impact the Formula Rate or the calculations under the  
19 Formula Rate for Rate Years with pending True-Up Adjustments or within  
20 the next three years; and (iii) any change, and the dollar value of the  
21 change, in the classification of any transmission facility under Attachment  
22 A1 of the SPP Tariff (including the costs of any reclassified facility) that  
23 Mid-Kansas has made in the applicable True-Up Adjustment or Annual  
24 Update."<sup>15</sup>

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<sup>13</sup> Exhibit MD-3, pp. 4, 15. *In the Matter of Mid-Kansas Electric Company, LLC's Formula-Based Rate Annual Updates and True-Ups for Recovery of Transmission Costs as Required by Commission Order in Docket No. 12-MKEE-650-TAR*, Docket No. 13-MKEE-360-TFR, revised 2019 Annual Update compliance filing, October 10, 2018. The entire compliance filing including the Mid-Kansas Annual Update is available on the Commission website at <http://estar.kcc.ks.gov/estar/ViewFile.aspx/S20181010162304.pdf?Id=aa23ae03-8b29-4c98-9966-c9b7bce21b9f>.

<sup>14</sup> *Id.*, pp. 11-12.

<sup>15</sup> Exhibit MD-2, p. 5 as provided in Sections C.4.b. and f.

1    **Q.     HOW ARE THE MID-KANSAS TRANSMISSION RATES DETERMINED?**

2    A.     Under the Mid-Kansas TFR, Mid-Kansas' Gross Revenue Requirement  
3    consists of (1) transmission O&M expense, (2) transmission depreciation  
4    expense, (3) transmission taxes other than income taxes, and (4) a transmission  
5    return component. Revenue credits for rent from electric property and other  
6    transmission service revenues are subtracted from the Gross Revenue  
7    Requirement to determine the Net Revenue Requirement. This Net Revenue  
8    Requirement is ultimately divided between the revenue requirement for Base  
9    Plan Funded projects collected under SPP Schedule 11, and the remainder,  
10   which is the Zonal Revenue Requirement collected under Schedule 9 Network  
11   Integration Transmission Service under the SPP Tariff. The return applied in the  
12   TFR is calculated by determining (1) the net operating return required in the most  
13   recently completed Rate Year to meet both a Margins for Interest (MFI) target of  
14   1.5357 and a Debt Service Coverage (DSC) target of 1.2802, as those  
15   allowances were established by the Commission,<sup>16</sup> and (2) multiplying that net  
16   operating return requirement by the ratio of projected net plant allocated to  
17   transmission for the projected Rate Year to the net plant allocated to  
18   transmission for the past Rate Year.

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<sup>16</sup> *In the Matter of the Application of Mid-Kansas Electric Company, LLC for Approval to Adopt and Implement a Formula-Based Rate for Recovery of Transmission Costs and to Amend Its Open Access Transmission Tariff*, Docket No. 12-MKEE-650-TAR, *Order on Stipulation and Agreement and Amendment to Stipulation and Agreement*, October 31, 2012, ¶¶ 9, 19.

1                    **B.      SUNFLOWER TRANSMISSION FORMULA RATE (TFR)**

2      **Q.      WILL YOU PLEASE DISCUSS THE SUNFLOWER TFR?**

3      A.      Yes. KEPCo takes transmission service from Sunflower under the SPP  
4      Tariff in the area designated as SPP Zone 12. Attachment H, Addendum 20 of  
5      the SPP Tariff includes Sunflower's Formula Rate Template for transmission  
6      service, a forward-looking, cost-based formula rate, which was approved by the  
7      Commission and incorporated into the SPP Tariff upon obtaining FERC  
8      acceptance.<sup>17</sup> See Exhibit MD-4 for a copy of the Sunflower Formula Rate  
9      Implementation Protocols (Sunflower Protocols). The Sunflower Protocols are  
10     similar to the Mid-Kansas Protocols, as they establish requirements for Sunflower  
11     to systematically recalculate the Annual Update and annual True-Up Adjustment  
12     each year under a set procedure using the FERC-approved TFR and to post the  
13     results, as well as to provide parties discovery, dispute resolution, and challenge  
14     rights. Just as with Mid-Kansas, under the Sunflower Protocols, by September  
15     24 of each year, Sunflower must calculate, post, and file Sunflower's Annual  
16     Update (*i.e.*, projected ATRR) for the following calendar year using the TFR  
17     template, and apply inputs from the Sunflower Annual Reports and work papers  
18     for Sunflower for the most recently completed calendar year. The Annual Update  
19     is then posted on SPP's website and OASIS, and Sunflower must notify all Zonal

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<sup>17</sup> *In the Matter of the Application of Sunflower Electric Power Corporation for Approval to Adopt and Implement a Formula-Based Rate for Recovery of Transmission Costs and to Amend Its Open Access Transmission Tariff*, Docket No. 13-SEPE-701-TAR, *Order Approving Unanimous Stipulation and Agreement*, October 31, 2013. *Southwest Power Pool, Inc.*, FERC Docket ER14-228-000, December 19, 2013 Letter Order.

1 Transmission Customers by email. Sunflower establishes its Projected ATRR  
2 and the rates charged are based on this projection. By June 1 of each year,  
3 Sunflower is required to calculate and provide its annual True-Up Adjustment  
4 calculation to SPP, which is also posted on SPP's website and OASIS and filed  
5 in the Commission's compliance docket. In the annual True-Up Adjustment, the  
6 ATRR is calculated for the most recently completed calendar year based on  
7 inputs from Sunflower's Annual Report, books, and records for the calendar year,  
8 and the True-Up Adjustment is determined from the difference in actual and  
9 projected ATRRs for that calendar year. After the annual True-Up Adjustment is  
10 determined, it is applied with interest as an adjustment to the Annual Update two  
11 years after the year to which the annual True-Up Adjustment pertains. For  
12 example, the annual True-Up Adjustment of 2017 is applied with interest to the  
13 projected ATRR for 2019, thereby affecting rates to be charged in 2019. In this  
14 way, there is a 2-year lag in the annual True-Up Adjustment, which is an  
15 adjustment to reflect the actual cost of transmission service. Again, the TFR  
16 calculates the ATRR based on historical costs recorded in the Sunflower Annual  
17 Report, books, and records, resulting in a cost-based rate for wholesale  
18 transmission service.

19 In Exhibit MD-5, I have included selected pages from the 83-page TFR  
20 Annual Update compliance filing that Sunflower made with the company's  
21 Calendar Year 2017 data, which calculated the revenue requirements and rates  
22 proposed to be effective for Calendar Year 2019 as they apply to all wholesale  
23 customers taking service under the SPP Tariff with load connected to

1 Sunflower's transmission system.<sup>18</sup> The TFR also includes the True-Up  
2 Adjustment calculation for 2017, which is included in the Projected ATRR for  
3 2019.<sup>19</sup> The annual True-Up Adjustment is required to be based on and include  
4 substantively similar information as required for Mid-Kansas under the Mid-  
5 Kansas Protocols."<sup>20</sup>

6 The Sunflower TFR operates in a very similar way to the Mid-Kansas TFR.  
7 However, I note that the Sunflower TFR establishes the return applied in the TFR  
8 by determining (1) the net operating return required in the most recently  
9 completed Rate Year to meet both a Times Interest Earned Ratio (TIER) target of  
10 1.6979 plus the equivalent of a 50-basis-point return on equity (ROE) adder for  
11 SPP RTO membership and a DSC target of 1.3345 plus the equivalent of a 50-  
12 basis-point ROE adder, as those allowances were established by the  
13 Commission,<sup>21</sup> and (2) multiplying that net operating return requirement by the  
14 ratio of projected net plant allocated to transmission for the projected Rate Year

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<sup>18</sup> Exhibit MD-5, pp. 4, 13. *In the Matter of Sunflower Electric Power Corporation's Formula-Based Rate Annual Updates and True-Ups for Recovery of Transmission Costs as Required by Commission Order in Docket No. 13-SEPE-701-TAR*, Docket No. 14-SEPE-220-TFR, 2019 Annual Update compliance filing, September 20, 2018. The entire compliance filing including the Mid-Kansas Annual Update is available on the Commission website at <http://estar.kcc.ks.gov/estar/ViewFile.aspx/S20180920145640.pdf?Id=0a24ffe6-7b63-4ac3-b0aa-5b85235f4512>.

<sup>19</sup> *Id.*, pp. 11-12

<sup>20</sup> Exhibit MD-4.

<sup>21</sup> *In the Matter of the Application of Sunflower Electric Power Corporation for an Order Approving (i) Continued Use of the Target Financial Metric Ratio Levels Used in, and (ii) Amendments to, its Commission-Approved Formula-Based Rate for Recovery of Transmission Costs*, Docket No. 17-SEPE-415-TAR, *Order Approving Supplemental Application*, March 6, 2018, ¶¶ 6, 26, and p. 13, Section A states, "Sunflower shall be permitted to retain its current base DSC of 1.3345 and a TIER of 1.6979 plus its current incentive ROE adder of 50 basis points for membership in SPP." A parenthetical passage in Footnote 10 to in the Order states, "While Sunflower's annual return component varies year-to-year due to the proxy return on equity adder for being a member of a Regional Transmission Organization (RTO), Sunflower has a TIER and DSC ratio in the range of 1.75 and 1.35 respectively."

1 to the net plant allocated to transmission for the past Rate Year. In other words,  
2 the Sunflower TFR merely relies on different financial metrics, as approved by  
3 the Commission, than those used for the Mid-Kansas TFR.<sup>22</sup>

4 **II. IMPACTS OF COMBINING TRANSMISSION ZONES ON FORMULA-**  
5 **BASED TRANSMISSION RATES**

6 **Q. WILL SUNFLOWER AND MID-KANSAS BE REQUIRED TO COMBINE**  
7 **TRANSMISSION ZONES JUST BECAUSE JOINT APPLICANTS ARE**  
8 **GRANTED MERGER APPROVAL?**

9 A. No. A merger of two transmission-owning utilities operating in separate  
10 SPP transmission zones does not require that the two zones be combined. For  
11 example, the Great Plains Energy (GPE)-Westar Energy merger was approved  
12 by the Commission on May 25, 2018, and formally closed on June 4, 2018,<sup>23</sup> and  
13 the transmission zones for those entities have not been combined at the time of  
14 this writing.<sup>24</sup> And GPE continues to operate Kansas City Power & Light  
15 Company and Kansas City Power & Light Company-Greater Missouri Operations

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<sup>22</sup> Since the passage of Substitute for Senate Bill No. 323, I understand that the Commission no longer has jurisdiction over Sunflower's and Mid-Kansas' transmission rates. Thus, the metrics approved in 2018 may change in future years pending FERC approvals.

<sup>23</sup> *In the Matter of the Application of Great Plains Energy Incorporated, Kansas City Power & Light Company and Westar Energy, Inc. for Approval of the Merger of Westar Energy, Inc. and Great Plains Energy Incorporated*, Docket No. 18-KCPE-095-MER, *Order Approving Merger*, May 25, 2018 and *Applicants' Notice of Closing*, June 5, 2018.

<sup>24</sup> Since closing its merger transaction with GPE, Westar Energy still recovers its transmission system costs under as a separate zonal TFR under the SPP Tariff – Zone 14.

1 under separate transmission zones in the SPP Region – Zones 6 and 9,  
2 respectively.

3 **Q. WHAT STEPS WILL BE REQUIRED TO COMBINE THE TWO**  
4 **TRANSMISSION ZONES IF THE JOINT APPLICANTS CHOOSE A**  
5 **COMBINATION?**

6 A. According to the Joint Applicants,  
7 “... Sunflower and Mid-Kansas will need to confirm with SPP and the  
8 FERC the particular steps that must be taken to converge the Mid-Kansas  
9 and Sunflower transmission formula rates under the SPP [Tariff], post-  
10 merger. However, it is our general understanding that SPP would need to  
11 submit a filing to the FERC to revise Attachment H, Addendums 19 and  
12 20, to its [SPP Tariff] to consolidate the transmission formula rates for Mid-  
13 Kansas and Sunflower into a single transmission formula rate, as well as  
14 any other conforming changes to the SPP [Tariff] which might be  
15 necessary to reflect the converged transmission formula rates. Although I  
16 am not an attorney, it is my understanding, the filing would be submitted  
17 under Section 205 of the Federal Power Act (‘FPA’). The standard under  
18 FPA Section 205 is that rates must be just, reasonable and not unduly  
19 discriminatory or preferential. We expect that is the standard which would  
20 be used by FERC in evaluating a filing to merge the transmission  
21 formula rates of Mid-Kansas and Sunflower.”<sup>25</sup>

22 **Q. WHAT IMPACT WOULD COMBINING ZONES HAVE ON**  
23 **SUNFLOWER’S AND MID-KANSAS’ TRANSMISSION CUSTOMERS?**

24 A. Joint Applicants estimated that the change in transmission rates should  
25 not shift by more than 2% as a result of combining transmission zones. But I  
26 have found that Joint Applicants’ estimate is based on the transmission rates  
27 assessed under the Sunflower and Mid-Kansas TFRs in the 2018 Rate Year,<sup>26</sup>

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<sup>25</sup> Joint Applicants’ 12/13/2018 response to KCC-7, James Brungardt, December 13, 2018.

<sup>26</sup> The service month of July 2018, in particular. Joint Applicants’ response to KEPCo 1-16, Davis Rooney, November 8, 2018, <Rooney Direct\_Workpapers.xls>, <TFR> tab, and to KEPCo 2-5, Davis Rooney, December 11, 2018.

1 and that the magnitude of changes in transmission rates is not necessarily 2%;  
2 therefore, the ultimate impact to transmission rates will depend on the timing of  
3 the combination of the Joint Applicants' transmission zones, actions that will  
4 transpire until that time, and how the True-Up Adjustments related to  
5 transmission service provided before a combination of transmission zones are  
6 handled. Without any conditions, all of these factors are under control of the  
7 Joint Applicants.

8 Joint Applicants stated,

9 "The transmission rates of the two applicants are currently close together,  
10 about 2% from the average combined rate. They are so close that  
11 determining which is higher, Sunflower or Mid-Kansas, is a matter of  
12 perspective. If one looks at the 2018 rates being charged by SPP (which  
13 includes costs from other SPP members) [Footnote: "See response to  
14 KEPCo DR 1-16. Rooney Direct Workpapers. TFR tab."], Mid-Kansas is  
15 lower, and Sunflower is higher. If, however, you realize that the 2018  
16 Sunflower and Mid-Kansas components of the SPP rates include relatively  
17 large true-ups from 2016, the 2018 rates without those true-ups would flip  
18 the relationship. Mid-Kansas would be higher, and Sunflower would be  
19 lower. (See the TFR tab of the Rooney\_Direct\_Workpapers.xlsx) The  
20 perspective taken can change which company's transmission customers  
21 will have increased or decreased transmission costs from the combined  
22 transmission rate. Either way, the potential impact on transmission  
23 customers appears to be plus or minus about 2% from the combined rate.  
24 If a particular transmission customer has transmission service in both  
25 zones (Sunflower and Mid-Kansas), their impact will likely be somewhat  
26 reduced by the offsetting impacts of the two zones.

27 ...

28 We understand that KEPCo is focused on the transmission issue. Any  
29 merger cannot and will not shield every customer from every unfavorable  
30 individual cost shift that comes out of the merger nor ensure each  
31 customer will benefit from only favorable cost shifts. Considering the  
32 quantitative and qualitative benefits from this proposed merger, and  
33 because Joint Applicants have appropriately timed and structured the  
34 merger filing to occur at a time when the net cost shifts result in relatively  
35 small increases to some customers and relatively small decreases to

1 other customers, we believe the overall impact from merger on customers  
2 overall is minimal.”<sup>27</sup>

3 The Joint Applicants’ analysis shows that, if the transmission zones were  
4 combined to allow a converged rate to be calculated under a single TFR,  
5 *including* the annual True-Up Adjustments to the Zonal Revenue Requirements  
6 (Zonal True-Up Adjustments) for 2016, Sunflower’s total zonal and regional  
7 charges for 2018 would decrease from \$63.42 to \$62.23 per kW-year, or by  
8 1.88%, and Mid-Kansas’ would increase from \$61.30 to \$62.23 per kW-year, or  
9 by 1.50%.<sup>28</sup> By *including* the annual Zonal True-Up Adjustments in this  
10 calculation, the Joint Applicants are combining the True-Up Adjustments with the  
11 revenue requirements and socializing the True-Up Adjustments among all Mid-  
12 Kansas and Sunflower transmission customers.<sup>29</sup> *Excluding* the annual Zonal  
13 True-Up Adjustments for 2016, thereby setting them aside to be treated  
14 separately, Sunflower’s total zonal and regional charges for 2018 would increase  
15 from \$68.65 to \$69.72 per kW-year, or by 1.55%, and Mid-Kansas’ would  
16 decrease from \$70.54 to \$69.72 per kW-year, or by 1.17%, if the transmission  
17 zones were combined to under a single TFR.<sup>30</sup> Also by excluding the annual  
18 True-Up Adjustments, Joint Applicants’ analysis estimates that KEPCo’s annual

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<sup>27</sup> Joint Applicant 12/7/2018, Supplemental Response to KEPCo 1-32, Davis Rooney, December 7, 2018, pp. 2, 3.

<sup>28</sup> *Id.*, Table 1.

<sup>29</sup> In the context of my testimony, “Mid-Kansas and Sunflower transmission customers” means wholesale transmission customers of Mid-Kansas and Sunflower, which include the members of each, as well as third-party customers like KEPCo. Thus, the impacts addressed also relate to the Joint Applicants’ members and their end-use consumers.

<sup>30</sup> Joint Applicant 12/7/2018, Supplemental Response to KEPCo 1-32, Davis Rooney, December 7, 2018, pp. 2, 3, Table 1.

1 transmission cost under the combined rate would increase by only about \$28,000  
2 (0.5%).<sup>31</sup>

3 **Q. HAVE YOU REVIEWED JOINT APPLICANTS' ANALYSIS?**

4 A. Yes, I have. While I verified the portion of Joint Applicants' analysis that is  
5 addressed in its response to KEPCo 1-16, I note this estimate relates to the rate  
6 impacts of combining zones only for the 2018 calendar year.<sup>32</sup> Given that SPP  
7 provides transmission service to customers in SPP Zones 12 and 15 that are  
8 primarily based on formula rates of transmission owners Sunflower and Mid-  
9 Kansas, respectively, the rates determined under the associated TFRs change  
10 annually.<sup>33</sup> Consequently, these formula-based transmission rates are time-  
11 dependent, and the degree that costs may shift from one group of customers to  
12 another upon consolidation of the transmission zones and corresponding rate  
13 convergence would depend on the timing of the consolidation and rate  
14 convergence process. The rates that Joint Applicants used to conduct this  
15 analysis will not be effective after the 2018 Rate Year expires.

16 **Q. ARE YOU CONCERNED ABOUT ANY COST SHIFTING THAT MAY**  
17 **RESULT FROM COMBINING THE SUNFLOWER AND MID-KANSAS ZONES?**

18 A. Yes. I have analyzed rate impacts using the same method that Mr.  
19 Rooney relied upon in responding to KEPCo 1-16, but I relied on Sunflower's and

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<sup>31</sup> *Id.*, Table 1. We note that Joint Applicants calculated the annual transmission cost impact on KEPCo as it relates to service after 2020, after KEPCo membership for two current members – Prairie Land and Victory – expires.

<sup>32</sup> Specifically, Joint Applicants' analysis is for SPP rates charged for July 2018 billing.

<sup>33</sup> Rates for transmission service in the Mid-Kansas zone also include revenue requirements for ITC Great Plains and Prairie Wind Transmission, LLC, but these components currently represent only a relatively small portion of the total zonal revenue requirements as compared to the Mid-Kansas component.

1 Mid-Kansas' 2019 Annual Updates instead of the 2018 revenue requirements  
2 and rates that the Joint Applicants used. I estimated the extent to which  
3 transmission rates under a combined zone would vary from those proposed in  
4 the 2019 Annual Updates for Sunflower and Mid-Kansas. I note that I undertook  
5 this analysis to highlight that how the annual Zonal True-Up Adjustments are  
6 treated will impact any transmission rate convergence upon consolidation of the  
7 Mid-Kansas and Sunflower zones. My analysis does not consider any impacts  
8 that the merger may have on the cost of service, such as changes in operating  
9 costs or margin allowance, as may be ultimately determined by FERC in its  
10 processes to establish transmission rates for the combined entity.

11 **Q. WHAT ARE THE RESULTS OF YOUR ANALYSIS CONCERNING**  
12 **COMBINING THE SUNFLOWER AND MID-KANSAS ZONES?**

13 A. The results of my analysis are provided in Exhibit MD-7 and show that,  
14 with convergence of the Mid-Kansas and Sunflower transmission rates under a  
15 single combined transmission zone, there would be significant shifting in cost  
16 recovery burden from Sunflower transmission customers to Mid-Kansas  
17 transmission customers, particularly if the annual Zonal True-Up Adjustments are  
18 socialized. Based on their discovery response, it appears that Joint Applicants  
19 are considering socializing the Zonal True-Up Adjustments,<sup>34</sup> which I contend

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<sup>34</sup> Joint Applicant response to KEPCo 2.5, Davis Rooney, December 11, 2018. Herein, Mr. Rooney remarks that "KEPCo mentions two options which we are considering." Yet, he further argues, "KEPCo's question about true-ups being 'designated to be credited or assessed specifically to the transmission customers who paid rates based on the Annual Projection' mischaracterizes how the TFR operates. It should be noted that the formula rate is not designed to (and does not) charge individual customers a precise amount. Projected amounts are collected based on the billing parameters that exist in that billing

1 could readily result in inequitable outcomes for transmission customers served in  
2 the separate zones before any combination may occur.

3 By combining the Mid-Kansas and Sunflower transmission zones and  
4 converging their rates into a single TFR and allowing the annual Zonal True-Up  
5 Adjustments for 2017 to be *included* in the rate determination and socialized  
6 among Mid-Kansas and Sunflower transmission customers, Sunflower's total  
7 zonal and regional charges for 2019 would decrease from \$70.28 to \$63.11 per  
8 kW-year, or by 10.2%, and Mid-Kansas' would increase from \$57.53 to \$63.11  
9 per kW-year, or by 9.7%. By contrast, combining the two transmission zones  
10 and converging their rates into a single TFR but *excluding* and not socializing the  
11 annual Zonal True-Up Adjustments for 2017 in the rate determination,  
12 Sunflower's total zonal and regional charges for 2019 would decrease from  
13 \$68.05 to \$65.69 per kW-year, or by 3.5%, and Mid-Kansas' 2019 total zonal and  
14 regional charges would increase from \$63.85 to \$65.69 per kW-year, or by  
15 2.9%.<sup>35</sup>

16 **Q. HAVE YOU ESTIMATED THE COST IMPACTS OF COMBINING THE**  
17 **SUNFLOWER AND MID-KANSAS ZONES ON KEPCo?**

18 A. Yes, by using the same analysis I discussed earlier. By combining zones  
19 under a single formula rate and *including* the annual Zonal True-Up Adjustments  
20 for 2017, as Joint Applicants are considering, I estimate that KEPCo's annual

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year. True-ups to that projected billing year are collected/refunded two years later based on the billing parameters in that subsequent billing year. The customers paying the bills in the projected year, may be completely different than the customers receiving/paying the true-up in the true-up year."

<sup>35</sup> Exhibit MD-7.

1 transmission cost for delivery points served within Mid-Kansas' and Sunflower's  
2 zones would increase in 2019 by about \$661,000 (10.7%). But by doing the  
3 same except *excluding* the annual Zonal True-Up Adjustments, I estimate that  
4 KEPCo's annual transmission cost under the combined rate would increase by  
5 about \$308,000 (4.5%) in 2019.<sup>36</sup>

6 **Q. WHY IS THERE SUCH A LARGE DIFFERENCE IN IMPACTS OF**  
7 **CONSOLIDATING THE TRANSMISSION ZONES BETWEEN THE CASES**  
8 **WITH AND WITHOUT THE ANNUAL ZONAL TRUE-UP ADJUSTMENTS?**

9 A. The difference depends on both the magnitudes of the Zonal True-Up  
10 Adjustments for each zone, and the directional effect, *i.e.*, whether the Zonal  
11 True-Up Adjustments are to correct for over- or under-collection of transmission  
12 costs. For 2017, the Sunflower Zonal True-Up Adjustment is \$920,135 (with  
13 interest),<sup>37</sup> meaning that transmission customers in Sunflower's zone were  
14 underassessed by \$920,135 (with interest) for zonal transmission service; and  
15 the Mid-Kansas Zonal True-Up Adjustment is about (\$3,349,995) (with interest),<sup>38</sup>  
16 meaning that transmission customers in Mid-Kansas' zone were over-assessed  
17 by about \$3,349,995 (with interest) for zonal transmission service.<sup>39</sup> If, under  
18 zonal consolidation, Sunflower and Mid-Kansas were allowed to combine the  
19 annual Zonal True-Up Adjustments by simply summing them, transmission

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<sup>36</sup> *Id.* By "excluding" the True-Up Adjustment, I am suggesting that the True-Up Adjustments for Mid-Kansas and Sunflower should be removed from the rate convergence calculation. However, those true-up adjustments should be applied as assessments or refunds as addressed later in my prefiled direct testimony.

<sup>37</sup> Sunflower Electric Power Corporation, 2019 Annual Update, p. 41, l. 3 and p. 60, l. 38.

<sup>38</sup> Mid-Kansas Electric Company, 2019 Annual Update, p. 43, l. 20 and p. 57, l. 38.

<sup>39</sup> Note that the Mid-Kansas True-Up Adjustment included corrections and associated interest for actual 2014 and 2015 costs also.

1 customers in both zones would be provided an adjustment to their rates that  
2 would reflect a net credit<sup>40</sup> of roughly \$2,430,000 for transmission service during  
3 2017, regardless of where their load was located. Yet if the zones were not  
4 consolidated, those served in Mid-Kansas' zone would receive credits based on  
5 roughly \$3,350,000 in overcharges due to over-projected ATRRs in 2017 and  
6 prior years,<sup>41</sup> and those served in Sunflower's zone would be assessed about  
7 \$920,000 for undercharges due to an under-projected ATRR in 2017. Under  
8 either scenario, Joint Applicants would receive the same compensation, and so  
9 perhaps they are indifferent. But under a combined ATRR that includes a  
10 combined annual True-Up Adjustment, Mid-Kansas transmission customers  
11 would effectively subsidize Sunflower transmission customers by paying off their  
12 \$920,135 assessment and sharing the remaining \$2,429,860 of their refunds with  
13 Sunflower transmission customers in proportion to their contribution to the total  
14 12-month coincident peak demand for the prior year. This example  
15 demonstrates the significant potential for cost-shifting, which I believe would be  
16 inequitable, unjust, and unreasonable.

17 **Q. DO YOU HAVE ANY RECOMMENDATIONS TO ADDRESS THE ISSUE**  
18 **OF SHIFTING TRANSMISSION COSTS THAT WOULD POTENTIALLY**  
19 **RESULT FROM COMBINING SUNFLOWER'S AND MID-KANSAS'**  
20 **TRANSMISSION ZONES?**

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<sup>40</sup>  $\$920,135 + (\$3,349,995) = (\$2,429,860)$

<sup>41</sup> See Footnote 39.

1     A.     Yes. I recommend a merger condition that would help to limit unjust cost  
2     shifting that may otherwise be allowed to occur if special considerations were not  
3     made for the separate True-Up Adjustments, as illustrated by the earlier  
4     example. Specifically, I recommend that the Commission condition any merger  
5     approval on Joint Applicants' agreement to file with FERC a transition method for  
6     the annual True-Up Adjustments and associated interest calculations that is  
7     based on the separate zonal constructs that exist before convergence of the  
8     TFRs of Sunflower and Mid-Kansas, and that deploys customer-specific rate  
9     adjustments and associated interest calculations for each of the Joint Applicants'  
10    wholesale transmission customers. The intent of the transition method would be  
11    to equitably direct refunds and associated interest to wholesale transmission  
12    customers that would otherwise overcompensate either Joint Applicant for over-  
13    projected zonal transmission charges, and direct collections and associated  
14    interest to wholesale transmission customers that would otherwise  
15    undercompensate either Joint Applicant for under-projected zonal transmission  
16    charges, with the transition method to address all True-Up Adjustments and  
17    corrections for the period of transmission service up until the effectuation of a  
18    combined transmission zone.

19    **Q.     DO YOU BELIEVE THAT SUCH A REQUIREMENT WOULD BE**  
20    **UNDULY BURDENSOME TO JOINT APPLICANTS?**

21    A.     No. The requirement I recommend would essentially require that, for  
22    transmission service before zonal consolidation, Sunflower direct refunds with  
23    interest for any zonal over-collections to each wholesale transmission customer

1 that overpays as determined from the annual True-Up Adjustments and  
2 associated corrections for each separate zone, and direct assessments with  
3 interest for any zonal under-collections to each wholesale transmission customer  
4 that underpays as determined from the annual True-Up Adjustments and  
5 associated corrections for each separate zone. This would effectively restore  
6 wholesale customers for transmission service for the rates that were charged  
7 under separate transmission zones before zonal consolidation based upon the  
8 difference between the actual ATRRs and the projected ATRRs. Because the  
9 rate involves wholesale transmission service, the number of customers taking  
10 service should be relatively much smaller than for retail customers.

11 **Q. WOULD THERE BE A LIMIT TO THE PERIOD OVER WHICH THE**  
12 **TRUE-UP ADJUSTMENTS SHOULD BE MADE BY SEPARATE ZONES?**

13 A. Yes. The applicable period for the transition method for the annual True-  
14 Up Adjustments and associated interest calculations that is based on the  
15 separate zonal constructs should be limited to the entire service period before  
16 the effective date for the approval of combined zones and converged  
17 transmission rates. But I note that Joint Applicants have asserted that the matter  
18 is merely a transition issue affecting only 2020 and 2021.<sup>42</sup>

19 **Q. DO YOU AGREE WITH JOINT APPLICANTS' CHARACTERIZATION?**

20 A. No. The True-Up Adjustments sometimes include corrections for errors  
21 made in revenue requirements calculations for prior years other than the year

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<sup>42</sup> Joint Applicant response to KEPCo 2.6, Davis Rooney, December 11, 2018.

1 concerning the annual True-Up Adjustment. For example, the True-Up  
2 Adjustment for 2017 to be applied in the Mid-Kansas 2019 Annual Update  
3 included additional refunds, plus interest, for overcollections in 2014 and 2015  
4 due to the use of an incorrect Transmission Plant Allocator in the determination  
5 of the actual revenue requirements in those years. As I understand, an  
6 additional refund of approximately \$975,000 with interest was applied to the  
7 Zonal Revenue Requirements in 2019.<sup>43</sup> If Mid-Kansas' transmission customers  
8 were over-assessed for transmission costs in a prior year due to a mistake in the  
9 rate calculations, it would be appropriate to direct the resulting refunds to Mid-  
10 Kansas customers rather than to socialize them to all customers in the combined  
11 transmission zone.

12 **Q. IF THE COMMISSION NO LONGER HAS RATE JURISDICTION OVER**  
13 **THE TRANSMISSION SERVICES OF SUNFLOWER OR MID-KANSAS, HOW**  
14 **MAY THE COMMISSION EXERT ITS AUTHORITY TO PROTECT KANSAS**  
15 **CUSTOMERS CONCERNING THIS ISSUE?**

16 A. When merger applications come before the Commission, the Commission  
17 considers, among other factors, "[w]hether the proposed transaction will be  
18 beneficial on an overall basis to state and local economies and to communities in  
19 the area served by the resulting public utility operations in the state." See  
20 Commission Merger Standard (c). If the merger proposal includes plans to  
21 combine transmission zones in such a way that the rate impacts result in

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<sup>43</sup> See Exhibit MD-3, p. 11, l. 19, col. 7.

1 significant cost shifting in an unjust or unreasonable manner from one community  
2 to another, I believe that the Commission may impose conditions to limit such  
3 cost shifting or even disallow the merger. I do not believe that this issue, by  
4 itself, warrants denying Joint Applicant's proposal to merge Mid-Kansas and  
5 Sunflower, so long as the above-mentioned merger condition to address the TFR  
6 True-Up Adjustments is implemented. Otherwise, potentially significant and  
7 unreasonable cost shifting between zones may occur due to transmission rates  
8 that were based on inaccurate ATRR projections. To be clear, I am not  
9 suggesting that the Commission assert rate authority or address specific rates in  
10 this proceeding; rather, I am suggesting that the Commission consider the effect  
11 of the transaction on consumers (*i.e.*, rate impacts of the merger on the Joint  
12 Applicants' customers), which is a criterion set out in the Commission's  
13 longstanding merger standards, to determine whether any merger will promote  
14 the public interest.<sup>44</sup>

15 **Q. EARLIER, YOU REFERRED TO FIGURES IN YOUR ANALYSIS THAT**  
16 **SUGGEST A COST SHIFT COULD STILL RESULT EVEN AFTER REMOVING**  
17 **THE IMPACTS OF THE TRUE-UP ADJUSTMENTS. HOW WOULD YOU**  
18 **RECOMMEND ADDRESSING THIS ISSUE?**

19 A. Yes, excluding the annual True-Up Adjustment for 2017, by combining the  
20 transmission zones under a single TFR, I estimated that Sunflower's total zonal

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<sup>44</sup> *In the Matter of the Joint Application of Great Plains Energy, Inc. Kansas City Power & Light Company and Westar Energy, Inc. for Approval of the Acquisition of Westar Energy, Inc. by Great Plains Energy Incorporated*, Docket No. 16-KCPE-593-ACQ, *Order on Merger Standards*, August 8, 2016, ¶ 5, Commission Merger Standard (a).

1 and regional charges for 2019 would decrease from \$68.05 to \$65.69 per kW-  
2 year, or by 3.5%, and Mid-Kansas' would increase from \$63.85 to \$65.69 per  
3 kW-year, or by 2.9%.<sup>45</sup> By excluding the annual True-Up Adjustments in the  
4 combined rate calculation and treating them separately to reflect the extent to  
5 which customers were over- or undercharged based on actual costs, cost shifting  
6 can be better controlled. But the potential still exists, as reflected by the 2019  
7 transmission rates, for considerable cost shifting when combining transmission  
8 rates under zones that would not be consolidated but for the merger. It is  
9 certainly important to recognize that the time-dependent nature of formula-based  
10 rates can influence the extent to which consolidation may influence the rates for  
11 Mid-Kansas and Sunflower transmission customers over time. Any remaining  
12 cost-shifting issues could be addressed in any filing at FERC to consolidate  
13 transmission zones and converge transmission rates.

14 **Q. DO YOU RECOMMEND ANY OTHER CONDITIONS TO PROTECT**  
15 **SUNFLOWER'S AND MID-KANSAS' TRANSMISSION CUSTOMERS?**

16 A. Yes. I recommend that the Commission require Sunflower and Mid-  
17 Kansas to maintain separate books and records after merger approval, at least  
18 until the FERC approves combining the transmission zones and converging the  
19 transmission rates of each for the post-merger Sunflower. If each Joint Applicant  
20 does not maintain separate books and records until after FERC approves a  
21 combined transmission zone with converged rates, I am concerned that it would

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<sup>45</sup> Exhibit MD-7.

1 not be possible to accurately calculate the transmission rates for Sunflower and  
2 Mid-Kansas separately under the TFR of each.

3 **III. CONCERNS WITH ASSESSMENT OF TRANSMISSION LOSSES**

4 **Q. WHAT CONCERNS DO YOU HAVE ABOUT THE LOSSES ASSESSED**  
5 **IN RELATION TO MID-KANSAS AND SUNFLOWER'S TRANSMISSION**  
6 **SERVICES?**

7 A. I have two concerns. First, if Joint Applicants combine their transmission  
8 zones into one, it will be necessary to establish a loss factor that is  
9 representative of the single transmission zone. Second, if the transmission  
10 zones are not combined, Mid-Kansas should update its transmission loss factor  
11 to reflect physical transmission losses as they are incurred under normal  
12 operations today.

13 **Q. HOW ARE TRANSMISSION LOSSES DETERMINED CURRENTLY?**

14 A. Under the SPP Tariff, transmission loss rates for each of the SPP  
15 transmission zones are specified.<sup>46</sup> Approval of these rates generally requires  
16 the transmission owner to conduct a study to justify the rate at which the owner's  
17 transmission system or zone incurs physical electrical losses through its normal  
18 operations. Recognition of these physical losses is important to enable service  
19 providers to be properly compensated for the cost associated with providing

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<sup>46</sup> SPP Tariff, Attachment M, Appendix 1. *See* Exhibit MD-8.

1 electrical energy and demand to customers. On the other hand, the transmission  
2 owner has an obligation to ensure that its system is operated efficiently, and that  
3 known losses of energy and demand are prudently and economically managed.

4 Appendix 1 of Attachment M specifies the Demand Zonal Delivery Loss  
5 Factors for Mid-Kansas and Sunflower are 6.32% and 5.23%, respectively.<sup>47</sup>

6 This essentially means that for every megawatt (or 1,000 kW) of demand, service  
7 providers are compensated for 63.2 kW of demand delivered over Mid-Kansas'  
8 transmission system and for 52.3 kW of demand over Sunflower's transmission  
9 system. The Delivery Loss Factors for the Mid-Kansas and Sunflower zones are  
10 the two largest among the 19 SPP Zones, meaning these systems are the two  
11 least efficient in the entire SPP region, because customers pay for more energy  
12 and demand to serve their loads in these zones per unit of energy and demand  
13 delivered than for any other zones in the SPP region. For comparison, the  
14 Delivery Loss Factors for the other SPP transmission zones in Kansas – Kansas  
15 City Power & Light Company (SPP Zone 6), The Empire District Electric  
16 Company (Zone 4), Westar Energy (i.e., Kansas Gas and Electric and Westar  
17 Energy) (Zone 14), and Midwest Energy (Zone 8), are 1.90%, 2.7855%, 3.07%,  
18 and 4.4496%, respectively.

19 **Q. ARE THESE TRANSMISSION LOSS RATES REASONABLE?**

20 A. I recognize that transmission system losses increase as the distance over  
21 which electricity is transmitted from source to load increases, and that rural

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<sup>47</sup> *Id.*

1 territories such as western Kansas have less load density per square mile than  
2 many others. But to ensure the reasonableness of a loss factor or rate, losses  
3 should be determined periodically by either measuring them or performing a  
4 system losses study to reasonably calculate them.

5 **Q. HAVE EITHER OF THE JOINT APPLICANTS CONDUCTED A RECENT**  
6 **LOSSES STUDY FOR THEIR TRANSMISSION SYSTEM?**

7 A. The losses rate for Mid-Kansas specified in the SPP Tariff has been in  
8 effect for an extensive period. Mid-Kansas' transmission loss factor has been  
9 6.32% at least since January 14, 2010 – nearly nine years ago. I understand that  
10 Sunflower's transmission loss factor was updated more recently, though I am not  
11 aware of the specific date on which that occurred.

12 **Q. DO YOU HAVE REASON TO BELIEVE THAT THE ACTUAL LOSSES**  
13 **RATE FOR SUNFLOWER'S OR MID-KANSAS' TRANSMISSION SYSTEM**  
14 **HAS CHANGED?**

15 A. Yes. Sunflower and Mid-Kansas has each invested in projects to enhance  
16 their transmission system, including additional facilities that would likely allow  
17 each system to operate more efficiently and reduce transmission losses.

18 According to Mid-Kansas' 2013 True-Up Adjustment to its TFR, Mid-  
19 Kansas had \$80,933,162 in net transmission plant in service in 2013.<sup>48</sup>  
20 According to Mid-Kansas' 2019 Annual Update to TFR, Mid-Kansas had  
21 \$203,174,898 in net transmission plant in service in 2017, and projects net

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<sup>48</sup> Mid-Kansas Electric Company 2013 True-Up Adjustment, May 30, 2014, p. 4, l. 27.

1 transmission plant of \$260,768,729 for 2019.<sup>49</sup> Thus, since 2013, Mid-Kansas  
2 had increased its net investment in transmission plant by 151% by 2017, and  
3 projects to increase it by 222% by 2019. In other words, by next year, Mid-  
4 Kansas' net transmission plant is projected to have more than tripled in the most  
5 recent six years.

6 According to Sunflower's 2014 True-Up Adjustment to its TFR, Sunflower  
7 had \$49,409,755 in net transmission plant in service in 2014.<sup>50</sup> According to  
8 Sunflower's 2019 Annual Update to TFR, Sunflower had \$51,264,184 in net  
9 transmission plant in service in 2017, and projects net transmission plant of  
10 \$98,063,867 for 2019.<sup>51</sup> So, since 2014, Sunflower had increased its net  
11 investment in transmission plant by just 4% by 2017, but projects to increase it by  
12 98% by 2019. In other words, by next year, Sunflower's net transmission plant is  
13 projected to have nearly doubled in the most recent five years.

14 In addition, changes in loads and interconnected generating plant, such as  
15 considerable investments and construction in wind generators, operating in each  
16 zone have likely influenced the amount of transmission system losses.

17 **Q. WOULD THE PROCESS OF CONSOLIDATING THE SUNFLOWER AND**  
18 **MID-KANSAS TRANSMISSION ZONES INTO ONE IMPACT THE LOSSES?**

19 **A.** I do not believe the act of consolidating the transmission zones, by itself,  
20 would impact the physical transmission losses. But if the transmission zones are

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<sup>49</sup> Mid-Kansas Electric Company 2019 Annual Update, p. 5, l. 27 and p. 58, l. 26. See Exhibit MD-3.

<sup>50</sup> Sunflower Electric Power Corporation 2014 Errata True-Up Adjustment, June 16, 2015, p. 4, l. 27.

<sup>51</sup> Sunflower Electric Power Corporation 2019 Annual Update, p. 5, l. 27 and p. 61, l. 26. See Exhibit MD-5.

1 to be consolidated, it would be reasonable to expect that Joint Applicants should  
2 be required to determine a Demand Zonal Delivery Loss Factor for the combined  
3 system that represents losses for the combined system. Further, this  
4 determination should be updated to accurately reflect losses as they would be  
5 incurred in the combined zone under normal operations today.

6 **Q. WHAT DO YOU RECOMMEND REGARDING THE TREATMENT OF**  
7 **LOSSES FOR SUNFLOWER'S OR MID-KANSAS' TRANSMISSION SYSTEM?**

8 A. I recommend that, as a condition for merger approval, Joint Applicants  
9 agree to conduct a transmission system losses study for the combined  
10 transmission zone to be established under the SPP Tariff in which Joint  
11 Applicants' transmission facilities are located and to coordinate with SPP to file  
12 for the necessary FERC approvals to update the transmission system losses for  
13 the combined system concurrent with their filing to combine transmission zones  
14 in the corresponding open access transmission tariff(s) (OATT). Additionally, if  
15 Joint Applicants do not coordinate with SPP to make a filing to combine the  
16 Sunflower and Mid-Kansas transmission zones within 12 months of any merger  
17 approval, I recommend as a condition of merger approval that Joint Applicants  
18 agree to conduct a transmission losses study and to coordinate with SPP to file  
19 for the necessary FERC approvals to update the transmission system losses for  
20 the Mid-Kansas transmission zone in the corresponding OATT(s).

21 **Q. DOES THIS CONCLUDE YOUR PRE-FILED DIRECT TESTIMONY?**

22 A. Yes.

VERIFICATION

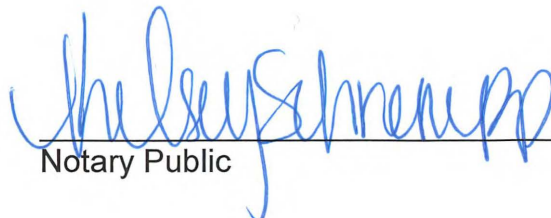
STATE OF KANSAS                    )  
  )    SS:  
COUNTY OF SHAWNEE            )

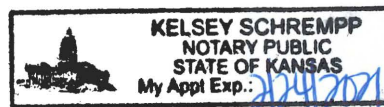
Mark F. Doljac, of lawful age, being first duly sworn upon his oath states:

That he is the Executive Director, Regulatory Affairs and Planning for the Kansas Electric Power Cooperative, Inc. (KEPCo) in this matter; that he has read and is familiar with the foregoing document, and that he believes that the statements made therein are true and correct to the best of his information, knowledge, and belief.

  
Mark F. Doljac

SUBSCRIBED AND SWORN to before me this 4th day of January, 2019.

  
Notary Public



## CERTIFICATE OF SERVICE

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing was served by electronic mail, this 4th day of January, 2019, to the following:

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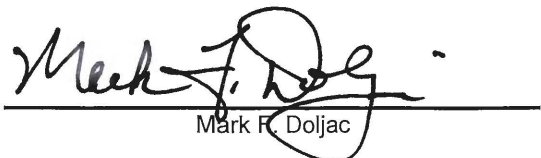
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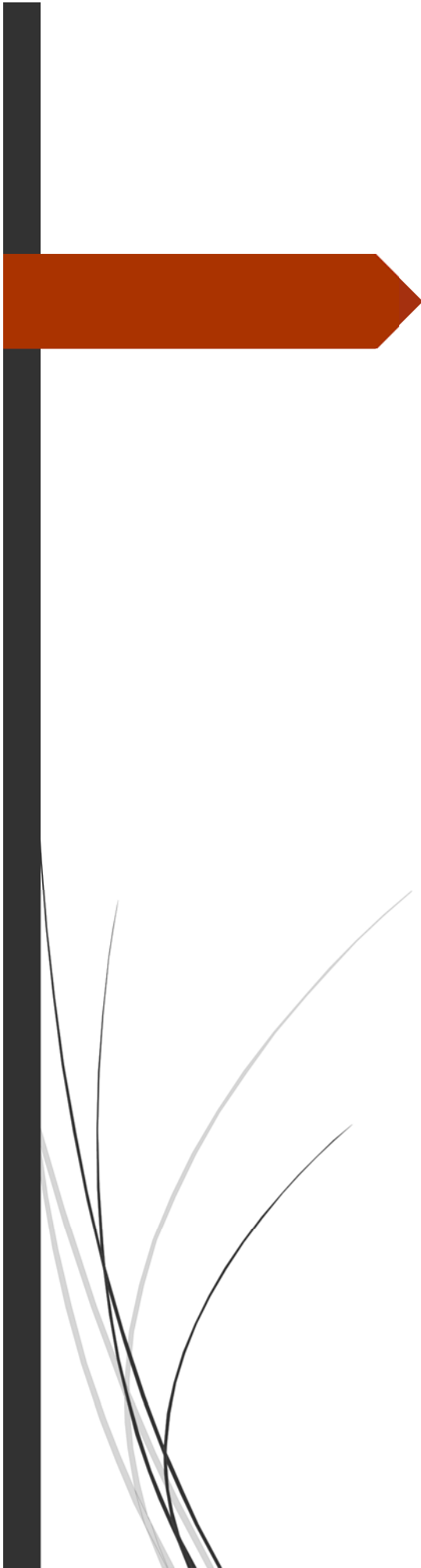
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Mark F. Doljac



# Exhibit MD-1

## Merger Conditions

### Sponsored in Doljac

### Testimony

Mark F. Doljac

KANSAS ELECTRIC POWER COOPERATIVE, INC.



**Merger Conditions**  
**Sponsored in Direct Testimony of Mark F. Doljac**

Condition Number	Merger Condition
11	Joint Applicants shall agree to file with FERC a transition method for the Annual True-Up Adjustments and associated interest calculations that is based on the separate zonal constructs that existed prior to convergence of the transmission formula rates, and that deploys transmission customer-specific rate adjustments and associated interest calculations. The transition method would (1) equitably direct refunds and associated interest to wholesale transmission customers that would otherwise overcompensate either Joint Applicant for overprojected zonal transmission charges under a socialized true-up approach, and (2) direct collections and associated interest due to wholesale transmission customers that would otherwise undercompensate either Joint Applicant for underprojected zonal transmission charges. The transition method would address all True-Up Adjustments and corrections for the period of transmission service up until the effectuation of a combined transmission zone. Such proposal will be filed with its proposal to merge the transmission formula rate.
13	Joint Applicants shall agree to conduct a transmission system losses study for the combined transmission zone to be established under the SPP Tariff in which Joint Applicants' transmission facilities are located and to coordinate with SPP to file for the necessary FERC approvals to update the transmission system losses for the combined system concurrent with their filing to combine transmission zones in the corresponding open access transmission tariff(s) (OATT). Additionally, if Joint Applicants do not coordinate with SPP to make a filing to combine the Sunflower and Mid-Kansas transmission zones within 12 months of any merger approval, Joint Applicants shall agree to conduct a transmission losses study and to coordinate with SPP to file for the necessary FERC approvals to update the transmission system losses for the Mid-Kansas transmission zone in the corresponding OATT(s).
14	Joint Applicants shall agree that Sunflower and Mid-Kansas shall maintain separate books until the effective date for any FERC approval to combine Sunflower and Mid-Kansas transmission zones.



## Exhibit MD-2

# Attachment H to SPP Tariff, Addendum 19, Mid-Kansas Formula Rate Implementation Protocols

Mark F. Doljac

KANSAS ELECTRIC POWER COOPERATIVE, INC.



## FORMULA RATE IMPLEMENTATION PROTOCOLS

### A. DEFINITIONS

1. "Annual Report" means the Electric Cooperative Utility Annual Report, or any substitute therefor, applicable to MKEC and filed with the KCC.
2. "Annual Review Procedures" are as set forth in Section D.
3. "Annual Transmission Revenue Requirement" (ATRR) means the net annual transmission revenue requirement calculated in accordance with the Formula Based Rate.
4. "Annual Update" means the calculation and publication of the projected ATRR and associated charges to be applicable for the upcoming Rate year, as determined pursuant to Section C.
5. "Acquisition Premium Amortization" means the amount currently reflected in KCC Annual Report Page 46, Account 425 (annual amortization) that relates to the amount reported on Page 11, Line 16, Account 399 regarding the purchase of assets approved by the Commission in Docket No. 06-MKEE-524-ACQ.
6. "Business Day" means any day other than a Saturday, Sunday or day on which the KCC is not open for business.
7. "Compliance Docket" means the KCC proceeding for the administration of True-Ups and Annual Updates under the FBR.
8. "Customer Meeting" shall mean a meeting convened by Mid-Kansas at the offices of the KCC in Topeka, KS, for Zonal Transmission Customers and KCC staff, as well as any other Interested Party that wishes to attend, as is more fully described in Section D.1. Such meeting shall include, at Mid-Kansas' option, video conferencing, a webinar or an internet conference.
9. "FERC" means the Federal Energy Regulatory Commission or its successor.
10. "File" shall mean file in the Compliance Docket.
11. "Filing Date" is defined in Section C.3.e.
12. "Formal Challenge" means a dispute regarding an aspect of the Annual Update or Annual True-Up that is raised with the KCC by an Interested Party pursuant to these Protocols, and served on Mid-Kansas by electronic service on the date of such filing, all as more fully described in Section E.1.
13. "Formula" means the rate formula template and associated attachments of Mid-Kansas incorporated in Attachment H, Appendix A of the Mid-Kansas Tariff, as initially approved by the KCC in Docket No. 12-MKEE-650-TAR and in effect from time to time.
14. "Formula Based Rate" (FBR) means the Formula and the Protocols.
15. "FBR Rate" means the charges applicable in a given Rate Year as calculated pursuant to the FBR.
16. "Informal Challenge" means a challenge regarding an Issue that is provided to Mid-Kansas in writing, including by electronic means.
17. "Interest" means interest computed consistent with the FERC rules in 18 C.F.R. § 35.19a, as in effect from time to time.
18. "Interested Party" means a Zonal Transmission Customer, the staff of the KCC, or any entity that has standing in a KCC proceeding to investigate the rates, terms or conditions of the FBR.
19. "Issue" means a question raised by an Interested Party with respect to an Annual Update or True-Up Adjustment. A challenge to the FBR itself is not an Issue.

20. "ITC" means ITC Great Plains, LLC.
21. "ITC Agreement" means either of that certain Co-Development Agreement by and between ITC and Mid-Kansas, dated as of August 22, 2008, or that certain Phase II Co-Development Agreement by and between ITC and Mid-Kansas, dated as of February 22, 2012, as each is in effect from time to time.
22. "ITC Maintenance Retainer" means any ITC Payment designated as a "Maintenance Retainer" under the applicable provisions of an ITC Agreement.
23. "ITC Payment" means any payment made by ITC to Mid-Kansas on or after January 1, 2013, pursuant to an ITC Agreement.
24. "KCC" means the State of Kansas State Corporation Commission or its successor.
25. "Mid-Kansas" means Mid-Kansas Electric Company, LLC.
26. "Mid-Kansas Tariff" means the Mid-Kansas Open Access Transmission Tariff as filed with the KCC and as in effect from time to time.
27. "NERC" means the North American Electric Reliability Corporation.
28. "NERC Standards" means the reliability and critical infrastructure protection standards promulgated in accordance with Section 1211 of the Energy Policy Act of 2005, Section 215 of the Federal Power Act, 16 U.S.C. 824o, as in effect from time to time.
29. "Network Integration Transmission Service" (NITS) is, for purposes of the FBR, as defined in the SPP Tariff.
30. "Post" shall mean posting information in an accessible place on the SPP OASIS website.
31. "Protocols" means these Protocols, to be included in Attachment H, Appendix B of the Mid-Kansas Tariff, as initially approved by the KCC in Docket No. 12-MKEE-650-TAR and in effect from time to time.
32. "Rate Year" means January 1<sup>st</sup> through December 31<sup>st</sup> of a given year.
33. "RTO Adder" means the incentive adder for membership in SPP, all as described in Note B on Sheet A-9 (Act Incentive Projects) in the Formula.
34. "SPP" means the Southwest Power Pool, Inc.
35. "SPP Tariff" means the Southwest Power Pool Open Access Transmission Tariff as filed with the FERC and in effect from time to time.
36. "Staff" means the Staff of the KCC.
37. "Transmission Rate Incentive" (TRI) is as described in C.3.e.
38. "True-Up Adjustment" means the adjustment calculated in accordance with the Formula and these Protocols to reflect any under-collection or over-collection of ATRR in a given Rate Year, plus Interest, as more specifically provided in Section D.
39. "Zonal Transmission Customers" means any person that is or has applied to become an SPP transmission customer whose service is all or partly in the Mid-Kansas Zone.

## B. INITIAL FORMULA BASED RATE

### 1. Calculation of 2012 ATRR

The FBR shall be as initially determined using 2010 historical data and 2012 projection, as filed with and approved by the KCC in Docket No. 12-MKEE-650-TAR; provided, however, that no FBR Rate shall be charged to customers using the 2012 ATRR.

2. Initial FBR Rate - Implementation for 2013

- a. No later than September 24, 2012, Mid-Kansas shall serve on all parties in Docket No. 12-MKEE-650-TAR and any other person that is or has applied to become a Zonal Transmission Customer, the actual ATRR for 2011 and the projected ATRR for 2013.
- b. The procedures set forth in Section C., Annual Update, shall apply, except that the service in Section B.2.a. shall be in lieu of Posting and Filing as required in Section C.3.a.; provided, however, that the ATRR shall be adjusted to conform to the FBR as approved in the KCC's final order in Docket No. 12-MKEE-650-TAR. Mid-Kansas shall file its updated ATRR, Formula template, if any, and any required changes to these Protocols, as a compliance filing in that docket, within ten (10) days of issuance of the KCC's order.
- c. Nothing in these Protocols shall affect the right of any person, under law, to seek review of the KCC's order in Docket No. 12-MKEE-650-TAR.

**C. ANNUAL UPDATE**

1. Annual Transmission Revenue Requirement (ATRR)

Mid-Kansas will follow the instructions specified in the Formula and these Protocols to calculate annually its ATRR, to be applicable to:

- a. NITS for the Mid-Kansas zone.
- b. Rates for point-to-point transmission service.
- c. Rates for services as set forth in Schedule 1 of the Mid-Kansas Tariff.
- d. ATRR associated with transmission upgrade projects having cost recovery under Schedule 11 of the SPP Tariff.
- e. NITS and point-to-point transmission service associated with Mid-Kansas facilities constructed in another SPP zone.

2. FBR Rate to be Annual

The initial FBR Rate and the FBR Rate to be charged to customers the 2013 Rate Year shall be as determined in Section B. The FBR Rate shall be as determined in this Section C for each subsequent Rate Year, subject to review, challenge and refunds or surcharges with interest, as provided herein.

3. Rate Years

Each year, Mid-Kansas shall:

- a. By September 24 (or the next Business Day if September 24 is not a Business Day) calculate and Post and File the ATRR for the next Rate Year, all in accordance with the procedures and calculations set forth in the FBR. The FBR specifies in detail the manner in which:
  - i. The most recent Annual Report data shall be used as inputs and the limited projections of transmission plant and associated transmission depreciation expense, transmission O&M expense, A&G expense, revenue credits, and load will be forecast for the next Rate Year in the Annual Update; and
  - ii. Any True-Up Adjustment for the prior Rate Year shall be incorporated into the Annual Update for the next Rate Year;

- b. Calculate Interest on any over-recovery or under-recovery of the net revenue requirements in accordance with the Formula true-up worksheet (Worksheet TU (True-Up));
- c. Calculate the True-Up Adjustment for a given Rate Year and File and Post it by June 1 (or the next Business Day if June 1 is not a Business Day) of the year following that Rate Year, in accordance with the FBR, which adjustment will be reflected in the next Annual Update. The True-Up Adjustment shall include a Formula template with the actual data for the prior Rate Year compared to the previously projected data for the same period;
- d. Calculate the ATRR values and associated rates for the next Rate Year, which shall be the Annual Update for such Rate Year plus or minus the True-Up Adjustment from the previous Rate Year;
- e. Post and File such Annual Update (each September 24) and True-Up Adjustment (each June 1), as well as a populated Formula template in fully functional spreadsheets showing the calculation of such Annual Update and True-Up Adjustment with documentation supporting such calculation as provided below, and, with respect to the Annual Update, information supporting the limited projections described above, which information shall include, but is not limited to, (A) the following information for all transmission facilities included in the expected plant additions: (i) expected date of completion; (ii) percent completion status as of the date of the Annual Update; (iii) a one-line diagram of facilities exceeding \$5 million in cost; (iv) the total installed cost of the facility; (v) the reason for the facility addition; (vi) upgrade costs paid by a generator or paid by a transmission customer directly to Mid-Kansas; (vii) if the facilities are a Third Party Project, the zone in which the facilities are located, a description of the reason Mid-Kansas is constructing the facilities outside of its zone, and status of Mid-Kansas' compliance with applicable provisions of K.S.A. § 66-131; (viii) to the extent a TRI adder is included for specific facilities, a cite to the FERC or KCC docket number in which such adder has been approved for the utility with which Mid-Kansas is a co-owner or is otherwise similarly situated and a complete description of Mid-Kansas' basis for concluding that it is likewise entitled to the incentive; (B) to the extent that payment of a fine or penalty for violation or alleged violation of NERC Standards has been made on or after January 1, 2013 and the amount is included in the Formula, a description of the violation, the enforcement proceeding, and the basis for seeking recovery of such violation in rates; and (C) to the extent there is an ITC Payment, date of receipt of such Payment, confirmation that it is being booked as non-operating income in the year received unless it is an ITC Maintenance Retainer, in which case, if not booked in the year received, confirmation that the input is being amortized over three years. The applicable date of such Posting and Filing is referred to herein as the Filing Date.
- f. On the Filing Date, notify Zonal Transmission Customers, by e-mail using the most recent e-mail addresses provided to Mid-Kansas, of the website addresses of the Annual Update and True-Up Adjustment Postings and Filings, as applicable;
- g. Respond within seven (7) Business Days to reasonable information requests submitted by Staff, and within ten (10) Business Days to reasonable information requests submitted by Interested Parties for information and work papers supporting the Annual Update. Any such information request shall be limited to that which is appropriate to determine if Mid-Kansas has properly calculated the Annual Update or True-Up Adjustment and whether the costs included in the Annual Update or True-Up Adjustment are appropriately recovered under the terms of the FBR and the FBR has been applied according to its terms; and will be governed by a Discovery Order and Protective Order issued by the KCC in the Compliance Docket;
- h. With respect to the Annual Update, provide at least thirty (30) days advance notice of a Customer Meeting to Zonal Transmission Customers and KCC-designated staff members, via e-mail to the most recent e-mail addresses provided to Mid-Kansas (all references herein to days

shall be calendar days unless specified otherwise). Such Customer Meeting shall be held no sooner than ten (10) days after the Filing Date of the Annual Update and no later than October 16 each year, to explain and answer questions regarding the Annual Update for the next calendar year. Any Interested Party may raise an Informal Challenge at any time. Mid-Kansas shall modify the Annual Update to reflect any changes that it and the participating Interested Parties all agree upon by no later than November 20 and shall cause the revised Annual Update to be Posted and Filed in the same manner as the original Annual Update. Any Issue not agreed to may be raised as a Formal Challenge and resolved as provided in Section E.

4. Prior Year True-Up Adjustment

The True-Up Adjustment for the prior Rate Year shall:

- a. Be Filed, as discussed above in Section C.3.e.;
- b. Be based upon Mid-Kansas' Annual Report for that Rate Year and upon the books and records of Mid-Kansas (Mid-Kansas' Annual Report, books, and records all to be maintained consistently with the FERC Uniform System of Accounts (USoA) and FERC accounting policies and practices);
- c. Be calculated pro rata based on the months during the Rate Year when the ATRR was in effect by multiplying the Annual True-Up Adjustment by the number of months that the ATRR was in effect divided by 12;
- d. Include a variance analysis of, at minimum, actual revenue requirement components of rate base, operating and maintenance expenses, depreciation expense, taxes, return on rate base, and revenue credits as compared to the corresponding components in the projected revenue requirement that was calculated for the Rate Year with an explanation of material changes;
- e. Provide sufficiently detailed supporting documentation for data (and all adjustments thereto or allocations thereof) that are used to develop the actual ATRR for the applicable Rate Year and are not otherwise available directly from the Annual Report;
- f. Include an identification of (i) any changes in Mid-Kansas accounting policies, practices, and procedures (including changes resulting from revisions to FERC's Uniform System of Accounts and/or Annual Report reporting requirements) from those in effect during the calendar year upon which the most recent ATRR was based and that, in Mid-Kansas' reasonable judgment, could impact the Formula Rate or the calculations under the Formula Rate for Rate Years with pending True-Up Adjustments or within the next three years; (ii) any changes in the SPP Tariff from the provisions of the SPP Tariff in effect during the calendar year upon which the most recent ATRR was based and that, in Mid-Kansas' reasonable judgment, could impact the Formula Rate or the calculations under the Formula Rate for Rate Years with pending True-Up Adjustments or within the next three years; and (iii) any change, and the dollar value of the change, in the classification of any transmission facility under Attachment AI of the SPP Tariff (including the costs of any reclassified facility) that Mid-Kansas has made in the applicable True-Up Adjustment or Annual Update; and
- g. Be subject to review and challenge in accordance with the procedures set forth in these Formula Rate Implementation Protocols, and as directed and controlled by Orders of the KCC.

5. Changes to the FBR

- a. A change to the FBR inputs related to extraordinary property losses, MFI, DSC, or, depreciation rates that are used to calculate the composite rates applied in the FBR may not be made absent an appropriate Filing with and order of the KCC.

- b. Any inclusion to the FBR inputs related to the Acquisition Premium Amortization may not be made absent an appropriate Filing with and order of the KCC.
- c. No later than July 1 of the Rate Year following the Rate Year when Mid-Kansas' equity to total asset ratio reaches 15%, Mid-Kansas shall make an appropriate Filing with the KCC to retain or modify the base Margins for Interest and base Debt Service Coverage included in the Formula (see Actual Gross Rev Req, Lines 149 and 162, respectively).

6. Corrections or Modifications to Annual Report

If Mid-Kansas files any corrections or modifications to its Annual Report prior to the Filing Date of its Annual Update and such corrections or modifications would affect the True-Up Adjustment for a prior Rate Year, the True-Up Adjustment for each Rate Year(s) affected by the corrections or modifications shall be updated to reflect the corrected or modified Annual Report and the Annual Update and shall incorporate the change in such True-Up Adjustment for the next effective Rate Year(s), with Interest. Corrections or modifications to an Annual Report filed after the Filing Date of an Annual Update and not included in a revised Annual Update by November 20 shall be incorporated in the next True-Up Adjustment or Annual Update, as applicable. Mid-Kansas shall report in a timely manner to the KCC, and all parties required by KCC regulations any corrections or modifications to its Annual Report, that affect materially the past or present implementation of the Formula Rate, whether such corrections or modifications have the effect of increasing or decreasing the resulting transmission rates.

**D. ANNUAL REVIEW PROCEDURES FOR TRUE-UP ADJUSTMENT**

Each True-Up Adjustment for the prior Rate Year shall be subject to the following review procedures (Annual Review Procedures) (if any of the dates provided for herein do not fall on a Business Day, then the due date shall be the first Business Day thereafter):

1. Each year, Mid-Kansas will, with at least thirty (30) days' notice, convene a Customer Meeting no sooner than ten (10) days after the Filing Date of the True-Up Adjustment and no later than July 8 to discuss the True-Up Adjustment.
2. Interested Parties may begin submitting information requests immediately following the Filing Date of the True-Up Adjustment and will have until October 13 (one-hundred thirty-five (135) days after June 1) or the next Business Day if October 13 is not a Business Day, to serve reasonable information requests on Mid-Kansas for information and work papers supporting the True-Up Adjustment for the prior Rate Year. Such information requests shall be limited to that which is appropriate to determine if Mid-Kansas has properly calculated the True-Up Adjustment under review (including any corrections pursuant to Section C.6) and whether the costs included in the True-Up Adjustment are properly recorded, prudently incurred, and appropriately recovered under the terms of the Formula Based Rate and the Formula Based Rate has been applied according to its terms. Such information requests will be governed by a Discovery Order and Protective Order issued by the KCC in the Compliance Docket.
3. Mid-Kansas shall respond within seven (7) Business Days to reasonable information requests submitted by Staff, and within ten (10) Business Days to reasonable information requests submitted by Interested Parties for information and work papers supporting the True-Up Adjustment. To the extent Mid-Kansas and any interested party(ies) are unable to resolve disputes related to information requests submitted in accordance with these Formula Rate Implementation Protocols, Mid-Kansas or any Interested Party may petition the KCC by filing a motion in the Compliance Docket.
4. Any Interested Party may notify Mid-Kansas in writing of any specific Issue(s) (Informal Challenge) regarding the True-Up Adjustment; provided that such notice must be received by Mid-Kansas the later

of (a) October 28 (one-hundred fifty (150) days after June 1) or the next Business Day, if October 28 is not a Business Day, or (b) 10 Business Days after receipt of Mid-Kansas' last response to an information request submitted by an Interested Party by October 1 and pursuant to Section D.2. above. Challenges to the FBR itself shall not be considered "Issues" for purposes of these Protocols and shall be resolved under Section F.1.

## **E. RESOLUTION OF CHALLENGES**

For each True-Up Adjustment and Annual Update:

### **1. Formal Challenges**

- a. If Mid-Kansas and any Interested Party(ies) are unable to resolve all Issues within ninety (90) days after an Informal Challenge of an Annual True-Up is made, or before November 20 with respect to an Annual Update, the Interested Party(ies) may File a motion challenging the True-Up Adjustment or Annual Update (Formal Challenge). All information produced pursuant to these Protocols may be included in any Formal Challenge, or in any other proceeding concerning the Formula Rate initiated at the KCC.
- b. If any Interested Party raises an Issue with respect to the recovery of NERC fines or penalties actually paid or the applicability of a TRI to a Special Project, and the participating Interested Parties have not resolved the Issue by November 20 such amount shall not be included in the Annual Update. If no Formal Challenge has been Filed by the next May 1, Mid-Kansas may include the amount in the True-Up Adjustment, with Interest; provided, however, that if an Interested Party Files a Formal Challenge of the Issue, Mid-Kansas shall not include such item in the Annual True-Up until the matter is finally resolved by the KCC, at which point, Mid-Kansas shall be entitled to include any amounts so approved by the KCC, with Interest, in the next Annual True-Up or as otherwise ordered by the KCC.

### **2. Confidentiality**

Mid-Kansas may designate any response to an information request as confidential if the information conveyed meets the definition of confidential information, as provided in the applicable statutes, rules and regulations of the KCC, and as governed by the KCC's Protective Order issued in the Compliance Docket. Interested Parties' representatives shall treat such response as confidential in connection with any of the proceedings discussed in this section; provided, however, that when so used, such response shall initially be Filed under seal (unless the claim of confidentiality is waived by Mid-Kansas), subject to a later determination by the KCC that the material is, in whole or in part, not entitled to confidential treatment.

### **3. Applicable Burden of Proof**

In any proceeding ordered by the KCC in response to a Formal Challenge, parties will bear the burden of proof in accordance with applicable KCC precedent as it may be modified by KCC.

### **4. Refunds**

Any refunds or surcharges resulting from a Formal Challenge shall be calculated, with Interest, from the effective date of the challenged True-Up Adjustment or Annual Update, and shall be reflected in the True-Up Adjustment and Annual Update for the next Rate Year.

### **5. Errors**

In the event that Mid-Kansas identifies an error in a True-Up Adjustment (or an Annual Report that is used as an input to the Formula Rate), or is required by applicable law or a court or regulatory body to correct an error, Mid-Kansas shall correct such error in good faith and without regard to whether the correction increases or decreases Mid-Kansas' revenue requirements as directed by the KCC. Any such correction will be implemented in the True-Up Adjustment and Annual Update for the next Rate Year, with Interest as described in Section C.3.b. above. Nothing in these Protocols should or may be construed as preventing an Interested Party from contesting such correction.

## **F. MISCELLANEOUS**

1. Nothing in these Protocols limits or deprives Mid-Kansas, the KCC or any Interested Party of any rights it may otherwise have under any applicable provision of applicable law. The provisions of these Protocols addressing review and challenge of the True-Up Adjustment or Annual Update are not intended to nor shall be construed as limiting Mid-Kansas', KCC's or any party's rights under any applicable provision of applicable law.



## Exhibit MD-3

Selected Pages from  
Revised 2019 Annual  
Update to the Mid-  
Kansas Transmission  
Formula Rate, Docket  
No. 13-MKEE-360-TFR,  
October 10, 2018



Mark F. Doljac

KANSAS ELECTRIC POWER COOPERATIVE, INC.





October 10, 2018

Via Email

Lynn Retz  
Secretary to the Commission  
Kansas Corporation Commission  
1500 SW Arrowhead Road  
Topeka, Kansas 66604

Re: Docket No. 13-MKEE-360-TFR

Dear Ms. Retz:

Mid-Kansas Electric Company, Inc. ("Mid-Kansas") submits its revised formula rate templates in the above-referenced docket. The populated formula rate template will replace the annual update filing made on September 20, 2018 and uses 2017 actual data to project the transmission revenue requirement for the 2019 rate year. Mid-Kansas staff recently noticed that the base plan transmission plant allocator correction was not being refunded properly to each of the projects listed on the RTO Summary tab of the template. This change results in no changes to the revenue requirements calculated in the September 20th filing.

This filing is being made pursuant to the Protocols contained in Mid-Kansas' Open Access Transmission Tariff ("OATT"), Attachment H, Appendix B, Section C(3) as approved by the Kansas Corporation Commission on October 31, 2012, In Docket No. 12-MKEE-650-TAR.

Per the Mid-Kansas OATT Protocols, this revised filing will be used as a mechanism to calculate Mid-Kansas' 2019 transmission rates and will replace previous filings.

Thank you for your assistance and please feel free to contact me with any questions or concerns.

Sincerely,

James Brungardt  
Manager, Regulatory Relations  
Phone: 785-623-6638

Encl. 1

Mid-Kansas Electric Company, LLC (MKEC)  
Rate Formula Template  
Table of Contents

Rate Year	2019
Historic Year	2017
Total Pages	78

Overview

The formula is calculated in two steps. The first step is to fill out Tabs A-1 thru A-11, and the Actual Gross Rev Req tab with data from the previous year's KCC Annual Report. This data input results in the calculation of the actual annual transmission revenue requirement (Actual ATRR) for the previous year, as shown in the Actual Net Rev Req tab. The results of this calculation are presented to the customers for review no later than June 1 each year.

The TU (True-up) tab uses the Actual ATRR from the Actual Net Rev Req tab and compares it to the Projected ATRR (without the True-up for a prior year) that customers were billed for the same period. Interest is added to the difference and the adjusted true-up then is included in the Projected Net Rev Req tab.

The projected O&M and plant balances are calculated in Tabs P-1 thru P-5. These sheets feed into the Projected Gross Rev Req tab and ultimately into the Projected Net Rev Req tab. The RTO Projects Smry tab retrieves project specific data from other tabs to calculate the amount of revenue requirements associated with those projects which are contained in the total Projected Gross Revenue Requirement amount. The Spon Projects Smry tab does the same process for Sponsored projects. The total revenue requirements for these two groups of upgrades and revenue credits are subtracted from the MKEC total revenue requirement to obtain the Zonal ATRR (line 20, before true-up). This calculation is shown on the Projected Net Rev Req tab. This tab also calculates the point-to-point zonal rates. SPP rates are set on the trued up Base Plan Net Revenue Requirements, Balanced Portfolio Net Revenue Requirements, and ITP/Priority Projects Net Revenue Requirements as well as the trued up Zonal Net Revenue Requirements. The specific charges are defined under the SPP Open Access Transmission Tariff.

The FBR is set up initially to address the revenue requirements for six separate special categories: 1) Base Plan, 2) Balanced Portfolio, 3) Integrated Transmission Plan Priority 1, 4) Integrated Transmission Plan Priority 2, 5) Sponsored, and 6) Third Party Projects. From time-to-time it may become necessary to add other categories of special projects.

Cells highlighted in light blue are data input cells. Some cells may reference the results from other calculations in the formula. Such cell references may change from year to year, requiring manual adjustment of the reference or the direct entry of the proper value.

<u>Page</u>	<u>Tab</u>	<u>Description</u>
2	<a href="#">Variance Analysis</a>	Summary of differences in projected and actual costs for the true-up year
3	<a href="#">Summary</a>	Summary of projected revenue requirements, point to point rates, and Schedule 1 rates.
4	<a href="#">Actual Net Rev Req</a>	Actual net revenue requirements for most recent calendar year
5-9	<a href="#">Actual Gross Rev Req</a>	Actual gross revenue requirements for most recent calendar year
10	<a href="#">Actual Sch 1 Rev Req</a>	Actual revenue requirements for Schedule 1
11-12	<a href="#">A-1 (Act. Rev. Credits)</a>	Actual revenue credits
13	<a href="#">A-2 (Act. Divisor)</a>	Actual transmission system load
14	<a href="#">A-3 (Act. ADIT)</a>	Actual Accumulated Deferred Income Taxes (ADIT)
15-16	<a href="#">A-4 (Act. Excluded Assets)</a>	Assets excluded from transmission rate base
17	<a href="#">A-5 (Act. Depreciation Rate)</a>	Depreciation rates for each account
18	<a href="#">A-6 (Act. Taxes Other)</a>	Actual taxes other than income taxes
19-28	<a href="#">A-7 (Act. RTO Directed Projects)</a>	Actual RTO-directed projects: Base Plan, Balanced Portfolio, and ITP/Priority Projects
29	<a href="#">A-8 (Act. Sponsored Projects)</a>	Actual sponsor-funded projects
30-37	<a href="#">A-9 (Act. Incentive Plant)</a>	Actual incentive returns
38	<a href="#">A-10 (Act. Third Party Proj)</a>	Actual projects constructed by MKEC for Third Parties
39	<a href="#">A-11 (Act. A&amp;G)</a>	Actual Administrative and General Expenses
40-41	<a href="#">A-12 (Act. 13-Mo &amp; BOY and EOY Aver.)</a>	Actual 13-Month averages and BOY-EOY averages for rate base items
42-43	<a href="#">TU (True-up)</a>	True-up adjustment and interest calculation
44-52	<a href="#">RTO Project Smry</a>	Actual and projected RTO-directed projects
53-54	<a href="#">Spon Project Smry</a>	Actual and projected Sponsor-funded projects
55-56	<a href="#">Third Party Project Smry</a>	Actual and projected Third Party projects
57	<a href="#">Projected Net Rev Req</a>	Projected net revenue requirements for next calendar year
58-62	<a href="#">Projected Gross Rev Req</a>	Projected gross revenue requirements for next calendar year
63	<a href="#">Projected Schedule 1 Rev Req</a>	Projected revenue requirements for Schedule 1
64-67	<a href="#">P-1 (Proj Trans Plant)</a>	Projected transmission plant for next calendar year and incentive returns
68	<a href="#">P-2 (Proj. Exp. &amp; Rev. Credits)</a>	Projected expenses and revenue credits for next calendar year
69	<a href="#">P-3 (Proj. Trans. Network Load)</a>	Projected transmission system load
70-75	<a href="#">P-4 (Proj. RTO Projects)</a>	Projected RTO-directed projects: Base Plan, Balanced Portfolio, ITP/Priority Projects
76	<a href="#">P-5 (Proj. Sponsored. Projects)</a>	Projected sponsor-funded projects
77	<a href="#">P-6 (Proj. Third Party Projects)</a>	Projected projects constructed by MKEC for Third Parties
78	<a href="#">2014-2015 TP Allocator Correction</a>	Summary of Transmission Plant allocator correction

Mid-Kansas Electric Company, LLC (MKEC)  
Variance Analysis

	True-Up Calculation		
	Base Plan	Zonal	Total
2017 Actual	\$ 19,952,841	\$ 11,510,128	\$ 31,462,969
2017 Projected	\$ 18,376,991	\$ 13,700,384	\$ 32,077,375
True-Up Applied to 2019	\$ 1,575,850	\$ (2,190,256)	\$ (614,406)

	Projected vs. Actual Comparison				
	2017 Projected	2017 Actual	Difference		Comments - Remaining Variance
Zonal Net Revenue Requiremer	\$ 13,700,384	\$ 11,510,128	\$ (2,190,256)		Return, O&M Expenses and Depreciation Expense
Base Plan Rev Req	\$ 18,376,991	\$ 19,952,841	\$ 1,575,850		Net transmission plant was lower from projected by \$15 million while Transmission O&M was higher by \$0.9 million therefore; transmission O&M as a % of net plant increased from 10.10% projected to 11.61% actual resulting in additional revenue requirement of \$1.4 million. General & Intangible Plant Allocator increased 0.5% while the Return Allocator decreased 0.2% from projected net effect was the addition of \$0.3 million to revenue requirement Elm Creek to Summit average net plant was higher then projected by \$5.4 million resulting in additional revenue requirement of \$1 million. Harper to Rago was not included in the projected this added \$0.2 million to the actual revenue requirement.
O&M Expenses	\$ 17,941,553	\$ 18,839,046	\$ 897,493		The projected W&S allocator was 48.897% while the actual W&S allocator was 58.466% resulting in \$1.1 million more actual allocated A&G costs to transmission. In addition, A&G cost for actual were lower by \$0.5 million resulting in a reduction to revenue requirment of 0.2 million. Combined impact of A&G projected vs. actual was an increase to revenue requirment of \$0.9 million.
Depreciation Expense	\$ 6,068,354	\$ 5,969,216	\$ (99,137)		NA
Taxes	\$ 7	\$ 8	\$ 1		NA
Return	\$ 13,435,024	\$ 11,642,804	\$ (1,792,220)		Total return requirment was expected to increase by 37% compared to the 2015 actuals due to an expected increase in average plant of \$52 million in 2017. However, the average long term interest rate dropped from 4.78% in 2015 to 4.68% in 2017. Also, short term debt was used to finance the 1st half of 2017 which had an average interest rate of 2.1%.
Revenue Credits	\$ 5,367,563	\$ 4,988,105	\$ 379,458		NA

**Mid-Kansas Electric Company, LLC (MKEC)**  
**Rate Formula Template**  
**Projected Revenue Requirements**  
**For the 12 months ended - December 31, 2019**

	(1)	(2)	(3)	(4)
Line No.	Description	Source		Amount
	<b><u>A. Net Revenue Requirement Including True-Up</u></b>			
1	Base Plan Net Revenue Requirements	Projected Net Rev Req, L41	\$	30,217,320
2	Balanced Portfolio Net Revenue Requirement	Projected Net Rev Req, L42	-	
3	ITP/Priority Projects-1 Net Revenue Requirement	Projected Net Rev Req, L43	-	
4	ITP/Priority Projects-2 Net Revenue Requirement	Projected Net Rev Req, L44	-	
5	Sponsored Projects Net Revenue Requirements	Projected Net Rev Req, L45	-	
6	Third Party Projects Net Revenue Requirements	Projected Net Rev Req, L46	-	
7	Total	Sum (L1:L6)		\$ 30,217,320
8				
9	Zonal Net Revenue Requirement	Projected Net Rev Req, L49	\$	4,655,629
10				
11	<b><u>B. Point-to-Point Service</u></b>			
12	MKEC 12-CP. Peak Demand	WP P-3, L15		530.0 MW
13				
14	Annual Point-to-Point Rate in \$/MW - Year	L9 / L12	\$	8,783.000
15	Monthly Point-to-Point Rate in \$/MW - Month	L14 / 12 months	\$	732.000
16	Weekly Point-to-Point Rate in \$/MW - Weekly	L14 / 52 weeks	\$	169.000
17	Daily On-Peak Point-to-Point Rate in \$/MW - Day	L14 / 260 days	\$	33.800
18	Daily Off-Peak Point-to-Point Rate in \$/MW - Day	L14 / 365 days	\$	24.100
19	Hourly On-Peak Point-to-Point Rate in \$/MW - Hour	L17 / 16 hours	\$	2.110
20	Hourly Off-Peak Point-to-Point Rate in \$/MW - Hour	L18 / 24 hours	\$	1.000
21				
22	<b><u>C. Schedule 1 ARR</u></b>			
23	Net Schedule 1 Revenue Requirement for Zone	Projected Sch 1 Rev Req, L12	\$	518,419
24				
25	<b><u>D. Schedule 1 Rate Calculations</u></b>			
26	MKEC 12-CP. Peak Demand	WP P-3, L15		530.0 MW
27				
28	Annual Point-to-Point Rate in \$/MW - Year	L23 / L26	\$	978.100
29	Monthly Point-to-Point Rate in \$/MW - Month	L28 / 12	\$	81.500
30	Weekly Point-to-Point Rate in \$/MW - Week	L28 / 52	\$	18.810
31	Daily Point-to-Point Rate in \$/MW - Day	L28 / 365	\$	2.680
32	Hourly Point-to-Point Rate in \$/MW - Hour	L28 / 8760	\$	0.112

**Mid-Kansas Electric Company, LLC (MKEC)**  
**Rate Formula Template**  
**Actual Net Revenue Requirements**  
**For the 12 months ended - December 31, 2017**

Line No.	(1) Description	(2) Reference	(3)	(4)	(5) Amount
	<b><u>REVENUE REQUIREMENTS</u></b> (including approved incentives, if any)				
1	Total Transmission Facilities	Act Gross Rev, Pg. 2, L100, col. 6			\$ 36,451,074
2					
3	Base Plan Gross Revenue Requirements	WP A-7, L34, Col. m	\$ 19,952,841		
4	Balanced Portfolio Gross Revenue Requirement	WP A-7, L40, Col. m	-		
5	ITP/Priority Projects-1 Gross Revenue Requirement	WP A-7, L47, Col. m	-		
6	ITP/Priority Projects-2 Gross Revenue Requirement	WP A-7, L54, Col. m	-		
7	Sponsored Gross Revenue Requirements	WP A-8, L4, Col. m	-		
8	Third Party Projects Gross Revenue Requirements	WP-10, L4, Col. m	-		
9	Total	Sum (L3:L8)		\$ 19,952,841	19,952,841
10					
11	Zonal Gross Revenue Requirement	L1 - L9			\$ 16,498,233
12					
13	<b><u>REVENUE CREDITS</u></b>				
14					
15	Zonal Gross Revenue Credit	WP A-1, Pg.1 L45			\$ 4,988,105
16					
17	<b><u>NET REVENUE REQUIREMENT</u></b>				
18	Base Plan Net Revenue Requirements	L3	\$ 19,952,841		
19	Balanced Portfolio Net Revenue Requirement	L4	-		
20	ITP/Priority Projects-1 Net Revenue Requirement	L5	-		
21	ITP/Priority Projects-2 Net Revenue Requirement	L6	-		
22	Sponsored Project Net Revenue Requirements	L7	-		
23	Third Party Projects Net Revenue Requirements	L8	-		
24	Total	Sum (L18:L23)		\$ 19,952,841	
25					
26	Zonal Net Revenue Requirement	L11 - L15			\$ 11,510,128
27					

Mid-Kansas Electric Company, LLC (MKEC) Rate Formula Template Actual Gross Revenue Requirements For the 12 months ended - December 31, 2017						
Line	(1) Description	(2) KCC Annual Report/Workpaper	(3) Total Company	(4)	(5) Allocator	(6) Transmission (Col 3 times Col 5)
1	<b>RATE BASE:</b>					
2	PLANT IN SERVICE					
3	Production	WP A-12, Pg. 1, L1 & L2	\$ 248,168,651	NA		\$ -
4	Transmission	WP A-12, Pg. 1, L3	232,144,502	DA	1.00000	232,144,502
5	Less: Excluded Plant	WP A-4, Pg. 1, L13 Note J & K	\$ -	DA	1.00000	-
6	Distribution	WP A-12, Pg. 1, L4	970,778	NA		
7	General	WP A-12, Pg. 1, L5	53,985,510	W/S	0.58466	31,563,114
8	Intangible & Other	WP A-12, Pg. 1, L6	51,666	W/S	0.58466	30,207
9	TOTAL GROSS PLANT	Sum (L3:L8) - L5	\$ 535,321,108			\$ 263,737,823
10						
11	ACCUMULATED DEPRECIATION	Note Q				
12	Production	WP A-12, Pg. 1, L9 & L10	\$ 90,612,729	NA		\$ -
13	Transmission	WP A-12, Pg. 1, L11	51,576,249	DA	1.00000	51,576,249
14	Less: Excluded Plant	WP A-4, Pg. 1, L13 Note J & K	\$ -	DA	1.00000	-
15	Distribution	WP A-12, Pg. 1, L12	332,125	NA		
16	General	WP A-12, Pg. 1, L13	15,334,833	W/S	0.58466	8,965,648
17	Intangible & Other	WP A-12, Pg. 1, L14	35,966	W/S	0.58466	21,028
18	TOTAL ACCUM. DEPRECIATION	Sum (L12:L17) - L14	\$ 157,891,903			\$ 60,562,926
19						
20	NET PLANT IN SERVICE					
21	Production	L3- L12	\$ 157,555,923			\$ -
22	Transmission	L4- L13	180,568,253			180,568,253
23	Less: Excluded Plant	L5- L14	\$ -			-
24	Distribution	L6- L15	638,653			
25	General	L7- L16	38,650,677			22,597,466
26	Intangible & Other	L8- L17	15,700			9,179
27	TOTAL NET PLANT	Sum (L21:L26) - L23	\$ 377,429,205			\$ 203,174,898
28						
29	CONTRUCTION WORK IN PROGRESS					
30	Production	WP A-12, Pg. 1, L23	\$ 832,427			\$ -
31	Transmission	WP A-12, Pg. 1, L24	34,675,070	TP	1.00000	34,675,070
32	Less: CWIP Assoc. with Third Party and Sponsored Projects			(Only for Column 6. Total Company Amounts S/B Unadjusted)		
33	Distribution	WP A-12, Pg. 1, L25	-			
34	General Plant	WP A-12, Pg. 1, L26	117,862	W/S	0.58466	68,909
35	Total	L30 + L31 - L32 + L33 + L34	\$ 35,625,359			\$ 34,743,979
36						
37	ADJUSTMENTS TO RATE BASE					
38	Accumulated Deferred Income Taxes	WP A-3	\$ -	DA	1.00000	\$ -
39	Reserve Funds (Non-Escrowed)	WP A-12, Pg. 2, L36	-	DA	1.00000	-
40	Unamortized Abandoned Transmission Plant	WP A-12, Pg. 2, L38, Note S	-	DA	1.00000	-
41	TOTAL ADJUSTMENTS	Sum (L38:L40)	\$ -			\$ -
42						
43	LAND HELD FOR FUTURE USE	WP A-12, Pg. 2, L44 Note B	\$ -	DA	1.00000	\$ -
44						
45	WORKING CAPITAL					
46	CWC					
47	O&M Expense less Fuel	KCC Pg. 36-1, L40d - Pg. 34, L2b -L8b-L35b	\$ 57,465,811	NA		
48	O&M Expense Allocated to Transmission	Pg. 2, L73, Col (6)				\$ 18,839,046
49		Calculated Note C	\$ 7,183,226			\$ 2,354,881
50	Materials & Supplies--Transmission	WP A-12, Pg. 1, L48	2,746,482	TP	1.00000	2,746,482
51	Materials & Supplies--Other	WP A-12, Pg. 1, L46, L47 & L49	459,264	NA		
52	Stores Expense	WP A-12, Pg. 2, L55	-	W/S	0.58466	-
53	Prepayments (JEC Prepayment)	WP A-12, Pg. 2, L57 (Note D)	-	NA		-
54	Prepayments (Account 165)	WP A-12, Pg. 2, L58 (Note D)	314,714	GP	0.49267	155,051
55	TOTAL WORKING CAPITAL	Sum (L49:L54)	\$ 10,703,686			\$ 5,256,413
56						
57	Rate Base	Sum(L27, L35, L41, L43, L55)	\$ 423,758,249	RB =	0.57385	\$ 243,175,290

Mid-Kansas Electric Company, LLC (MKEC)						
Rate Formula Template						
Actual Gross Revenue Requirements						
For the 12 months ended - December 31, 2017						
Line	(1) Description	(2) KCC Annual Report/Workpaper	(3) Total Company	(4)	(5) Allocator	(6) Transmission (Col 3 times Col 5)
58	O&M:					
59	Transmission	KCC Report Pg. 35, L17, Col. b	\$ 32,054,532			
60	Less: Transmission by Others Acct. 565	KCC Report Pg. 35, L6, Col. b (Note E)	19,207,234			
61	Less: Transmission Leases & Facility Charges	MKEC Records (Note F)	-			
62	Less Acct. 561 Expense Recovered Through Sch. 1	Actual Sch 1 Rev Req, L10	912,236			
63	Total Transmission O&M	L59 - Sum(L60:L62) (Note H)	\$ 11,935,062	TP	1.00000	\$ 11,935,062
64	A&G -Adjusted	WP A-11, L8	\$ 11,756,464	W/S	0.58466	6,873,523
65	Plus: Safety Advertising	WP A-11, L9	-	W/S	0.58466	-
66	Plus Association Dues Directly Related to Transmission	WP A-11, L10	-	DA	1.00000	-
67	Plus: Advertising -Transmission	WP A-11, L15	-	DA	1.00000	-
68	Plus: Research -Transmission	WP A-11, L20	-	DA	1.00000	-
69	Plus: Regulatory Exp -Transmission	WP A-11, L25	52,100	W/S	0.58466	30,461
70	Plus: Corporate Visibility -Transmission	WP A-11, L31	-	W/S	0.58466	-
71	Subtotal A&G	L64 + Sum(L65:L70)	\$ 11,808,565			\$ 6,903,984
72	Transmission Lease Payments & Facility Charges	Note F	-	DA	1.00000	-
73	TOTAL O&M	L63 + L71 + L72	\$ 23,743,627			\$ 18,839,046
74						
75	DEPRECIATION EXPENSE	Note Q				
76	Production	KCC Report Pg. 38, L2, Col. c	\$ 4,076,941	NA	0.00000	\$ -
77	Transmission	KCC Report Pg. 38, L2, Col. D (Note V)	4,441,157	TP	1.00000	4,441,157
78	Distribution	KCC Report Pg. 38, L2, Col. e	8,988	NA	0.00000	-
79	General	KCC Report Pg. 38, L2, Col. f	2,611,475	W/S	0.58466	1,526,822
80	Intangible & Other	MKEC Records	2,116	W/S	0.58466	1,237
81	Amortization of Abandoned Transmission Plant	Acct. 407 (Note S)	-	DA	1.00000	-
82	TOTAL DEPRECIATION	Sum(L76:L81)	\$ 11,140,677			\$ 5,969,216
83						
84	TAXES OTHER THAN INCOME TAXES	(Note I)				
85	LABOR RELATED					
86	Payroll	WP A-6, L9	\$ 13	W/S	0.58466	\$ 8
87	Highway and vehicle	WP A-6, L9	-	W/S	0.58466	-
88	PLANT RELATED					
89	Property	WP A-6, L9, (Note M)		GP	0.49267	-
90	Gross Receipts	WP A-6, L9	165	NA		-
91	Other	WP A-6, L9	-	GP	0.49267	-
92						
93	TOTAL OTHER TAXES	Sum(L86:L91)	\$ 178			\$ 8
94						
95	RETURN					
96	Return before incentives	L171, (Note Y)	\$ 21,765,854	RB	0.57385	\$ 11,642,804
97	Incentive return	L180				-
98	Total Return	L96 + L97				\$ 11,642,804
99						
100	GROSS REV. REQUIREMENT WITH INCENTIVES	L73 + L82 + L93 + L98				\$ 36,451,074
101	LESS: Gross Revenue Requirements for Incentives	L97				-
102						
103	GROSS REV. REQUIREMENT WITHOUT INCENTIVES	L100 - L101				\$ 36,451,074

Mid-Kansas Electric Company, LLC (MKEC)						
Rate Formula Template						
Actual Gross Revenue Requirements						
For the 12 months ended - December 31, 2017						
Line	(1) Description	(2) KCC Annual Report/Workpaper	(3) Total Company	(4)	(5) Allocator	(6) Transmission (Col 3 times Col 5)
104	<b><u>TRANSMISSION PLANT INCLUDED IN FORMULA</u></b>					
105	Total transmission plant	Pg. 3, L1 14	\$ 232,144,502		DA 1.00000	\$ 232,144,502
106	Less: Substation, 34kV, & Radial Lines to Distr. Plt.	WP A-4, L11 (Note J)	-	-		-
107	Less: Total GSU in Transmission Plant	WP A-4, L4 (Note K)	-	-		-
108	Transmission plant included in rates	L105 - L106 - L 107	\$ 232,144,502			\$ 232,144,502
109	Percentage of transmission plant included in rates	L108 / L105			TP= 1.00000	
110						
111	<b><u>GROSS AND NET PLANT ALLOCATORS</u></b>					
112	GROSS PLANT IN SERVICE (ACTUAL HISTORICAL COST)					
113	Production	Pg 1, L3	\$ 248,168,651		NA	\$ -
114	Transmission	Pg. 1, L4	232,144,502		DA 1.00000	232,144,502
115	Less: Excluded Plant	Pg 1, L5	-	-	DA 1.00000	-
116	Distribution	Pg 1, L6	970,778		NA	-
117	General & Intangible	Pg 1, L7 + L8	54,037,176		W/S 0.58466	31,593,321
118	TOTAL GROSS PLANT	L113 + L114 - L 115 + L 116 + L117	\$ 535,321,108		GP = 0.49267	\$ 263,737,823
119						
120	ACCUMULATED DEPRECIATION (ACTUAL HISTORICAL COST) (Note Q)					
121	Production	Pg 1, L12	\$ 90,612,729		NA	\$ -
122	Transmission	Pg 1, L13	51,576,249		DA 1.00000	51,576,249
123	Less: Excluded Plant	Pg 1, L14	-	-	DA 1.00000	-
124	Distribution	Pg 1, L15	332,125			-
125	General & Intangible	Pg 1, L16 + L17	15,370,799		W/S 0.58466	8,986,676
126	TOTAL ACCUM. DEPRECIATION	L121 + L122 - L 123 + L 124 + L125	\$ 157,891,903			\$ 60,562,926
127						
128	NET PLANT IN SERVICE (ACTUAL HISTORICAL COST)					
129	Production	L113 - L121	\$ 157,555,923			\$ -
130	Transmission	L114 - L122	180,568,253			180,568,253
131	Less Excluded Plant	L115 - L123	-	-		-
132	Distribution	L116 - L124	638,653			-
133	General & Intangible	L117 - L125	38,666,377			22,606,645
134	TOTAL NET PLANT	L129 + L130 - L 131 + L 132 + L133	\$ 377,429,205		NP = 0.53831	\$ 203,174,898
135						
136	<b><u>WAGES &amp; SALARY ALLOCATOR (W&amp;S)</u></b>					
137	Production	KCC Pg. 37, L1, Col. d	\$ 3,742,178		-	\$ -
138	Transmission	KCC Pg. 37, L2, Col. d	5,267,715		TP 1.00000	5,267,715
139	Distribution	KCC Pg. 37, L3, Col. d	-		-	-
140	Other (excluding A&G)	KCC Pg. 37, L4, L5 & L6, Col. d	-		-	-
141	Total	Sum (L137:L140)	\$ 9,009,893			\$ 5,267,715
142	Wage & Salary Allocator Calculation	Col 6, L141 / Col 3, L141				W/S= 0.58466

Mid-Kansas Electric Company, LLC (MKEC)						
Rate Formula Template						
Actual Gross Revenue Requirements						
For the 12 months ended - December 31, 2017						
Line	(1) Description	(2) KCC Annual Report/Workpaper	(3) Total Company \$	(4) TP	(5) Allocator Allocation	(6) Transmission (Col 3 times Col 5)
143	RETURN (R)	Note N				
144	MFI Test					
145	LT Debt	KCC Pg. 5, L11, Avg. of Col. c & Col. d	\$ 345,275,715			
146	LT Interest Expense (Acct. 427)	KCC Pg. 8, L15, Col. c	\$ 16,147,789			
147	ST Interest (Acct. 431)	KCC Pg. 8, L17, Col. c	1,402,128			
148	Total Interest Expense	L146 + L147	\$ 17,549,917			
149	Target MFI	(Note P)	1,5357			
150	Return Requirements (LT Interest plus Margin)	L148 * L149	\$ 26,951,408			
151	Less: Non Operating Income	KCC Pg. 8, L23, Col. C (Note L) (Note W) (Note X) (Note Y)	5,309,957			
152	Plus: Amortization of Debt Discount and Debt Expense	KCC Pg. 8, L16, Col. c	124,404			
153	Plus: Amortization of Acquisition Costs	KCC Pg. 46 (Acct. 425) - L80 (Note G)	-			
154						
155	Net Operating Return Req. (accrual basis)	L150 - L151 + L152 + L153 + L154	\$ 21,765,854			
156						
157	DSC Test					
158	Debt Service					
159	LT Interest Expense	L146	\$ 16,147,789			
160	Principal Payment	KCC Pg. 22, L18, Col. e	10,215,483			
161	Debt Service	L159 + L160	\$ 26,363,272			
162	Target DSC	(Note P)	1,2802			
163	Return Requirements	L161 * L162	\$ 33,750,261			
164	Less: Non Operating Income	L151	5,309,957			
165	Plus: Amortization of Debt Discount and Debt Expense	L152	124,404			
166	Net Operating Return Req. (cash basis)	L163 - L164 + L165	\$ 28,564,707			
167	Less: Depreciation Expense	L82	11,140,677			
168	Equivalent Return Requirements (accrual basis)	L166 - L167	\$ 17,424,030			
169						
170	Critical Ratio (MFI or DSC)	Greater of L155 or L168	MFI			
171	Return Requirements Greater of MFI or DSC Test	Greater of L155 or L168	\$21,765,854			
172	Average LT Interest Rate	L146 / L145	4.6768%			
173	Average Return on Rate Base	L171 / L57	5.1364%			
174						
175	GROSS REV. REQUIREMENT FOR INCENTIVE PROJECTS					
176	Plant Granted Incentive MFI Adder:					
177	Total Incentive Plant	WP A-9, L27	\$ -			
178	Less: Total Accumulated Depreciation	WP A-9, L27	-			
179	Net Incentive Plant	L177 - L178	\$ -			
180	Incentive Return	WP A-9, L27		\$ -		
181						
182						
183						
184						
185						
186	Abandoned Plant:					
187	Unamortized Abandoned Transmission Plant	L40 of Pg 1 (Note S)	\$ -			
188	Return on Abandoned Plant	L173 * L187	\$ -			
189	Amortization Expense for Abandoned Plant	L81 of Pg. 2	-			
190	Total Recovery for Abandoned Plant	Sum (L188:L189)		\$ -		
191	TOTAL GROSS REV. REQ. FOR INCENTIVE PROJ.	L180 +L184 + L190			\$ -	

Mid-Kansas Electric Company, LLC (MKEC)  
Rate Formula Template  
Actual Gross Revenue Requirements  
For the 12 months ended - December 31, 2017

General Note: References to pages in this formula rate are indicated as: (Pg. #, L(in) #, Col.#).  
References to data from MKEC's Annual Report to the KCC are indicated as: (Pg. #, L(in) #, Col. #)

Note	
A	MKEC records expense associated with providing Schedule 1, Scheduling, System Control, and Dispatch Service, in both Accts. 561 and 565. See Actual Sch 1 Rev Req, and Workpaper S1.
B	Includes only Land Held for Future Use associated with Transmission facilities.
C	Cash Working Capital assigned to transmission is one-eighth of O&M allocated to transmission at Pg. 2, L73, Col. 6.
D	Prepayments are the electric related prepayments booked to Acct. 165 and reported on MKEC's KCC Annual Report Pg. 17, L20, Col. b.
E	Expenses recorded in Account 565, Transmission of Electricity by Others, are not recoverable through the formula rate. The amount shown above excludes \$ - which was manually reclassified to other accounts.
F	Lease and joint facilities charges included on L61, page 2 of 5, are those costs attributable to transmission facilities.
G	This line sahl not be populated unless authorized by the Commission.
H	Transmission O&M on this line does not include any SPP charges for Schedule 1-A of the SPP OATT.
I	Includes only unallocated FICA, unemployment, highway, property, gross receipts, and other assessments charged in the current year. Pursuant to RUS accounting standards, the majority of this other tax expense is allocated directly to the appropriate O&M accounts. Taxes related to income are excluded. Gross receipts taxes are not included in transmission revenue requirement in the Rate Formula Template.
J	Removes transmission plant determined by Commission order to be excluded from RTO transmission rate base to the extent that plant balances are not adjusted.
K	Removes generator step-up facilities determined by Commission order to be excluded from RTO transmission rate base to the extent plant balances are not adjusted. MKEC records this investment in a production plant account.
L	As more fully described in Section C.3.e. of the Protocols, any amounts received from ITC Great Plains, LLC (ITC), shall be booked as non-operating income in the year received except for amounts designated as a "Maintenance Retainer," which shall be deferred and amortized into non-operating income over three years
M	If the transmission related component of property tax is specifically identified in MKEC's KCC Annual Report, then a TP allocator shall be used. Property tax shall be allocated to transmission by the GP allocator if transmission related property tax is not specifically identified in the KCC Annual Report.
N	Return is based on the maximum of either a MFI or DSC test.
O	Reserved for future use.
P	The approved MFI and DSC rations will be established by the KCC. No change in MFI and DSC may be made absent a filing with the KCC. Any incentive ROEs approved by the FERC are shown by project in Worksheet A-9.
Q	The current depreciation rates used to calculate depreciation expense and accumulated depreciation balances are shown in worksheet A-5 (Act. Depreciation Rate).
R	Reserved for future use.
S	The Unamortized Abandoned Transmission Plant can only be included in rate base if authorized by the Commission.
T	Reserved for future use.
U	Reserved for future use.
V	Exludes depreciation on assets expected to be recorded as long-term leases.
W	Includes amounts recorded as revenue related to long-term leases
X	Excludes NERC Penalty accrual
Y	Removal of AFUDC from nonoperating income and including transmission AFUDC with transmission revenue requirement. See AFUDC Workpaper

ALLOCATION FACTORS				
Line	Allocators	Description	Source	Amount
1	RB	Percentage of rate base attributable to transmission	Pg. 2, L57, Col.5	0.57385
2	TP	Percentage of transmission plant included in rate base.	Pg. 3, L109, Col.5	1.00000
3	W/S	Percentage of transmission labor included in rates	Pg. 3, L142, Col.6	0.58466
4	DA	Direct assignment		1.00000
5	GP	Ratio of allocated transmission, general, & intangible plant to total gross plant.	Pg. 3, L118, Col.5	0.49267
6	NA	Not applicable for the transmission formula rate.		0.00000
7	NP	Ratio of net transmission, general, & intangible plant to total net plant.	Pg. 3, L134, Col.5	0.53831

Mid-Kansas Electric Company, LLC (MKEC)  
True-up Adjustment and Timeline

Timeline

<u>Step</u>	<u>Month</u>	<u>Year</u>		<u>Action</u>
1		Year 0	2018	MKEC populates the formula rate using projected costs for Year 1
2		Year 0	2018	Post results of Step 1
3	Jan	Year 1	2019	Results of Step 2 go into effect.
4	Sept	Year 1	2019	MKEC populates the formula rate using projected costs for Year 2
5	Sept	Year 1	2019	Post results of Step 4
6	Jan	Year 2	2020	Results of Step 5 go into effect.
7	Jun	Year 2	2020	MKEC populates the formula rate using actual costs for Year 1
8	Jun	Year 2	2020	Calculate the difference between the formula rate calculated in Step 7 and Step 1
9	Jun	Year 2	2020	Post results from Step 7 and Step 8
10	Sept	Year 2	2020	MKEC populates the formula rate using projected costs for Year 3, including true-up adjustment for Year 1
11	Sept	Year 2	2020	Post results of Step 10
12	Jan	Year 3	2021	Results of Step 11 go into effect.

Reconciliation details for 2017

		<u>Base Plan</u>		<u>Balance Portfolio</u>		<u>ITP / Priority Project 1</u>		<u>ITP / Priority Project 2</u>		<u>Sponsored</u>		<u>Third Party</u>		<u>Zonal Rev Req</u>		<u>Total Rev. Req.</u>
		(1)		(2)		(3)		(4)		(5)		(6)		(7)		(8)
1	Actual Revenue Requirements from Step 7	\$ 19,952,841	\$	-	\$	-	\$	-	\$	-	\$	-	\$	11,510,128	\$	31,462,969
2	Projected Revenue Requirements from Step 1 (Note C)	18,376,991		-		-		-		-		-		13,700,384		32,077,375
3	True-up Amount (before interest)	\$ 1,575,850	\$	-	\$	-	\$	-	\$	-	\$	-	\$	(2,190,256)	\$	(614,406)

Mid-Kansas Electric Company, LLC (MKEC)  
True-up Adjustment and Timeline

- 4JunYear 2 Post results from Step 7 and Step 8
- 5SeptYear 2 MKEC populates the formula rate using projected costs for Year 3, including true-up adjustment for Year 1

Interest Calculation

	Short term Interest Rate (Notes A and F)	Avg. Ann. Short Term Int.
6	Other Interest Exp.(Notes, p.117) (Note A)	1,307,932
7	Notes Payable (Acct. 231-daily balance (Note A)	56,561,644
8	No. of Months	12
9	Annual Short-term Int Rate L6 / L7	2.3124%

	FERC Quarterly Interest Rate	
10	Qtr 3 (Previous Year)	3.9600%
11	Qtr 4 (Previous Year)	4.2100%
12	Qtr 1 (Current Year)	4.2500%
13	Qtr 2 (Current Year)	4.4700%
14	Average of the last 4 quarters 4	4.2225%

15	Interest Rate Used for True-up adjustment (Note B)	2.3124%	4.2225%	4.2225%	4.2225%	4.2225%	4.2225%	4.2225%
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	Base Plan	Balance Portfolio	ITP / Priority Project 1	ITP / Priority Project 2	Sponsored	Third Party	Zonal Rev Req	Total Rev. Req.
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
16	True-Up Amount (line 8c) (Note D)	\$ 1,575,850	\$ -	\$ -	\$ -	\$ -	\$ (2,190,256)	\$ (614,406)
17	Interest on True-up Amount ([Avg. Interest Rate / 12 months]*24 mo.)	72,880	-	-	-	-	(184,967)	(112,087)
18	True-up Adjustment Before Prior Year Adjustments(Not	\$ 1,648,730	\$ -	\$ -	\$ -	\$ -	\$ (2,375,223)	\$ (726,493)
19	2014 and 2015 True-up Adjustments (Note G)	(585,383)	-	-	-	-	(974,772)	(1,560,156)
20	True-up Adjustment	\$ 1,063,347	\$ -	\$ -	\$ -	\$ -	\$ (3,349,995)	\$ (2,286,649)

- Note:
- AThe short term interest rate is based on a 12 month rate ending June of the year in which the Annual Update is prepared, with denominator calculated using daily balances and the numerator based on Form 3Q.
- BUse the lower of L9 and L14 if the True-up Amount (L16) is greater than or equal to zero. Use L14 if the True-up amount (L16) is less than zero.
- CEnter the Projected Revenue Requirement for the Actual period without a true-up adjustment plus any adjustments, either positive or negative, resulting from corrections of prior years. For 2012 and 2013, set this equal to L2. Although \$12,813,798 was authorized for collection for Base Plan, SPP made adjustments to that amount and SPP actually only billed \$9,368,012. Therefore a correcting entry was made for the difference of \$3,445,786.
- DIf the annual update is for a partial year, not 12 months, then the amount on L16 shall be prorated to represent the number of months in the partial year.
- EIf the annual update is for a partial year, monthly interest will be multiplied by 18 plus one-half of the months in the partial year.
- FThe numerator and denominator of the short-term interest rate calculation will reflect consistent debt components.
- GOne time TP Allocator correction adjustment. See supporting tab "2014-2015 TP Allocator Correct" for detailed calculations. All adjustments were reviewed and approved by KCC staff prior to incl

Mid-Kansas Electric Company, LLC (MKEC)  
Rate Formula Template  
Projected Net Revenue Requirements  
For the 12 months ended - December 31, 2019

Line	(1) Description	(2) Reference	(3)	(4)	(5) Amount
<b><u>A. GROSS REVENUE REQUIREMENT</u></b> (including approved incentives, if any)					
1	Total Transmission Facilities	Projected Gross Rev Req, Pg.2, L91			\$ 42,952,310
2					
3	Base Plan Gross Revenue Requirements	WP RTO Project Smry, Base Plan Section, L55	\$ 29,153,973		
4	Balanced Portfolio Gross Revenue Requirement	WP RTO Project Smry, Base Plan Section, L74	-		
5	ITP/Priority Projects-1 Gross Revenue Requirement	WP RTO Project Smry, Base Plan Section, L93	-		
6	ITP/Priority Projects-2 Gross Revenue Requirement	WP RTO Project Smry, Base Plan Section, L112	-		
7	Sponsored Projects Gross Revenue Requirements	WP Spon Project Smry, L19	-		
8	Third Party Projects Gross Revenue Requirements	WP Third Party Project Smry, L19	-		
9	Total	Sum (L3:L7)			\$ 29,153,973
10					
11	Zonal Gross Revenue Requirement	L1 - L9			\$ 13,798,337
12					
13	<b><u>B. REVENUE CREDITS</u></b>				
14	Zonal Gross Revenue Credit	WP P-2, L57			\$ 5,792,712
15					
16	<b><u>C. NET REVENUE REQUIREMENT AFTER REVENUE CREDITS AND BEFORE TRUE-UP</u></b>				
17	Base Plan Net Revenue Requirements	L3	\$ 29,153,973		
18	Balanced Portfolio Net Revenue Requirement	L4	-		
19	ITP/Priority Projects-1 Net Revenue Requirement	L5	-		
20	ITP/Priority Projects-2 Net Revenue Requirement	L6	-		
21	Sponsored Projects Net Revenue Requirements	L7	-		
22	Third Party Projects Net Revenue Requirements	L8	-		
23	Total	Sum (L17:L22)		\$ 29,153,973	
24					
25	Zonal Net Revenue Requirement	L11 - L14			\$ 8,005,625
26					
27	<b><u>D. TRUE-UP ADJUSTMENTS</u></b>				
28	Total Transmission Facilities	WP TU (True-Up), L18		\$ (2,286,649)	
29					
30	Base Plan True-Up	WP TU (True-Up), L18	\$ 1,063,347		
31	Balanced Portfolio True-Up	WP TU (True-Up), L18	-		
32	ITP/Priority Projects-1 True-Up	WP TU (True-Up), L18	-		
33	ITP/Priority Projects-2 True-Up	WP TU (True-Up), L18	-		
34	Sponsored Projects True Up	WP TU (True-Up), L18	-		
35	Third Party Projects True Up	WP TU (True-Up), L18	-		
36	Total	Sum (L30:L33)		\$ 1,063,347	
37					
38	Zonal True-Up Revenue Requirement	L28 - L36			\$ (3,349,995)
39					
40	<b><u>E. NET REVENUE REQUIREMENT AFTER TRUE-UP</u></b>				
41	Base Plan Net Revenue Requirements	L17 + L30	\$ 30,217,320		
42	Balanced Portfolio Net Revenue Requirement	L18 + L31	-		
43	ITP/Priority Projects-1 Net Revenue Requirement	L19 + L32	-		
44	ITP/Priority Projects-2 Net Revenue Requirement	L20 + L33	-		
45	Sponsored Projects Net Revenue Requirements	L21 + L34	-		
46	Third Party Projects Net Revenue Requirements	L22 + L35	-		
47	Total	Sum (L41:L46)		\$ 30,217,320	
48					
49	Zonal Net Revenue Requirement	L25 + L38			\$ 4,655,629
50					
51	<b><u>F. Point-to-Point Service</u></b>				
52	Projected MKEC Zone 9 SPP Aver. 12-Mo. Peak Demand	WP P-3 (Trans. Network Load), L15			530.05 MW
53					
54	Annual Point-to-Point Rate in \$/MW - Year	L49 / L52		\$ 8,783.00	
55	Monthly Point-to-Point Rate in \$/MW - Month	L54 / 12 months		\$ 732.00	
56	Weekly Point-to-Point Rate in \$/MW- Weekly	L54 / 52 weeks		\$ 169.00	
57	Daily On-Peak Point-to-Point Rate in \$/MW - Day	L54 / 260 days		\$ 33.80	
58	Daily Off-Peak Point-to-Point Rate in \$/MW - Day	L54 / 365 days		\$ 24.10	
59	Hourly On-Peak Point-to-Point Rate in \$/MW - Hour	L57 / 16 hours		\$ 2.11	
60	Hourly Off-Peak Point-to-Point Rate in \$/MW - Hour	L58 / 24 hours		\$ 1.00	
61					

Mid-Kansas Electric Company, LLC (MKEC)  
Projected Gross Revenue Requirements  
For the 12 months ended - December 31, 2019

Line	(1) Description	(2) KCC Annual Report/Worksheet	(3) Total Company	(4)	(5) Allocator	(6) Transmission (Col. 3 times Col. 5)
RATE BASE:						
1	PLANT IN SERVICE					
2	Production	Act. Gross Rev Req, Pg.1, L3	\$ 248,168,651	NA		
3	Transmission	WP P-1, Pg. 4 L156	299,879,166	DA	1.00000	\$ 299,879,166
4	Less Excluded Plant	Act. Gross Rev Req, Pg.1, L5		\$ - DA	1.00000	-
5	Distribution	Act. Gross Rev Req, Pg.1, L6	970,778	NA		
6	General	Act. Gross Rev Req, Pg.1, L7	53,985,510	W/S	0.58466	31,563,114
7	Intangible & Other	Act. Gross Rev Req, Pg.1, L8	51,666	W/S	0.58466	30,207
8	TOTAL GROSS PLANT	L2 + L3 - L4 + L5 + L6 + L7	\$ 603,055,772			\$ 331,472,488
9						
10	ACCUMULATED DEPRECIATION					
11	Production	Act. Gross Rev Req, Pg.1, L12	\$ 90,612,729	NA		
12	Transmission	WP P-1, Pg. 4 L156	61,717,083	DA	1.00000	\$ 61,717,083
13	Less Excluded Plant	Act. Gross Rev Req, Pg.1, L14		\$ - DA	1.00000	-
14	Distribution	Act. Gross Rev Req, Pg.1, L15	332,125	NA		
15	General	Act. Gross Rev Req, Pg.1, L16	15,334,833	W/S	0.58466	8,965,648
16	Intangible & Other	Act. Gross Rev Req, Pg.1, L17	35,966	W/S	0.58466	21,028
17	TOTAL ACCUM. DEPRECIATION	L11 + L12 - L13 + L14 + L15 + L16	\$ 168,032,736			\$ 70,703,759
18						
19	NET PLANT IN SERVICE					
20	Production	L2 - L11	\$ 157,555,923			
21	Transmission	L3 - L12	238,162,083			\$ 238,162,083
22	Less Excluded Plant	L4 - L13		\$ -		-
23	Distribution	L5 - L14	638,653			-
24	General	L6 - L15	38,650,677			22,597,466
25	Intangible & Other	L7 - L16	15,700			9,179
26	TOTAL NET PLANT	L20 + L21 - L22 + L23 + L24 + L25	\$ 435,023,036			\$ 260,768,729
27						
28	ADJUSTMENTS TO RATE BASE					
29	Accumulated Deferred Income Taxes	Act. Gross Rev Req, Pg.1, L38	\$ -	DA	1.00000	\$ -
30	Reserve Funds (Non-Escrowed)	Act. Gross Rev Req, Pg.1, L39	-	DA	1.00000	-
31	Unamortized Abandoned Transmission Plant	Act. Gross Rev Req, Pg.1, L40 - Amortization	-	DA	1.00000	-
32	TOTAL ADJUSTMENTS	Sum (L29:L31)	\$ -			\$ -
33						
34	LAND HELD FOR FUTURE USE	Act. Gross Rev Req, Pg.1, L43	\$ -	DA	1.00000	\$ -
35						
36	WORKING CAPITAL					
37	CWC					
38	O&M Expense less Fuel & Purchased Power	Act. Gross Rev Req, Pg.1, L47	\$ 57,465,811	NA		
39	O&M Expense Allocated to Transmission	Pg. 2, L64, Col (6)				\$ 20,722,950
40	Calculated CWC	Calculated (Note C)	\$ 7,183,226			\$ 2,590,369
41	Materials & Supplies-Transmission	Act. Gross Rev Req, Pg.1, L50	2,746,482	TP	1.00000	2,746,482
42	Materials & Supplies-Other	Act. Gross Rev Req, Pg.1, L51	459,264	NA		
43	Stores Expense	Act. Gross Rev Req, Pg.1, L52	-	W/S	0.58466	-
44	Prepayments (JEC Prepayment)	Act. Gross Rev Req, Pg.1, L53	-	NA		
45	Prepayments (Account 165)	Act. Gross Rev Req, Pg.1, L54	314,714	W/S	0.58466	184,000
46	TOTAL WORKING CAPITAL	Sum (L40:L45)	\$ 10,703,686			\$ 5,520,851
47						
48	Rate Base	L26 + L 32 + L 34 + L46	\$ 445,726,722			\$ 266,289,579

Projected Gross Rev Req

Mid-Kansas Electric Company, LLC (MKEC)  
Projected Gross Revenue Requirements  
For the 12 months ended - December 31, 2019

Line	(1) Description	(2) KCC Annual Report/Worksheet	(3) Total Company	(4)	(5) Allocator	(6) Transmission (Col. 3 times Col. 5)
49	O&M					
50	Transmission	WP P-2, L8	\$ 35,259,985			
51	Less Account 565	WP P-2, L9	21,127,957			
52	Less: Trans. Lease Payments & Facility Charge	WP P-2, L10	-			
53	Less Acct. 561 Expense Recovered Through Sch. 1	Projected Schedule 1 Rev Req, L6	1,003,460			
54	Total Transmission O&M	L50 - Sum (L51:L52)	\$ 13,128,568	TP	1.00000	\$ 13,128,568
55	A&G -Adjusted	WP P-2, L12	\$ 12,932,111	W/S	0.58466	\$ 7,560,875
56	Plus: Advertising -Safety	WP P-2, L13	-	W/S	0.58466	-
57	Plus Association Dues Directly Related to Transmission	WP P-2, L14	-	DA	1.00000	-
58	Plus: Advertising -Transmission	WP P-2, L15	-	DA	1.00000	-
59	Plus: Research -Transmission	WP P-2, L16	-	DA	1.00000	-
60	Plus: Regulatory Exp -Transmission	WP P-2, L17	57,310	W/S	0.58466	33,507
61	Plus: Corporate Visibility -Transmission	WP P-2, L18	-	W/S	0.58466	-
62	Total A&G	L55 + Sum (L56:L61)	\$ 12,989,421			\$ 7,594,382
63	Transmission Lease Payments & Facility Charges	WP P-2, L18	-	DA	1.00000	-
64	TOTAL O&M	L54 + L62 + L63	\$ 26,117,989			\$ 20,722,950
65						
66	DEPRECIATION EXPENSE					
67	Production	Act. Gross Rev Req, Pg. 2, L76	\$ 4,076,941	NA		
68	Transmission	WP P-1, Pg.2 L155	5,758,111	TP	1.00000	\$ 5,758,111
69	Distribution	Act. Gross Rev Req, Pg. 2, L78	8,988	NA		
70	General	Act. Gross Rev Req, Pg. 2, L79	2,611,475	W/S	0.58466	1,526,822
71	Intangible & Other	Act. Gross Rev Req, Pg. 2, L80	2,116	W/S	0.58466	1,237
72	Amortization of Abandon Transmission Plant	Act. Gross Rev Req, Pg. 2, L81	-	DA	1.00000	-
73	TOTAL DEPRECIATION	Sum (L67:L72)	\$ 12,457,631			\$ 7,286,171
74						
75	TAXES OTHER THAN INCOME TAXES (Note G)					
76	LABOR RELATED					
77	Payroll	WP P-2, L23	\$ 14	W/S	0.58466	\$ 8
78	Highway and vehicle	WP P-2, L24	-	W/S	0.58466	-
79	PLANT RELATED					
80	Property	WP P-2, L26	-	GP	0.49267	-
81	Gross Receipts	WP P-2, L27	182	NA		-
82	Other	WP P-2, L28	-	GP	0.49267	-
83						
84	TOTAL OTHER TAXES	Sum (L77:L83)	\$ 196			\$ 8
85						
86	RETURN					
87	Return before incentives	Pg. 4, L149				\$ 14,943,181
88	Incentive return	Pg. 4, L177				-
89	Total Return	L87 + L88				\$ 14,943,181
90						
91	GROSS REV. REQ. WITH INCENTIVES	L64 + L73 + L84 + L89				\$ 42,952,310
92	LESS: Gross Rev. Req. for Incentives	L177				-
93						
94	GROSS REV. REQ. WITHOUT INCENTIVES	L91 - L92				\$ 42,952,310

Mid-Kansas Electric Company, LLC (MKEC)  
Projected Gross Revenue Requirements  
For the 12 months ended - December 31, 2019

Line	(1) Description	(2) KCC Annual Report/Worksheet	(3) Total Company	(4)	(5) Allocator	(6) Transmission (Col. 3 times Col. 5)
95	TRANSMISSION PLANT INCLUDED IN FORMULA					
96	Total transmission plant	Pg 3, L106, col. 3	\$ 299,879,166		DA 1.00000	\$ 299,879,166
97	Less: Net Substation, 34kV, & Radial Lines to Distr. Plt.	Act. Gross Rev Req, Pg.3, L106	-	- DA	1.00000	-
98	Less: Total GSU in Transmission Plant	Act. Gross Rev Req, Pg.3, L107	-	- DA	1.00000	-
99	Transmission plant included in rates	L96 - L97 - L98	\$ 299,879,166			\$ 299,879,166
100						
101	Percentage of transmission plant included in rates	L99 / L96			TP= 1.00000	
102						
103	GROSS AND NET PLANT ALLOCATORS					
104	GROSS PLANT IN SERVICE					
105	Production	ACTUAL HISTORICAL COST Act. Gross Rev Req, Pg.3, L113	\$ 248,168,651		NA	
106	Transmission	Act. Gross Rev Req, Pg.3, L114	232,144,502		DA 1.00000	\$ 232,144,502
107	Less: Excluded Plant	Act. Gross Rev Req, Pg.3, L115	-	- DA	1.00000	-
108	Distribution	Act. Gross Rev Req, Pg.3, L116	970,778		NA	
109	General & Intangible	Act. Gross Rev Req, Pg.3, L117	54,037,176		W/S 0.58466	31,593,321
110	TOTAL GROSS PLANT	L105 + L106 - L107 + L108 + L109	\$ 535,321,108		GP = 0.49267	\$ 263,737,823
111						
112	ACCUMULATED DEPRECIATION					
113	Production	ACTUAL HISTORICAL COST Act. Gross Rev Req, Pg.3, L121	\$ 90,612,729		NA	
114	Transmission	Act. Gross Rev Req, Pg.3, L122	51,576,249		DA 1.00000	\$ 51,576,249
115	Less: Excluded Plant	Act. Gross Rev Req, Pg.3, L123	-	- DA	1.00000	-
116	Distribution	Act. Gross Rev Req, Pg.3, L124	332,125		NA	
117	General & Intangible	Act. Gross Rev Req, Pg.3, L125	15,370,799		W/S 0.58466	8,986,676
118	TOTAL ACCUM. DEPRECIATION	L113 + L114 - L115 + L116 + L117	\$ 157,891,903			\$ 60,562,926
119						
120	NET PLANT IN SERVICE					
121	Production	ACTUAL HISTORICAL COST L105 - L113	\$ 157,555,923			
122	Transmission	L106 - L114	180,568,253			\$ 180,568,253
123	Less: Excluded Plant	L107 - L115	-	-		-
124	Distribution	L108 - L116	638,653			-
125	General & Intangible	L109 - L117	38,666,377			22,606,645
126						
127	TOTAL NET PLANT	L121 + L122 - L123 + L124 + L125	\$ 377,429,205		NP = 0.53831	\$ 203,174,898

Mid-Kansas Electric Company, LLC (MKEC)  
Projected Gross Revenue Requirements  
For the 12 months ended - December 31, 2019

Line	(1) Description	(2) KCC Annual Report/Worksheet	(3) Total Company	(4)	(5) Allocator	(6) Transmission (Col. 3 times Col. 5)
	<b>WAGES &amp; SALARY ALLOCATOR (W&amp;S)</b>					
		ACTUAL HISTORICAL COST				
128	Production	Act. Gross Rev Req, Pg.4, L137	\$ 3,742,178			
129	Transmission	Act. Gross Rev Req, Pg.4, L138	5,267,715	TP	1.00000	\$ 5,267,715
130	Distribution	Act. Gross Rev Req, Pg.4, L139	-			
131	Other	Act. Gross Rev Req, Pg.4, L140	-			
132	Total	Sum (L128:L131)	\$ 9,009,893			\$ 5,267,715
133	Wage & Salary Allocator Calculation	Col 6, L132 / Col 3, L132			WS= 0.58466	
141						
142	<b>RETURN (R)</b>					
143	Net Plant allocated to Transmission 13 month average. 2019	Projected Gross Rev Req, L26, Col. (6)				\$ 260,768,729
144	Net Plant allocated to Transmission 13 month average. 2017	Actual Gross Rev Req, L27, Col. (6)				\$ 203,174,898
145	Ratio 2019 / 2017	L143 / 144				1.2835
146						
147	Transmission Return for 2017 Actual Before Incentives	Act. Gross Rev Req, L96, Col. (6)				\$ 11,642,804
148						
149	Transmission Return for 2019 Projected	L145 * L147				\$ 14,943,181
150						
151	<b>GROSS REV. REQUIREMENT FOR INCENTIVE PROJECTS</b>					
152	<b>Plant Granted Incentive ROE Adder:</b>					
153	Total Incentive Plant	WP P-1, Pg. 1, L38	\$ -			
154	Less: Total Accumulated Depreciation	WP P-1, Pg. 1, L38	-			
155	Net Incentive Plant	L153 - L154	\$ -			
156	Incentive Return	WP P-1, Pg. 1, L41			\$ -	
157						
158						
159						
160						
161						
162	<b>Abandoned Plant:</b>					
163	Unamortized Abandoned Transmission Plant	Pg. 1, L31	\$ -			
164	Return on Abandoned Plant	Actual Gross Rev Req Pg. 4, L173 * L163	-			
165	Amortization Expense for Abandoned Plant	Pg. 2, L72	-			
166	Total Recovery for Abandoned Plant	Sum (L164:L165)			\$ -	
167	<b>TOTAL GROSS REV. REQUIREMENT FOR INCENTIVE PROJ.</b>	L156 + L160 + L166				\$ -
168						
169	<b>INCENTIVE PLANT (excludes CWIP and Abandoned Plant)</b>					
170	Incentive Plant: Projected Base Plan Funded	RTO Project Smry	\$ -	\$ -		\$ -
171	Incentive Plant: Projected Balanced Portfolio	RTO Project Smry	-	-		-
172	Incentive Plant: Projected ITP / Priority Project-1	RTO Project Smry	-	-		-
173	Incentive Plant: Projected ITP / Priority Project-2	RTO Project Smry	-	-		-
174	Incentive Plant: Projected Sponsor Funded	Spon Project Smry	-	-		-
175	Total Incentive Plant	Sum (L170:L174)	\$ -	\$ -		\$ -
176	Note: Incentive gross plant and accumulated depreciation values, if applicable, will be calculated by cell references to the RTO Project Smry and Spon Proj Smry tabs.					
177	<b>Incentive Return</b>	WP P-1, Pg. 1, L41				\$ -

Mid-Kansas Electric Company, LLC (MKEC)  
Projected Gross Revenue Requirements  
For the 12 months ended - December 31, 2019

Notes	
A	Hold for future use
B	(Hold future use)
C	Cash Working Capital assigned to transmission is one-eighth of O&M allocated to transmission at Pg. 2, L40, Col. 6.
D	(Hold future use)

Line No.	ALLOCATION FACTORS		Location of Calculation or First Use of Allocator
	<u>Allocators</u>	<u>Description</u>	
1	TP	Percentage of projected transmission plant included in rate base.	L101
2	W/S	Percentage of transmission labor included in rates	L133
3	DA	Direct assignment	
4	GP	Ratio of allocated transmission, general, & intangible plant to total gross plant.	L110
5	NA	Not applicable for the transmission formula rate.	
6	NPP	Ratio of net transmission, general, & intangible plant to total net plant.	L127
7			



## Exhibit MD-4

# Attachment H to SPP Tariff, Addendum 20, Sunflower Formula Rate Implementation Protocols

Mark F. Doljac

KANSAS ELECTRIC POWER COOPERATIVE, INC.



			projects listed in A-10 (Act. Third Party Proj).										

## ***Formula Rate Implementation Protocols***

### **A. DEFINITIONS**

1. “Annual Report” means the Electric Cooperative Utility Annual Report, or any substitute therefor, applicable to Sunflower and filed with the KCC.
2. “Annual Review Procedures” are as set forth in Section D.
3. “Annual Transmission Revenue Requirement” (ATRR) means the net annual transmission revenue requirement calculated in accordance with the Formula Based Rate.
4. “Annual Update” means the calculation and publication of the projected ATRR and associated charges to be applicable for the upcoming Rate year, as determined pursuant to Section C.
5. “Business Day” means any day other than a Saturday, Sunday or day on which the KCC is not open for business.
6. “Compliance Docket” means the KCC proceeding for the administration of True-Ups and Annual Updates under the FBR.
7. “Customer Meeting” shall mean a meeting convened by Sunflower at the offices of the KCC in Topeka, KS, for Zonal Transmission Customers and KCC staff, as well as any other Interested Party that wishes to attend, as is more fully described in Section D.1. Such meeting shall include, at Sunflower’s option, video conferencing, a webinar or an internet conference.
8. “FERC” means the Federal Energy Regulatory Commission or its successor.
9. “File” shall mean file in the Compliance Docket.
10. “Filing Date” is defined in Section C.3.e.
11. “Financial Ratios” is defined in Section F.3.a.
12. “Formal Challenge” means a dispute regarding an aspect of the Annual Update or Annual True-Up that is raised with the KCC by an Interested Party pursuant to these Protocols, and served on Sunflower by electronic service on the date of such filing, all as more fully described in Section E.1.
13. “Formula” means the rate formula template and associated attachments of Sunflower incorporated in Attachment H, Appendix A of the Sunflower Tariff, as initially approved by the KCC in Docket No. 13-SEPE-701-TAR and in effect from time to time.
14. “Formula Based Rate” (FBR) means the Formula and the Protocols.
15. “FBR Rate” means the charges applicable in a given Rate Year as calculated pursuant

to the FBR.

16. “Informal Challenge” means a challenge regarding an Issue that is provided to Sunflower in writing, including by electronic means.
17. “Interest” means interest computed consistent with the FERC rules in 18 C.F.R. § 35.19a, as in effect from time to time.
18. “Interested Party” means a Zonal Transmission Customer, the staff of the KCC, or any entity that has standing in a KCC proceeding to investigate the rates, terms or conditions of the FBR.
19. “Issue” means a question raised by an Interested Party with respect to an Annual Update or True-Up Adjustment. A challenge to the FBR itself is not an Issue.
20. “ITC” means ITC Great Plains, LLC.
21. “ITC Agreement” means either of that certain Co-Development Agreement by and between ITC and Sunflower, dated as of August 22, 2008, or that certain Phase II Co-Development Agreement by and between ITC and Sunflower, dated as of February 22, 2012, as each is in effect from time to time.
22. “ITC Maintenance Retainer” means any ITC Payment designated as a “Maintenance Retainer” under the applicable provisions of an ITC Agreement.
23. “ITC Payment” means any payment made by ITC to Sunflower on or after January 1, 2013, pursuant to an ITC Agreement.
24. “KCC” means the State of Kansas State Corporation Commission or its successor.
25. “Sunflower” means Sunflower Electric Power Corporation.
26. “Sunflower Tariff” means the Sunflower Open Access Transmission Tariff as filed with the KCC and as in effect from time to time.
27. “NERC” means the North American Electric Reliability Corporation.
28. “NERC Standards” means the reliability and critical infrastructure protection standards promulgated in accordance with Section 1211 of the Energy Policy Act of 2005, Section 215 of the Federal Power Act, 16 U.S.C. 824o, as in effect from time to time.
29. “Network Integration Transmission Service” (NITS) is, for purposes of the FBR, as defined in the SPP Tariff.
30. “New Financing Approval” is defined in Section F.3.a
31. “Post” shall mean posting information in an accessible place on the SPP OASIS website.
32. “Protocols” means these Protocols, to be included in Attachment H, Appendix B of the Sunflower Tariff, as initially approved by the KCC in Docket No. 13-SEPE-701-TAR and in effect from time to time.
33. “Rate Year” means January 1<sup>st</sup> through December 31<sup>st</sup> of a given year.
34. “Ratio Filing” is defined in Section F.3.a.
35. “Residual Value Note” means that certain promissory note made by Sunflower to RUS, dated as of October 1, 2002, and maturing on December 31, 2016.

36. “RTO Adder” means the incentive adder for membership in SPP, all as described in Note B on Sheet A-9 (Act Incentive Projects) in the Formula.
37. “Rural Utilities Service” or “RUS” means the United States Government acting by and through the Administrator of the Rural Utilities Service of the U.S. Department of Agriculture.
38. “SPP” means the Southwest Power Pool, Inc.
39. “SPP Tariff” means the Southwest Power Pool Open Access Transmission Tariff as filed with the FERC and in effect from time to time.
40. “Staff” means the Staff of the KCC.
41. “Transmission Rate Incentive” (TRI) is defined in Section C.3.e.
42. “True-Up Adjustment” means the adjustment calculated in accordance with the Formula and these Protocols to reflect any under-collection or over-collection of ATRR in a given Rate Year, plus Interest, as more specifically provided in Section D.
43. “Zonal Transmission Customers” means any person that is or has applied to become an SPP transmission customer whose service is all or partly in the Sunflower Zone.

## **B. INITIAL FORMULA BASED RATE**

### **1. Calculation of 2012 ATRR**

The FBR shall be as initially determined using 2012 historical data and 2014 projection, as filed with and approved by the KCC in Docket No. 13-SEPE-701-TAR; provided, however, that no FBR Rate shall be charged to customers using the 2012 ATRR.

### **2. Initial FBR Rate - Implementation for 2014**

- a. No later than September 24, 2013, Sunflower shall serve on all parties in Docket No. 13-SEPE-701-TAR and any other person that is or has applied to become a Zonal Transmission Customer, the actual ATRR for 2012 and the projected ATRR for 2014.
- b. The procedures set forth in Section C., Annual Update, shall apply, except that the service in Section B.2.a. shall be in lieu of Posting and Filing as required in Section C.3.a.; provided, however, that the ATRR shall be adjusted to conform to the FBR as approved in the KCC’s final order in Docket No. 13-SEPE-701-TAR. Sunflower shall file its updated ATRR, Formula template, if any, and any required changes to these Protocols, as a compliance filing in that docket, within ten (10) days of issuance of the KCC’s order.
- c. Nothing in these Protocols shall affect the right of any person, under law, to seek review of the KCC’s order in Docket No. 13-SEPE-701-TAR.

## **C. ANNUAL UPDATE**

### **1. Annual Transmission Revenue Requirement (ATRR)**

Sunflower will follow the instructions specified in the Formula and these Protocols to calculate annually its ATRR, to be applicable to:

- a. NITS for the Sunflower zone.

- b. Rates for point-to-point transmission service.
- c. Rates for services as set forth in Schedule 1 of the Sunflower Tariff.
- d. ATRR associated with transmission upgrade projects having cost recovery under Schedule 11 of the SPP Tariff.
- e. NITS and point-to-point transmission service associated with Sunflower facilities constructed in another SPP zone.

2. FBR Rate to be Annual

The initial FBR Rate and the FBR Rate to be charged to customers the 2014 Rate Year shall be as determined in Section B. The FBR Rate shall be as determined in this Section C for each subsequent Rate Year, subject to review, challenge and refunds or surcharges with interest, as provided herein.

3. Rate Years

Each year, Sunflower shall:

- a. By September 24 (or the next Business Day if September 24 is not a Business Day) calculate and Post and File the ATRR for the next Rate Year, all in accordance with the procedures and calculations set forth in the FBR. The FBR specifies in detail the manner in which:
  - i. The most recent Annual Report data shall be used as inputs and the limited projections of transmission plant and associated transmission depreciation expense, transmission O&M expense, A&G expense, revenue credits, and load will be forecast for the next Rate Year in the Annual Update; and
  - ii. Any True-Up Adjustment for the prior Rate Year shall be incorporated into the Annual Update for the next Rate Year;
- b. Calculate Interest on any over-recovery or under-recovery of the net revenue requirements in accordance with the Formula true-up worksheet (Worksheet TU (True-Up));
- c. Calculate the True-Up Adjustment for a given Rate Year and File and Post it by June 1 (or the next Business Day if June 1 is not a Business Day) of the year following that Rate Year, in accordance with the FBR, which adjustment will be reflected in the next Annual Update. The True-Up Adjustment shall include a Formula template with the actual data for the prior Rate Year compared to the previously projected data for the same period;
- d. Calculate the ATRR values and associated rates for the next Rate Year, which shall be the Annual Update for such Rate Year plus or minus the True-Up Adjustment from the previous Rate Year;
- e. Post and File such Annual Update (each September 24) and True-Up Adjustment (each June 1), as well as a populated Formula template in fully functional spreadsheets showing the calculation of such Annual Update and True-Up Adjustment with documentation supporting such calculation as provided below, and, with respect to the Annual Update, information supporting the limited projections described above, which information shall include, but is not limited to,

(A) the following information for all transmission facilities included in the expected plant additions: (i) expected date of completion; (ii) percent completion status as of the date of the Annual Update; (iii) a one-line diagram of facilities exceeding \$5 million in cost; (iv) the total installed cost of the facility; (v) the reason for the facility addition; (vi) upgrade costs paid by a generator or paid by a transmission customer directly to Sunflower; (vii) if the facilities are a Third Party Project, the zone in which the facilities are located, a description of the reason Sunflower is constructing the facilities outside of its zone, and status of Sunflower's compliance with applicable provisions of K.S.A. § 66-131; (viii) to the extent a TRI adder is included for specific facilities, a cite to the FERC or KCC docket number in which such adder has been approved for the utility with which Sunflower is a co-owner or is otherwise similarly situated and a complete description of Sunflower's basis for concluding that it is likewise entitled to the incentive; (B) to the extent that payment of a fine or penalty for violation or alleged violation of NERC Standards has been made on or after January 1, 2013 and the amount is included in the Formula, a description of the violation, the enforcement proceeding, and the basis for seeking recovery of such violation in rates; and (C) to the extent there is an ITC Payment, date of receipt of such Payment, confirmation that it is being booked as non-operating income in the year received unless it is an ITC Maintenance Retainer, in which case, if not booked in the year received, confirmation that the input is being amortized over three years. The applicable date of such Posting and Filing is referred to herein as the Filing Date.

- f. On the Filing Date, notify Zonal Transmission Customers, by e-mail using the most recent e-mail addresses provided to Sunflower, of the website addresses of the Annual Update and True-Up Adjustment Postings and Filings, as applicable;
- g. Respond within seven (7) Business Days to reasonable information requests submitted by Staff, and within ten (10) Business Days to reasonable information requests submitted by Interested Parties for information and work papers supporting the Annual Update. Any such information request shall be limited to that which is appropriate to determine if Sunflower has properly calculated the Annual Update or True-Up Adjustment and whether the costs included in the Annual Update or True-Up Adjustment are appropriately recovered under the terms of the FBR and the FBR has been applied according to its terms; and will be governed by a Discovery Order and Protective Order issued by the KCC in the Compliance Docket;
- h. With respect to the Annual Update, provide at least thirty (30) days advance notice of a Customer Meeting to Zonal Transmission Customers and KCC-designated staff members, via e-mail to the most recent e-mail addresses provided to Sunflower (all references herein to days shall be calendar days unless specified otherwise). Such Customer Meeting shall be held no sooner than ten (10) days after the Filing Date of the Annual Update and no later than October 16 each year, to explain and answer questions regarding the Annual Update for the next calendar year. Any Interested Party may raise an Informal Challenge at any time. Sunflower shall modify the Annual Update to reflect any changes that it and the participating Interested Parties all agree upon by no later than November 20 and shall cause the revised Annual Update to be Posted and

Filed in the same manner as the original Annual Update. Any Issue not agreed to may be raised as a Formal Challenge and resolved as provided in Section E.

4. Prior Year True-Up Adjustment

The True-Up Adjustment for the prior Rate Year shall:

- a. Be Filed, as discussed above in Section C.3.e.;
- b. Be based upon Sunflower's Annual Report for that Rate Year and upon the books and records of Sunflower (Sunflower's Annual Report, books, and records all to be maintained consistently with the FERC Uniform System of Accounts (USoA) and FERC accounting policies and practices);
- c. Be calculated pro rata based on the months during the Rate Year when the ATRR was in effect by multiplying the Annual True-Up Adjustment by the number of months that the ATRR was in effect divided by 12;
- d. Include a variance analysis of, at minimum, actual revenue requirement components of rate base, operating and maintenance expenses, depreciation expense, taxes, return on rate base, and revenue credits as compared to the corresponding components in the projected revenue requirement that was calculated for the Rate Year with an explanation of material changes;
- e. Provide sufficiently detailed supporting documentation for data (and all adjustments thereto or allocations thereof) that are used to develop the actual ATRR for the applicable Rate Year and are not otherwise available directly from the Annual Report;
- f. Include an identification of (i) any changes in Sunflower accounting policies, practices, and procedures (including changes resulting from revisions to FERC's Uniform System of Accounts and/or Annual Report reporting requirements) from those in effect during the calendar year upon which the most recent ATRR was based and that, in Sunflower's reasonable judgment, could impact the Formula Rate or the calculations under the Formula Rate for Rate Years with pending True-Up Adjustments or within the next three years; (ii) any changes in the SPP Tariff from the provisions of the SPP Tariff in effect during the calendar year upon which the most recent ATRR was based and that, in Sunflower's reasonable judgment, could impact the Formula Rate or the calculations under the Formula Rate for Rate Years with pending True-Up Adjustments or within the next three years; and (iii) any change, and the dollar value of the change, in the classification of any transmission facility under Attachment A1 of the SPP Tariff (including the costs of any reclassified facility) that Sunflower has made in the applicable True-Up Adjustment or Annual Update; and
- g. Be subject to review and challenge in accordance with the procedures set forth in these Formula Rate Implementation Protocols, and as directed and controlled by Orders of the KCC.

5. Changes to the FBR

A change to the FBR inputs related to extraordinary property losses, TIER, DSC, or, depreciation rates that are used to calculate the composite rates applied in the FBR may not be made absent an appropriate Filing with and order of the KCC.

**6. Corrections or Modifications to Annual Report**

If Sunflower files any corrections or modifications to its Annual Report prior to the Filing Date of its Annual Update and such corrections or modifications would affect the True-Up Adjustment for a prior Rate Year, the True-Up Adjustment for each Rate Year(s) affected by the corrections or modifications shall be updated to reflect the corrected or modified Annual Report and the Annual Update and shall incorporate the change in such True-Up Adjustment for the next effective Rate Year(s), with Interest. Corrections or modifications to an Annual Report filed after the Filing Date of an Annual Update and not included in a revised Annual Update by November 20 shall be incorporated in the next True-Up Adjustment or Annual Update, as applicable. Sunflower shall report in a timely manner to the KCC, and all parties required by KCC regulations any corrections or modifications to its Annual Report, that affect materially the past or present implementation of the Formula Rate, whether such corrections or modifications have the effect of increasing or decreasing the resulting transmission rates.

**D. ANNUAL REVIEW PROCEDURES FOR TRUE-UP ADJUSTMENT**

Each True-Up Adjustment for the prior Rate Year shall be subject to the following review procedures (Annual Review Procedures) (if any of the dates provided for herein do not fall on a Business Day, then the due date shall be the first Business Day thereafter):

1. Each year, Sunflower will, with at least thirty (30) days' notice, convene a Customer Meeting no sooner than ten (10) days after the Filing Date of the True-Up Adjustment and no later than July 8 to discuss the True-Up Adjustment.
2. Interested Parties may begin submitting information requests immediately following the Filing Date of the True-Up Adjustment and will have until October 13 (one-hundred thirty-five (135) days after June 1) or the next Business Day if October 13 is not a Business Day, to serve reasonable information requests on Sunflower for information and work papers supporting the True-Up Adjustment for the prior Rate Year. Such information requests shall be limited to that which is appropriate to determine if Sunflower has properly calculated the True-Up Adjustment under review (including any corrections pursuant to Section C.6) and whether the costs included in the True-Up Adjustment are properly recorded, prudently incurred, and appropriately recovered under the terms of the Formula Based Rate and the Formula Based Rate has been applied according to its terms. Such information requests will be governed by a Discovery Order and Protective Order issued by the KCC in the Compliance Docket.
3. Sunflower shall respond within seven (7) Business Days to reasonable information requests submitted by Staff, and within ten (10) Business Days to reasonable information requests submitted by Interested Parties for information and work papers supporting the True-Up Adjustment. To the extent Sunflower and any interested party(ies) are unable to resolve disputes related to information requests submitted in accordance with these Formula Rate Implementation Protocols, Sunflower or any Interested Party may petition the KCC by filing a motion in the Compliance Docket.
4. Any Interested Party may notify Sunflower in writing of any specific Issue(s) (Informal Challenge) regarding the True-Up Adjustment; provided that such notice must be received by Sunflower the later of (a) October 28 (one-hundred fifty (150) days after June 1) or the next Business Day, if October 28 is not a Business Day, or (b) 10

Business Days after receipt of Sunflower's last response to an information request submitted by an Interested Party by October 1 and pursuant to Section D.2. above. Challenges to the FBR itself shall not be considered "Issues" for purposes of these Protocols and shall be resolved under Section F.1.

## **E. RESOLUTION OF CHALLENGES**

For each True-Up Adjustment and Annual Update:

### **1. Formal Challenges**

- a. If Sunflower and any Interested Party(ies) are unable to resolve all Issues within ninety (90) days after an Informal Challenge of an Annual True-Up is made, or before November 20 with respect to an Annual Update, the Interested Party(ies) may File a motion challenging the True-Up Adjustment or Annual Update (Formal Challenge). All information produced pursuant to these Protocols may be included in any Formal Challenge, or in any other proceeding concerning the Formula Rate initiated at the KCC.
- b. If any Interested Party raises an Issue with respect to the recovery of NERC fines or penalties actually paid or the applicability of a TRI to a Special Project, and the participating Interested Parties have not resolved the Issue by November 20 such amount shall not be included in the Annual Update. If no Formal Challenge has been Filed by the next May 1, Sunflower may include the amount in the True-Up Adjustment, with Interest; provided, however, that if an Interested Party Files a Formal Challenge of the Issue, Sunflower shall not include such item in the Annual True-Up until the matter is finally resolved by the KCC, at which point, Sunflower shall be entitled to include any amounts so approved by the KCC, with Interest, in the next Annual True-Up or as otherwise ordered by the KCC.

### **2. Confidentiality**

Sunflower may designate any response to an information request as confidential if the information conveyed meets the definition of confidential information, as provided in the applicable statutes, rules and regulations of the KCC, and as governed by the KCC's Protective Order issued in the Compliance Docket. Interested Parties' representatives shall treat such response as confidential in connection with any of the proceedings discussed in this section; provided, however, that when so used, such response shall initially be Filed under seal (unless the claim of confidentiality is waived by Sunflower), subject to a later determination by the KCC that the material is, in whole or in part, not entitled to confidential treatment.

### **3. Applicable Burden of Proof**

In any proceeding ordered by the KCC in response to a Formal Challenge, parties will bear the burden of proof in accordance with applicable KCC precedent as it may be modified by KCC.

### **4. Refunds**

Any refunds or surcharges resulting from a Formal Challenge shall be calculated, with Interest, from the effective date of the challenged True-Up Adjustment or Annual Update, and shall be reflected in the True-Up Adjustment and Annual Update for the

next Rate Year.

5. Errors

In the event that Sunflower identifies an error in a True-Up Adjustment (or an Annual Report that is used as an input to the Formula Rate), or is required by applicable law or a court or regulatory body to correct an error, Sunflower shall correct such error in good faith and without regard to whether the correction increases or decreases Sunflower's revenue requirements as directed by the KCC. Any such correction will be implemented in the True-Up Adjustment and Annual Update for the next Rate Year, with Interest as described in Section C.3.b. above. Nothing in these Protocols should or may be construed as preventing an Interested Party from contesting such correction.

**F. MISCELLANEOUS**

1. Other Rights

Nothing in these Protocols limits or deprives Sunflower, the KCC or any Interested Party of any rights it may otherwise have under any applicable provision of applicable law. The provisions of these Protocols addressing review and challenge of the True-Up Adjustment or Annual Update are not intended to nor shall be construed as limiting Sunflower's, KCC's or any party's rights under any applicable provision of applicable law.

2. FERC

In addition to approval by the Kansas Corporation Commission, no change may be made in the ratios contained in the Formula that are used to establish the Annual Transmission Revenue Requirement for Sunflower, unless approved, or accepted and permitted to go into effect, by the Federal Energy Regulatory Commission pursuant to a filing by SPP under the Federal Power Act.

3. Requirement for Limited Financial Ratios Filing

- a. The current base Times Interest Earned Ratio and base Debt Service Coverage Ratio included in the Formula (see Actual Gross Rev Req, Lines 150 and 163, respectively) (the Financial Ratios) have been set at levels necessary to produce adequate cash flow for the period Sunflower is unable to obtain long term secured financing for new capital investments. Upon the earliest to occur of any New Financing Approval, as more fully described in paragraphs b and c below, Sunflower shall promptly make a Filing with the KCC, which filing shall be limited to the issue of retaining or modifying the Financial Ratios (Ratio Filing). "New Financing Approval" shall mean obtaining approval from RUS to issue new long-term secured debt to fund new capital investment, prepayment or payment at maturity of the Residual Value Note, or any other elimination of the Residual Value Note.
- b. If the New Financing Approval is obtained in connection with a prepayment of the Residual Value Note or in connection with a new financing on or before December 31, 2015, then no later than thirty (30) days following the closing of such financing, Sunflower shall conduct a meeting with KCC Staff and interested parties to discuss the contents of and appropriate timing for the Ratio Filing. Sunflower shall make the Ratio Filing no later than ninety (90) following the

closing of such financing.

- c. If the New Financing Approval has not otherwise been obtained by December 31, 2015, then no later than January 31, 2016, Sunflower shall conduct a meeting with KCC Staff and interested parties to discuss the contents of and appropriate timing for the Ratio Filing. Such Filing shall be made before the end of the first quarter of 2016, with the intent to make the change in Financial Ratios effective for the 2017 Rate Year.

A thick dark gray vertical bar runs down the left side of the page. A brown arrow points to the right, overlapping the bar.

## Exhibit MD-5

Selected Pages from  
2019 Annual Update to  
the Sunflower  
Transmission Formula  
Rate, Docket No.  
14-SEPE-220-TFR,  
September 20, 2018

Several thin, curved, light gray lines sweep upwards from the bottom left corner of the page.

Mark F. Doljac

KANSAS ELECTRIC POWER COOPERATIVE, INC.





September 20, 2018

Via Email

Lynn Retz  
Secretary to the Commission  
Kansas Corporation Commission 1500 SW Arrowhead Road  
Topeka, Kansas 66604

Re: Docket No. 14-SEPE-220-TFR – Annual Update Filing

Dear Ms. Retz:

Sunflower Electric Power Corporation, ("Sunflower") submits its populated formula rate template for electronic filing in the above-referenced docket. The populated formula rate template consists of 2017 actual data which is used to project transmission revenue requirements for the 2019 rate year. Also attached is the Summary of Projected Transmission Facilities Exceeding \$5 million.

This filing is being made pursuant to the Protocols contained in Sunflower's Open Access Transmission Tariff ("OATT"), Attachment H, Appendix B, as approved by the Kansas Corporation Commission on October 31, 2013, in Docket No. 13-SEPE-701-TAR. Following the new jurisdiction law under Senate Bill 323 passed in March 2018, **this information is being filed with the Kansas Corporation Commission for informational purposed only.**

Per the Sunflower OATT Protocols, Sunflower will conduct a customer meeting with its zonal transmission customers on October 8, 2018, to review the filing.

Thank you for your assistance and please feel free to contact me with any questions or concerns.

Sincerely,

A handwritten signature in blue ink, appearing to read "James Brungardt", is written over a light blue horizontal line.

James Brungardt  
Manager, Regulatory Relations

Encl. 2

Sunflower Electric Power Corporation (SEPC)  
Rate Formula Template  
Table of Contents

Rate Year	2019
Historic Year	2017
Total Pages	83

Overview

The formula is calculated in two steps. The first step is to fill out Tabs A-1 thru A-11, and the Actual Gross Rev Req tab with data from the previous year's KCC Annual Report. This data input results in the calculation of the actual annual transmission revenue requirement (Actual ATRR) for the previous year, as shown in the Actual Net Rev Req tab. The results of this calculation are presented to the customers for review no later than June 1 each year.

The TU (True-up) tab uses the Actual ATRR from the Actual Net Rev Req tab and compares it to the Projected ATRR (without the True-up for a prior year) that customers were billed for the same period. Interest is added to the difference and the adjusted true-up then is included in the Projected Net Rev Req tab.

The projected O&M and plant balances are calculated in Tabs P-1 thru P-5. These sheets feed into the Projected Gross Rev Req tab and ultimately into the Projected Net Rev Req tab. The RTO Projects Smry tab retrieves project specific data from other tabs to calculate the amount of revenue requirements associated with those projects which are contained in the total Projected Gross Revenue Requirement amount. The Spon Projects Smry tab does the same process for Sponsored projects. The total revenue requirements for these two groups of upgrades and revenue credits are subtracted from the SEPC total revenue requirement to obtain the Zonal ATRR (line 20, before true-up). This calculation is shown on the Projected Net Rev Req tab. This tab also calculates the point-to-point zonal rates. SPP rates are set on the trued up Base Plan Net Revenue Requirements, Balanced Portfolio Net Revenue Requirements, and ITP/Priority Projects Net Revenue Requirements as well as the trued up Zonal Net Revenue Requirements. The specific charges are defined under the SPP Open Access Transmission Tariff.

The FBR is set up initially to address the revenue requirements for six separate special categories: 1) Base Plan, 2) Balanced Portfolio, 3) Integrated Transmission Plan Priority 1, 4) Integrated Transmission Plan Priority 2, 5) Sponsored, and 6) Third Party Projects. From time-to-time it may become necessary to add other categories of special projects.

Cells highlighted in light blue are data input cells. Some cells may reference the results from other calculations in the formula. Such cell references may change from year to year, requiring manual adjustment of the reference or the direct entry of the proper value.

Page	Tab	Description
2	<a href="#">Variance Analysis</a>	Summary of differences in projected and actual costs for the true-up year
3	<a href="#">Summary</a>	Summary of projected revenue requirements, point to point rates, and Schedule 1 rates.
4	<a href="#">Actual Net Rev Req</a>	Actual net revenue requirements for most recent calendar year
5-9	<a href="#">Actual Gross Rev Req</a>	Actual gross revenue requirements for most recent calendar year
10	<a href="#">Actual Sch 1 Rev Req</a>	Actual revenue requirements for Schedule 1
11-12	<a href="#">A-1 (Act. Rev. Credits)</a>	Actual revenue credits
13	<a href="#">A-2 (Act. Divisor)</a>	Actual transmission system load
14	<a href="#">A-3 (Act. ADIT)</a>	Actual Accumulated Deferred Income Taxes (ADIT)
15-16	<a href="#">A-4 (Act. Excluded Assets)</a>	Assets excluded from transmission rate base
17	<a href="#">A-5 (Act. Depreciation Rate)</a>	Depreciation rates for each account
18	<a href="#">A-6 (Act. Taxes Other)</a>	Actual taxes other than income taxes
19-27	<a href="#">A-7 (Act. RTO Directed Projects)</a>	Actual RTO-directed projects: Base Plan, Balanced Portfolio, and ITP/Priority Projects
28	<a href="#">A-8 (Act. Sponsored Projects)</a>	Actual sponsor-funded projects
29-36	<a href="#">A-9 (Act. Incentive Plant)</a>	Actual incentive returns
37	<a href="#">A-10 (Act. Third Party Proj)</a>	Actual projects constructed by SEPC for Third Parties
38	<a href="#">A-11 (Act. A&amp;G)</a>	Actual Administrative and General Expenses
39-40	<a href="#">A-12 (Act. 13-Mo &amp; BOY and EOY Aver.)</a>	Actual 13-Month averages and BOY-EOY averages for rate base items
41-42	<a href="#">TU (True-up)</a>	True-up adjustment and interest calculation
43-55	<a href="#">RTO Project Smry</a>	Actual and projected RTO-directed projects
56-57	<a href="#">Spon Project Smry</a>	Actual and projected Sponsor-funded projects
58-59	<a href="#">Third Party Project Smry</a>	Actual and projected Third Party projects
60	<a href="#">Projected Net Rev Req</a>	Projected net revenue requirements for next calendar year
61-65	<a href="#">Projected Gross Rev Req</a>	Projected gross revenue requirements for next calendar year
66	<a href="#">Projected Schedule 1 Rev Req</a>	Projected revenue requirements for Schedule 1
67-72	<a href="#">P-1 (Proj Trans Plant)</a>	Projected transmission plant for next calendar year and incentive returns
73	<a href="#">P-2 (Proj. Exp. &amp; Rev. Credits)</a>	Projected expenses and revenue credits for next calendar year
74	<a href="#">P-3 (Proj. Trans. Network Load)</a>	Projected transmission system load
75-81	<a href="#">P-4 (Proj. RTO Projects)</a>	Projected RTO-directed projects: Base Plan, Balanced Portfolio, ITP/Priority Projects
82	<a href="#">P-5 (Proj. Sponsored. Projects)</a>	Projected sponsor-funded projects
83	<a href="#">P-6 (Proj. Third Party Projects)</a>	Projected projects constructed by SEPC for Third Parties

**Sunflower Electric Power Corporation (SEPC)  
Variance Analysis**

	<b>True-Up Calculation</b>		
	<b>Base Plan</b>	<b>Zonal</b>	<b>Total</b>
<b>2017 Actual</b>	\$ 6,582,655	\$ 12,631,125	\$ 19,213,780
<b>2017 Projected</b>	\$ 6,753,559	\$ 11,710,990	\$ 18,464,549
<b>True-Up Applied to 2019</b>	\$ (170,904)	\$ 920,135	<b>\$ 749,231</b>

<b>Projected vs. Actual Comparison</b>				
	<b>2017 Projected</b>	<b>2017 Actual</b>	<b>Difference</b>	<b>Comments</b>
<b>Zonal Net Revenue Requirement</b>	\$ 11,710,990	\$ 12,631,125	\$ 920,135	\$2.3 M Revenue Credits, \$.3 M BPF shift, \$-1.9 M O&M, Dep Exp, & Return.
<b>Base Plan Rev Req</b>	\$ 6,753,559	\$ 6,582,655	\$ (170,904)	NA
<b>O&amp;M Expenses</b>	\$ 18,628,459	\$ 18,553,832	\$ (74,627)	NA
<b>Depreciation Expense</b>	\$ 2,758,843	\$ 2,906,764	\$ 147,921	NA
<b>Taxes</b>	\$ 126	\$ 115	\$ (11)	NA
<b>Return</b>	\$ 3,384,411	\$ 1,793,938	\$ (1,590,473)	The 2017 projection used the average 2015 debt to calculate return. The actual average debt is \$52 million lower from the 2015 level. Therefore, total interest plus margins were \$4.1 million lower. \$4.1 million X .25 Rate Base is approximately \$1 million. There was no AFUDC in the projection. AFUDC reduced return from projected by approximately \$450,000.
<b>Revenue Credits</b>	\$ 6,307,290	\$ 4,040,869	\$ 2,266,421	2015 BPF True-up was \$419,726, however; the 2017 projected BPF True-up Adjustment was \$1,643,975. The variance of \$1,224,249 was added to the projected revenue credits and subtracted from zonal.

**Sunflower Electric Power Corporation (SEPC)**  
**Rate Formula Template**  
**Projected Revenue Requirements**  
**For the 12 months ended - December 31, 2019**

Line No.	(1) <u>Description</u>	(2) <u>Source</u>	(3)	(4) <u>Amount</u>
	<b><u>A. Net Revenue Requirement Including True-Up</u></b>			
1	Base Plan Net Revenue Requirements	Projected Net Rev Req, L41	\$	12,572,851
2	Balanced Portfolio Net Revenue Requirement	Projected Net Rev Req, L42	-	
3	ITP/Priority Projects-1 Net Revenue Requirement	Projected Net Rev Req, L43	-	
4	ITP/Priority Projects-2 Net Revenue Requirement	Projected Net Rev Req, L44	-	
5	Sponsored Projects Net Revenue Requirements	Projected Net Rev Req, L45	-	
6	Third Party Projects Net Revenue Requirements	Projected Net Rev Req, L46	-	
7	Total	Sum (L1:L6)		\$ 12,572,851
8				
9	Zonal Net Revenue Requirement	Projected Net Rev Req, L49	\$	11,744,448
10				
11	<b><u>B. Point-to-Point Service</u></b>			
12	SEPC 12-CP. Peak Demand	WP P-3, L15		412.4 MW
13				
14	Annual Point-to-Point Rate in \$/MW - Year	L9 / L12	\$	28,479.000
15	Monthly Point-to-Point Rate in \$/MW - Month	L14 / 12 months	\$	2,373.000
16	Weekly Point-to-Point Rate in \$/MW - Weekly	L14 / 52 weeks	\$	548.000
17	Daily On-Peak Point-to-Point Rate in \$/MW - Day	L14 / 260 days	\$	109.500
18	Daily Off-Peak Point-to-Point Rate in \$/MW - Day	L14 / 365 days	\$	78.000
19	Hourly On-Peak Point-to-Point Rate in \$/MW - Hour	L17 / 16 hours	\$	6.840
20	Hourly Off-Peak Point-to-Point Rate in \$/MW - Hour	L18 / 24 hours	\$	3.250
21				
22	<b><u>C. Schedule 1 ARR</u></b>			
23	Net Schedule 1 Revenue Requirement for Zone	Projected Sch 1 Rev Req, L12	\$	821,185
24				
25	<b><u>D. Schedule 1 Rate Calculations</u></b>			
26	SEPC 12-CP. Peak Demand	WP P-3, L15		412.4 MW
27				
28	Annual Point-to-Point Rate in \$/MW - Year	L23 / L26	\$	1,991.300
29	Monthly Point-to-Point Rate in \$/MW - Month	L28 / 12	\$	165.900
30	Weekly Point-to-Point Rate in \$/MW - Week	L28 / 52	\$	38.290
31	Daily Point-to-Point Rate in \$/MW - Day	L28 / 365	\$	5.456
32	Hourly Point-to-Point Rate in \$/MW - Hour	L28 / 8760	\$	0.227

**Sunflower Electric Power Corporation (SEPC)**  
**Rate Formula Template**  
**Actual Net Revenue Requirements**  
**For the 12 months ended - December 31, 2017**

Line No.	(1) Description	(2) Reference	(3)	(4)	(5) Amount
	<b><u>REVENUE REQUIREMENTS</u></b> (including approved incentives, if any)				
1	Total Transmission Facilities	Act Gross Rev, Pg. 2, L101, col. 6			\$ 23,254,649
2					
3	Base Plan Gross Revenue Requirements	WP A-7, L23+ L27 + L32, Col. n	\$ 6,582,655		
4	Balanced Portfolio Gross Revenue Requirement	WP A-7, L36, Col. n	-		
5	ITP/Priority Projects-1 Gross Revenue Requirement	WP A-7, L40, Col. n	-		
6	ITP/Priority Projects-2 Gross Revenue Requirement	WP A-7, L44, Col. n	-		
7	Sponsored Gross Revenue Requirements	WP A-8, L4, Col. m	-		
8	Third Party Projects Gross Revenue Requirements	WP-10, L4, Col. m	-		
9	Total	Sum (L3:L8)		\$ 6,582,655	<u>6,582,655</u>
10					
11	Zonal Gross Revenue Requirement	L1 - L9			\$ 16,671,994
12					
13	<b><u>REVENUE CREDITS</u></b>				
14					
15	Zonal Gross Revenue Credit	WP A-1, Pg.1 L45			\$ 4,040,869
16					
17	<b><u>NET REVENUE REQUIREMENT</u></b>				
18	Base Plan Net Revenue Requirements	L3	\$ 6,582,655		
19	Balanced Portfolio Net Revenue Requirement	L4	-		
20	ITP/Priority Projects-1 Net Revenue Requirement	L5	-		
21	ITP/Priority Projects-2 Net Revenue Requirement	L6	-		
22	Sponsored Project Net Revenue Requirements	L7	-		
23	Third Party Projects Net Revenue Requirements	L8	-		
24	Total	Sum (L18:L23)		\$ 6,582,655	
25					
26	Zonal Net Revenue Requirement	L11 - L15			<u>\$ 12,631,125</u>
27					

Sunflower Electric Power Corporation (SEPC) Rate Formula Template Actual Gross Revenue Requirements For the 12 months ended - December 31, 2017						
Line	(1) Description	(2) KCC Annual Report/Workpaper	(3) Total Company	(4)	(5) Allocator	(6) Transmission (Col 3 times Col 5)
1	<b><u>RATE BASE:</u></b>					
2	PLANT IN SERVICE (13 month averages)					
3	Production	WP A-12, Pg. 1, L1 & L2	\$ 539,475,545		NA	\$ -
4	Transmission (Excludes Capital Leases)	WP A-12, Pg. 1, L3 Note O	125,801,417		DA 1.00000	125,801,417
5	Less: Excluded Plant	WP A-4, Pg. 1, L13 Note J & K	\$ -		DA 1.00000	-
6	Distribution	WP A-12, Pg. 1, L5	-		NA	-
7	General	WP A-12, Pg. 1, L6	49,471,789		WS 0.27968	13,836,053
8	Intangible & Other	WP A-12, Pg. 1, L7	-		WS 0.27968	-
9	TOTAL GROSS PLANT	Sum (L3:L8) - L5	\$ 714,748,751			\$ 139,637,470
10						
11	ACCUMULATED DEPRECIATION (13 month averages)	Note Q				
12	Production	WP A-12, Pg. 1, L11 & L12	\$ 373,793,394		NA	\$ -
13	Transmission (Excludes Capital Leases)	WP A-12, Pg. 1, L13, Note O	81,092,356		DA 1.00000	81,092,356
14	Less: Excluded Plant	WP A-4, Pg. 1, L13 Note J & K	\$ -		DA 1.00000	-
15	Distribution	WP A-12, Pg. 1, L15	-		NA	-
16	General	WP A-12, Pg. 1, L16	26,033,479		WS 0.27968	7,280,929
17	Intangible & Other	WP A-12, Pg. 1, L17	-		WS 0.27968	-
18	TOTAL ACCUM. DEPRECIATION	Sum (L12:L17) - L14	\$ 480,919,229			\$ 88,373,286
19						
20	NET PLANT IN SERVICE (13 month averages)					
21	Production	L3- L12	\$ 165,682,151			\$ -
22	Transmission (Excludes Capital Leases)	L4- L13	44,709,061			44,709,061
23	Less: Excluded Plant	L5- L14	\$ -			-
24	Distribution	L6- L15	-			-
25	General	L7- L16	23,438,310			6,555,124
26	Intangible & Other	L8- L17	-			-
27	TOTAL NET PLANT	Sum (L21:L26) - L23	\$ 233,829,522			\$ 51,264,184
28						
29	CONTRUCTION WORK IN PROGRESS					
30	Production	WP A-12, Pg. 1, L29	\$ 1,782,251			\$ -
31	Transmission	WP A-12, Pg. 1, L30	11,098,429		DA 1.00000	11,098,429
32	Less: CWIP Assoc. with Third Party and Sponsored Projects					
33	Distribution	WP A-12, Pg. 1, L31	-			
34	General Plant	WP A-12, Pg. 1, L32	2,961,790		WS 0.27968	828,341
35	Total	L30 + L31 - L32 + L33 + L34	\$ 15,842,470			\$ 11,926,769
36						
37	ADJUSTMENTS TO RATE BASE					
38	Accumulated Deferred Income Taxes	WP A-3	\$ -		DA 1.00000	\$ -
39	Unrefunded Customer Advances for Construction	Note A			DA 1.00000	-
40	Reserve Funds (Non-Escrowed)	WP A-12, Pg. 2, L42	-		DA 1.00000	-
41	Unamortized Abandoned Transmission Plant	WP A-12, Pg. 2, L44, Note S	-		DA 1.00000	-
42	TOTAL ADJUSTMENTS	Sum (L38:L41)	\$ -			\$ -
43						
44	LAND HELD FOR FUTURE USE	WP A-12, Pg. 2, L50 Note B	\$ -		DA 1.00000	\$ -
45						
46	WORKING CAPITAL					
47	CWC					
48	O&M Expense less Fuel	KCC Pg. 36-1, L40d - Pg. 34, L2b -L8b-L35b	\$ 43,174,771		NA	
49	O&M Expense Allocated to Transmission	Pg. 2, L74, Col (6)				\$ 18,553,832
50		Calculated Note C	\$ 5,396,846			\$ 2,319,229
51	Materials & Supplies--Transmission	WP A-12, Pg. 1, L54	1,980,217		TP 1.00000	1,980,217
52	Materials & Supplies--Other	WP A-12, Pg. 1, L52, L53 & L55	12,087,913		NA	-
53	Stores Expense	WP A-12, Pg. 2, L61	-		WS 0.27968	-
54	Prepayments (Account 165)	WP A-12, Pg. 2, L63 (Note D)	1,335,129		GP 0.23975	320,101
55						
56	TOTAL WORKING CAPITAL	Sum (L50:L55)	\$ 20,800,104			\$ 4,619,547
57						
58	Rate Base	Sum(L27, L35, L42, L44, L56)	\$ 270,472,096		RB = 0.25071	\$ 67,810,500

Sunflower Electric Power Corporation (SEPC)						
Rate Formula Template						
Actual Gross Revenue Requirements						
For the 12 months ended - December 31, 2017						
Line	(1) Description	(2) KCC Annual Report/Workpaper	(3) Total Company	(4)	(5) Allocator	(6) Transmission (Col 3 times Col 5)
59	O&M:					
60	Transmission	KCC Report Pg. 35, L17, Col. b	\$ 40,926,057			
61	Less: Transmission by Others Acct. 565	KCC Report Pg. 35, L6, Col. b (Note E)	25,181,391			
62	Less: Transmission Leases & Facility Charges	SEPC Records	5,163,394			
63	Less Acct. 561 Expense Recovered Through Sch. 1	Actual Sch 1 Rev Req, L10	1,172,578			
64	Total Transmission O&M	L60 - Sum(L61:L63) (Note H)	\$ 9,408,694	TP	1.00000	\$ 9,408,694
65	A&G -Adjusted	WP A-11, L8	\$ 14,189,504	WS	0.27968	3,968,458
66	Plus: Safety Advertising	WP A-11, L9	-	WS	0.27968	-
67	Plus Association Dues Directly Related to Transmission	WP A-11, L10	-	DA	1.00000	-
68	Plus: Advertising -Transmission	WP A-11, L15	-	DA	1.00000	-
69	Plus: Research -Transmission	WP A-11, L20	-	DA	1.00000	-
70	Plus: Regulatory Exp -Transmission	WP A-11, L25	13,286	DA	1.00000	13,286
71	Plus: Corporate Visibility -Transmission	WP A-11, L31	-	WS	0.27968	-
72	Subtotal A&G	L65 + Sum(L66:L71)	\$ 14,202,790			\$ 3,981,744
73	Transmission Lease Payments & Facility Charges	Note F	5,163,394	DA	1.00000	5,163,394
74	TOTAL O&M	L64 + L72 + L73	\$ 28,774,878			\$ 18,553,832
75						
76	DEPRECIATION EXPENSE	Note Q				
77	Production	KCC Report Pg. 38, L2, Col. c	\$ 7,827,992	NA	0.00000	\$ -
78	Transmission	KCC Report Pg. 38, L2, Col. D (Note V)	2,195,457	TP	1.00000	2,195,457
79	Distribution	KCC Report Pg. 38, L2, Col. e	-	NA	0.00000	-
80	General	KCC Report Pg. 38, L2, Col. f	2,543,329	WS	0.27968	711,307
81	Intangible & Other	SEPC Records	-	WS	0.27968	-
82	Amortization of Abandoned Transmission Plant	Acct. 407 (Note S)	-	DA	1.00000	-
83	TOTAL DEPRECIATION	Sum(L77:L82)	\$ 12,566,778			\$ 2,906,764
84						
85	TAXES OTHER THAN INCOME TAXES	(Note I)				
86	LABOR RELATED					
87	Payroll	WP A-6, L9	\$ -	WS	0.27968	\$ -
88	Highway and vehicle	WP A-6, L9	-	WS	0.27968	-
89	PLANT RELATED					
90	Property	WP A-6, L9, (Note M)		GP	0.23975	-
91	Gross Receipts	WP A-6, L9	-	NA		-
92	Other	WP A-6, L9	480	GP	0.23975	115
93						
94	TOTAL OTHER TAXES	Sum(L87:L92)	\$ 480			\$ 115
95						
96	RETURN					
97	Return before incentives	L172, (Note Y)	\$ 8,872,161	RB	0.25071	\$ 1,793,938
98	Incentive return	L181				-
99	Total Return	L97 + L98				\$ 1,793,938
100					0.00663	
101	GROSS REV. REQUIREMENT WITH INCENTIVES	L74 + L83 + L94 + L99				\$ 23,254,649
102	LESS: Gross Revenue Requirements for Incentives	L98				-
103						
104	GROSS REV. REQUIREMENT WITHOUT INCENTIVES	L101 - L102				\$ 23,254,649

Sunflower Electric Power Corporation (SEPC)						
Rate Formula Template						
Actual Gross Revenue Requirements						
For the 12 months ended - December 31, 2017						
Line	(1) Description	(2) KCC Annual Report/Workpaper	(3) Total Company	(4)	(5) Allocator	(6) Transmission (Col 3 times Col 5)
105	<b><u>TRANSMISSION PLANT INCLUDED IN FORMULA</u></b>					
106	Total transmission plant, incl. capital and operating leases	WP-12, L3 + L4 + L10	\$ 167,532,134		DA 1.00000	\$ 167,532,134
107	Less: Substation, 34kV, & Radial Lines to Distr. Plt.	WP A-4, L11 (Note J)		-	DA 1.00000	-
108	Less: Total GSU in Transmission Plant	WP A-4, L4 (Note K)		-	DA 1.00000	-
109	Transmission plant included in rates	L106 - L107 - L 108	\$ 167,532,134			\$ 167,532,134
110	Percentage of transmission plant included in rates	L109 / L106			TP= 1.00000	
111						
112	<b><u>GROSS AND NET PLANT ALLOCATORS</u></b>					
113	GROSS PLANT IN SERVICE (ACTUAL HISTORICAL COST)					
114	Production	Pg 1, L3	\$ 539,475,545		NA	\$ -
115	Total transmission plant, including leases (Note T)	WP-12, L3 + L4 + L10	167,532,134		DA 1.00000	167,532,134
116	Less: Excluded Plant	Pg 1, L5		-	DA 1.00000	-
117	Distribution	Pg 1, L6	-		NA	-
118	General & Intangible	Pg 1, L7 + L8	49,471,789		WS 0.27968	13,836,053
119	TOTAL GROSS PLANT	L114 + L115 - L 116 + L 117 + L118	\$ 756,479,468		GP = 0.23975	\$ 181,368,186
120						
121	ACCUMULATED DEPRECIATION (ACTUAL HISTORICAL COST) (Note Q)					
122	Production	Pg 1, L12	\$ 373,793,394		NA	\$ -
123	Total transmission plant, including leases	WP-12, L13 + L14 + L19	82,378,764		DA 1.00000	82,378,764
124	Less: Excluded Plant	Pg 1, L14		-	DA 1.00000	-
125	Distribution	Pg 1, L15	-			-
126	General & Intangible	Pg 1, L16 + L17	26,033,479		WS 0.27968	7,280,929
127	TOTAL ACCUM. DEPRECIATION	L122 + L123 - L 124 + L 125 + L126	\$ 482,205,637			\$ 89,659,693
128						
129	NET PLANT IN SERVICE (ACTUAL HISTORICAL COST)					
130	Production	L114 - L122	\$ 165,682,151			\$ -
131	Total transmission plant, including leases	L115 - L123	85,153,370			85,153,370
132	Less Excluded Plant	L116 - L124		-		-
133	Distribution	L117 - L125	-			-
134	General & Intangible	L118 - L126	23,438,310			6,555,124
135	TOTAL NET PLANT	L130 + L131 - L 132 + L 133 + L134	\$ 274,273,831		NP = 0.33437	\$ 91,708,493
136						
137	<b><u>WAGES &amp; SALARY ALLOCATOR (WS)</u></b>					
138	Production	KCC Pg. 37, L1, Col. d	\$ 12,844,656		-	\$ -
139	Transmission	KCC Pg. 37, L2, Col. d	4,987,110		TP 1.00000	4,987,110
140	Distribution	KCC Pg. 37, L3, Col. d	-		-	-
141	Other (excluding A&G)	KCC Pg. 37, L4, L5 & L6, Col. d	-		-	-
142	Total	Sum (L138:L141)	\$ 17,831,766			\$ 4,987,110
143	Wage & Salary Allocator Calculation	Col 6, L142 / Col 3, L142				WS= 0.27968

Sunflower Electric Power Corporation (SEPC)					
Rate Formula Template					
Actual Gross Revenue Requirements					
For the 12 months ended - December 31, 2017					
<u>Line</u>	(1) <u>Description</u>	(2) <u>KCC Annual Report/Workpaper</u>	(3) <u>Total Company</u>	(4)	(5) <u>Allocator</u>
					(6) <u>Transmission</u> (Col 3 times Col 5)
144	<b><u>RETURN (R)</u></b>	Note N			
145	TIER Test				
146	LT Debt	KCC Pg. 5, L11, Avg. of Col. c & Col. d	\$ 139,925,043		
147	LT Interest Expense (Acct. 427)	KCC Pg. 8, L15, Col. c	5,957,366		
148	ST Interest (Acct. 431)	KCC Pg. 8, L17, Col. c	194,664		
149	Total Interest Expense	L147 + L148	\$ 6,152,030		
150	Target TIER	(Note P)	1.7566		
151	Return Requirements (LT Interest plus Margin)	L149 * L150	\$ 10,806,775		
152	Less: Non Operating Income	KCC Pg. 8, L23, Col. C (Note L) (Note Y)	1,934,614		
153	Plus: Amortization of Debt Discount and Debt Expense	KCC Pg. 8, L16, Col. c	-		
154	Reserved for Future Use	(Note G)	-		
155					
156	Net Operating Return Req. (accrual basis)	L151 - L152 + L153 + L154 + L155	\$ 8,872,161		
157					
158	DSC Test				
159	Debt Service				
160	LT Interest Expense	L147	\$ 5,957,366		
161	Principal Payment	KCC Pg. 22, L18, Col. E (Note X)	5,169,064		
162	Debt Service	L160 + L161	\$ 11,126,430		
163	Target DSC	(Note P)	1.3659		
164	Return Requirements	L162 * L163	\$ 15,198,033		
165	Less: Non Operating Income	L152	1,934,614		
166	Plus: Amortization of Debt Discount and Debt Expense	L153	-		
167	Net Operating Return Req. (cash basis)	L164 - L165 + L166	\$ 13,263,420		
168	Less: Depreciation Expense	L83	12,566,778		
169	Equivalent Return Requirements (accrual basis)	L167 - L168	\$ 696,642		
170					
171	Critical Ratio (TIER or DSC)	Greater of L156 or L169	TIER		
172	Return Requirements Greater of TIER or DSC Test	Greater of L156 or L169	\$8,872,161		
173	Average LT Interest Rate	L147 / L146	4.2575%		
174	Average Return on Rate Base	L172 / L58	3.2803%		
175					
176	<b>GROSS REV. REQUIREMENT FOR INCENTIVE PROJECTS</b>				
177	<b>Plant Granted Incentive TIER Adder:</b>				
178	Total Incentive Plant	WP A-9, L27	\$ -		
179	Less: Total Accumulated Depreciation	WP A-9, L27	-		
180	Net Incentive Plant	L178 - L179	\$ -		
181	Incentive Return	WP A-9, L27		\$ -	
182					
183					
184					
185					
186					
187	<b>Abandoned Plant:</b>				
188	Unamortized Abandoned Transmission Plant	L41 of Pg 1 (Note S)	\$ -		
189	Return on Abandoned Plant	L174 * L188	\$ -		
190	Amortization Expense for Abandoned Plant	L82 of Pg. 2	-		
191	Total Recovery for Abandoned Plant	Sum (L189:L190)		\$ -	
192	TOTAL GROSS REV. REQ. FOR INCENTIVE PROJ.	L181 +L185 + L191			\$ -

Sunflower Electric Power Corporation (SEPC)  
Rate Formula Template  
Actual Gross Revenue Requirements  
For the 12 months ended - December 31, 2017

General Note: References to pages in this formula rate are indicated as: (Pg. #, L(in) #, Col.#).  
References to data from SEPC's Annual Report to the KCC are indicated as: (Pg. #, L(in) #, Col. #)

Note	
A	Reduce Rate Base by Unrefunded Transmission customer advances for construction. This line shall be directly assigned 100% to Transmission. Provide separate workpaper to support adjustment.
B	Includes only Land Held for Future Use associated with Transmission facilities.
C	Cash Working Capital assigned to transmission is one-eighth of O&M allocated to transmission at Pg. 2, L74, Col. 6.
D	Prepayments are the electric related prepayments booked to Acct. 165 and reported on SEPC's KCC Annual Report Pg. 17, L20, Col. b.
E	Expenses recorded in Account 565, Transmission of Electricity by Others, are not recoverable through the formula rate.
F	Lease and joint facilities charges included on L62, page 2 of 5, are those costs attributable to transmission service.
G	This line shall not be populated unless authorized by the Commission.
H	Transmission O&M on this line does not include any SPP charges for Schedule 1-A of the SPP OATT.
I	Includes only unallocated FICA, unemployment, highway, property, gross receipts, and other assessments charged in the current year. Pursuant to RUS accounting standards, the majority of this other tax expense is allocated directly to the appropriate O&M accounts. Taxes related to income are excluded. Gross receipts taxes are not included in transmission revenue requirement in the Rate Formula Template.
J	Removes transmission plant determined by Commission order to be excluded from RTO transmission rate base to the extent that plant balances are not adjusted.
K	Removes generator step-up facilities determined by Commission order to be excluded from RTO transmission rate base to the extent plant balances are not adjusted. SEPC records this investment in a transmission plant account.
L	As more fully described in Section C.3.e. of the Protocols, any amounts received from ITC Great Plains, LLC (ITC), shall be booked as non-operating income in the year received.
M	If the transmission related component of property tax is specifically identified in SEPC's KCC Annual Report, then a TP allocator shall be used. Property tax shall be allocated to transmission by the GP allocator if transmission related property tax is not specifically identified in the KCC Annual Report.
N	Return is based on the maximum of either a TIER or DSC test.
O	Does not include leases since return associated with leased facilities is included in the lease payment.
P	The approved TIER and DSC rations will be established by the KCC. No change in TIER and DSC may be made absent a filing with the KCC. Any incentive ROEs approved by the FERC are shown by project in Worksheet A-9.
Q	The current depreciation rates used to calculate depreciation expense and accumulated depreciation balances are shown in worksheet A-5 (Act. Depreciation Rate).
R	Reserved for future use.
S	The Unamortized Abandoned Transmission Plant can only be included in rate base if authorized by the Commission.
T	The GP allocator is primarily used to allocate prepaid insurance payments; and Sunflower provide property insurance for leased facilities.
U	Reserved for future use.
V	Includes depreciation of capital lease improvements.
W	Reserved for future use.
X	Excludes Residual Value Note (RVN) balloon principal payment
Y	Removal of AFUDC from nonoperating income and including transmission AFUDC with transmission revenue requirement. See AFUDC Workpaper

ALLOCATION FACTORS				
Line	Allocators	Description	Source	Amount
1	RB	Percentage of rate base attributable to transmission	Pg. 2, L58, Col.5	0.25071
2	TP	Percentage of transmission plant included in rate base.	Pg. 3, L110, Col.5	1.00000
3	WS	Percentage of transmission labor included in rates	Pg. 3, L143, Col.6	0.27968
4	DA	Direct assignment		1.00000
5	GP	Ratio of allocated transmission, general, & intangible plant to total gross plant.	Pg. 3, L119, Col.5	0.23975
6	NA	Not applicable for the transmission formula rate.		-
7	NP	Ratio of net transmission, general, & intangible plant to total net plant.	Pg. 3, L135, Col.5	0.33437

**Sunflower Electric Power Corporation (SEPC)**  
**True-up Adjustment and Timeline**

**Timeline**

<u>Step</u>	<u>Month</u>	<u>Year</u>		<u>Action</u>
1		Year 0	2018	SEPC populates the formula rate using projected costs for Year 1
2		Year 0	2018	Post results of Step 1
3	Jan	Year 1	2019	Results of Step 2 go into effect.
4	Sept	Year 1	2019	SEPC populates the formula rate using projected costs for Year 2
5	Sept	Year 1	2019	Post results of Step 4
6	Jan	Year 2	2020	Results of Step 5 go into effect.
7	Jun	Year 2	2020	SEPC populates the formula rate using actual costs for Year 1
8	Jun	Year 2	2020	Calculate the difference between the formula rate calculated in Step 7 and Step 1
9	Jun	Year 2	2020	Post results from Step 7 and Step 8
10	Sept	Year 2	2020	SEPC populates the formula rate using projected costs for Year 3, including true-up adjustment for Year 1
11	Sept	Year 2	2020	Post results of Step 10
12	Jan	Year 3	2021	Results of Step 11 go into effect.

**Reconciliation details for 2017**

		<u>Base Plan</u>	<u>Balance Portfolio</u>	<u>ITP / Priority Project 1</u>		<u>ITP / Priority Project 2</u>		<u>Sponsored</u>	<u>Third Party</u>	<u>Zonal Rev Req</u>	<u>Total Rev. Req.</u>
		(1)	(2)	(3)		(4)		(5)	(6)	(7)	(8)
1	Actual Revenue Requirements from Step 7	\$ 6,582,655	\$ -	\$ -		\$ -		\$ -	\$ -	\$ 12,631,125	\$ 19,213,780
2	Projected Revenue Requirements from Step 1 (Note C)	6,753,559	-	-		-		-	-	11,710,990	18,464,549
3	True-up Amount (before interest)	\$ (170,904)	\$ -	\$ -		\$ -		\$ -	\$ -	\$ 920,135	\$ 749,231

Sunflower Electric Power Corporation (SEPC)  
True-up Adjustment and Timeline

- 4 Jun Year 2 Post results from Step 7 and Step 8
- 5 Sept Year 2 SEPC populates the formula rate using projected costs for Year 3, including true-up adjustment for Year 1

Interest Calculation

Short term Interest Rate (Notes A and F)		Avg. Ann. Short Term Int.	
6	Other Interest Exp.(Notes, p.117) (Note A)	-	
7	Notes Payable (Acct. 231-daily balances (Note A)	-	
8	No. of Months	12	
9	Annual Short-term Int Rate L6 / L7	0.0000%	
FERC Quarterly Interest Rate			
10	Qtr 3 (Previous Year)	3.9600%	
11	Qtr 4 (Previous Year)	4.2100%	
12	Qtr 1 (Current Year)	4.2500%	
13	Qtr 2 (Current Year)	4.4700%	
14	Average of the last 4 quarters Sum(L10:L13) / 4	4.2225%	
15	Interest Rate Used for True-up adjustment (Note B)	4.2225%	4.2225% 4.2225% 4.2225% 4.2225% 4.2225% 4.2225% 0.0000%

		Base Plan	Balance Portfolio	ITP / Priority Project 1	ITP / Priority Project 2	Sponsored	Third Party	Zonal Rev Req	Total Rev. Req.
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
16	True-Up Amount (line 8c) (Note D)	\$ (170,904)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 920,135	\$ 749,231
17	Interest on True-up Amount ([Avg. Interest Rate / 12 months]*24 mo.)	(14,433)	-	-	-	-	-	-	(14,433)
18	True-up Adjustment (Note E)	\$ (185,337)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 920,135	\$ 734,798

Notes:

- A The short term interest rate is based on a 12 month rate ending June of the year in which the Annual Update is prepared, with denominator calculated using daily balances and the numerator based on Form 3Q.
- B Use the lower of L9 and L14 if the True-up Amount (L16) is greater than or equal to zero. Use L14 if the True-up amount (L16) is less than zero.
- C Enter the Projected Revenue Requirement for the Actual period without a true-up adjustment plus any adjustments, either positive or negative, resulting from corrections of prior years. For 2013 and 2014, set this equal to L2
- D If the annual update is for a partial year, not 12 months, then the amount on L16 shall be prorated to represent the number of months in the partial year.
- E If the annual update is for a partial year, monthly interest will be multiplied by 18 plus one-half of the months in the partial year.
- F The numerator and denominator of the short-term interest rate calculation will reflect consistent debt components.

**Sunflower Electric Power Corporation (SEPC)**  
**Rate Formula Template**  
**Projected Net Revenue Requirements**  
**For the 12 months ended - December 31, 2019**

<u>Line</u>	<u>(1)</u> <u>Description</u>	<u>(2)</u> <u>Reference</u>	<u>(3)</u>	<u>(4)</u>	<u>(5)</u> <u>Amount</u>
	<b><u>A. GROSS REVENUE REQUIREMENT</u></b> (including approved incentives, if any)				
1	Total Transmission Facilities	Projected Gross Rev Req, Pg.2, L92			\$ 27,624,164
2					
3	Base Plan Gross Revenue Requirements	WP RTO Project Smry, Base Plan Section, L40 + L59 + L78	\$ 12,758,188		
4	Balanced Portfolio Gross Revenue Requirement	WP RTO Project Smry, Base Plan Section, L97	-		
5	ITP/Priority Projects-1 Gross Revenue Requirement	WP RTO Project Smry, Base Plan Section, L116	-		
6	ITP/Priority Projects-2 Gross Revenue Requirement	WP RTO Project Smry, Base Plan Section, L135	-		
7	Sponsored Projects Gross Revenue Requirements	WP Spon Project Smry, L19	-		
8	Third Party Projects Gross Revenue Requirements	WP Third Party Project Smry, L19	-		
9	Total	Sum (L3:L7)			\$ 12,758,188
10					
11	Zonal Gross Revenue Requirement	L1 - L9			\$ 14,865,976
12					
13	<b><u>B. REVENUE CREDITS</u></b>				
14	Zonal Gross Revenue Credit	WP P-2, L50			\$ 4,041,663
15					
16	<b><u>C. NET REVENUE REQUIREMENT AFTER REVENUE CREDITS AND BEFORE TRUE-UP</u></b>				
17	Base Plan Net Revenue Requirements	L3	\$ 12,758,188		
18	Balanced Portfolio Net Revenue Requirement	L4	-		
19	ITP/Priority Projects-1 Net Revenue Requirement	L5	-		
20	ITP/Priority Projects-2 Net Revenue Requirement	L6	-		
21	Sponsored Projects Net Revenue Requirements	L7	-		
22	Third Party Projects Net Revenue Requirements	L8	-		
23	Total	Sum (L17:L22)		\$ 12,758,188	
24					
25	Zonal Net Revenue Requirement	L11 - L14			\$ 10,824,313
26					
27	<b><u>D. TRUE-UP ADJUSTMENTS</u></b>				
28	Total Transmission Facilities	WP TU (True-Up), L18		\$ 734,798	
29					
30	Base Plan True-Up	WP TU (True-Up), L18	\$ (185,337)		
31	Balanced Portfolio True-Up	WP TU (True-Up), L18	-		
32	ITP/Priority Projects-1 True-UP	WP TU (True-Up), L18	-		
33	ITP/Priority Projects-2 True-UP	WP TU (True-Up), L18	-		
34	Sponsored Projects True Up	WP TU (True-Up), L18	-		
35	Third Party Projects True Up	WP TU (True-Up), L18	-		
36	Total	Sum (L30:L33)		\$ (185,337)	
37					
38	Zonal True-Up Revenue Requirement	L28 - L36			\$ 920,135
39					
40	<b><u>E. NET REVENUE REQUIREMENT AFTER TRUE-UP</u></b>				
41	Base Plan Net Revenue Requirements	L17 + L30	\$ 12,572,851		
42	Balanced Portfolio Net Revenue Requirement	L18 + L31	-		
43	ITP/Priority Projects-1 Net Revenue Requirement	L19 + L32	-		
44	ITP/Priority Projects-2 Net Revenue Requirement	L20 + L33	-		
45	Sponsored Projects Net Revenue Requirements	L21 + L34	-		
46	Third Party Projects Net Revenue Requirements	L22 + L35	-		
47	Total	Sum (L41:L46)		\$ 12,572,851	
48					
49	Zonal Net Revenue Requirement	L25 + L38			\$ 11,744,448
50					
51	<b><u>F. Point-to-Point Service</u></b>				
52	Projected SEPC Zone 9 SPP Aver. 12-Mo. Peak Demand	WP P-3 (Trans. Network Load), L15			412.39 MW
53					
54	Annual Point-to-Point Rate in \$/MW - Year	L49 / L52		\$ 28,479.00	
55	Monthly Point-to-Point Rate in \$/MW - Month	L54 / 12 months		\$ 2,373.00	
56	Weekly Point-to-Point Rate in \$/MW- Weekly	L54 / 52 weeks		\$ 548.00	
57	Daily On-Peak Point-to-Point Rate in \$/MW - Day	L54 / 260 days		\$ 109.50	
58	Daily Off-Peak Point-to-Point Rate in \$/MW - Day	L54 / 365 days		\$ 78.00	
59	Hourly On-Peak Point-to-Point Rate in \$/MW - Hour	L57 / 16 hours		\$ 6.84	
60	Hourly Off-Peak Point-to-Point Rate in \$/MW - Hour	L58 / 24 hours		\$ 3.25	
61					

**Sunflower Electric Power Corporation (SEPC)**  
**Projected Gross Revenue Requirements**  
**For the 12 months ended - December 31, 2019**

<u>Line</u>	<u>(1)</u> <u>Description</u>	<u>(2)</u> <u>KCC Annual Report/Worksheet</u>	<u>(3)</u> <u>Total Company</u>	<u>(4)</u>	<u>(5)</u> <u>Allocator</u>	<u>(6)</u> <u>Transmission</u> (Col. 3 times Col. 5)
	<b><u>RATE BASE:</u></b>					
1	PLANT IN SERVICE (13 Month Averages)					
2	Production	Act. Gross Rev Req, Pg.1, L3	\$ 539,475,545	NA		
3	Transmission (Excludes Capital & Operating Leases)	WP P-1, Pg. 4 L156	177,356,941	DA	1.00000	\$ 177,356,941
4	Less Excluded Plant	Act. Gross Rev Req, Pg.1, L5		DA	1.00000	-
5	Distribution	Act. Gross Rev Req, Pg.1, L6	-	NA		
6	General	Act. Gross Rev Req, Pg.1, L7	49,471,789	PWS	0.27968	13,836,053
7	Intangible & Other	Act. Gross Rev Req, Pg.1, L8	-	PWS	0.27968	-
8	TOTAL GROSS PLANT	L2 + L3 - L4 + L5 + L6 + L7	\$ 766,304,276			\$ 191,192,994
9						
10	ACCUMULATED DEPRECIATION (13 Month Averages)					
11	Production	Act. Gross Rev Req, Pg.1, L12	\$ 373,793,394	NA		
12	Transmission (Excludes Capital & Operating Leases)	WP P-1, Pg. 4 L156	85,848,198	DA	1.00000	\$ 85,848,198
13	Less Excluded Plant	Act. Gross Rev Req, Pg.1, L14		DA	1.00000	-
14	Distribution	Act. Gross Rev Req, Pg.1, L15	-	NA		
15	General	Act. Gross Rev Req, Pg.1, L16	26,033,479	PWS	0.27968	7,280,929
16	Intangible & Other	Act. Gross Rev Req, Pg.1, L17	-	PWS	0.27968	-
17	TOTAL ACCUM. DEPRECIATION	L11 + L12 - L13 + L14 + L15 + L16	\$ 485,675,071			\$ 93,129,127
18						
19	NET PLANT IN SERVICE (13 Month Averages)					
20	Production	L2 - L11	\$ 165,682,151			
21	Transmission (Excludes Capital & Operating Leases)	L3 - L12	91,508,743			\$ 91,508,743
22	Less Excluded Plant	L4 - L13				-
23	Distribution	L5 - L14	-			-
24	General	L6 - L15	23,438,310			6,555,124
25	Intangible & Other	L7 - L16	-			-
26	TOTAL NET PLANT	L20 + L21 - L22 + L23 + L24 + L25	\$ 280,629,205			\$ 98,063,867
27						
28	ADJUSTMENTS TO RATE BASE					
29	Accumulated Deferred Income Taxes	Act. Gross Rev Req, Pg.1, L38	\$ -	DA	1.00000	\$ -
30	Unrefunded Customer Advances for Construction	Note A	-	DA	1.00000	-
31	Reserve Funds (Non-Escrowed)	Act. Gross Rev Req, Pg.1, L40	-	DA	1.00000	-
32	Unamortized Abandoned Transmission Plant	Act. Gross Rev Req, Pg.1, L41 - Amortization	-	DA	1.00000	-
33	TOTAL ADJUSTMENTS	Sum (L29:L32)	\$ -			\$ -
34						
35	LAND HELD FOR FUTURE USE	Act. Gross Rev Req, Pg.1, L44	\$ -	DA	1.00000	\$ -
36						
37	WORKING CAPITAL					
38	CWC					
39	O&M Expense less Fuel & Purchased Power	Act. Gross Rev Req, Pg.1, L48	\$ 43,174,771	NA		
40	O&M Expense Allocated to Transmission	Pg. 2, L65, Col (6)				\$ 20,404,087
41	Calculated CWC	Calculated (Note C)	\$ 5,396,846			\$ 2,550,511
42	Materials & Supplies-Transmission	Act. Gross Rev Req, Pg.1, L51	1,980,217	PTP	1.00000	1,980,217
43	Materials & Supplies-Other	Act. Gross Rev Req, Pg.1, L52	12,087,913	NA		
44	Stores Expense	Act. Gross Rev Req, Pg.1, L53	-	PWS	0.27968	-
45	Prepayments (Account 165)	Act. Gross Rev Req, Pg.1, L54	1,335,129	GP	0.23975	320,101
46						
47	TOTAL WORKING CAPITAL	Sum (L41:L46)	\$ 20,800,104			\$ 4,850,829
48						
49	Rate Base	L26 + L 33 + L 35 + L47	\$ 301,429,309			\$ 102,914,696

Sunflower Electric Power Corporation (SEPC)						
Projected Gross Revenue Requirements						
For the 12 months ended - December 31, 2019						
Line	(1) Description	(2) KCC Annual Report/Worksheet	(3) Total Company	(4)	(5) Allocator	(6) Transmission (Col. 3 times Col. 5)
50	O&M					
51	Transmission	WP P-2, L10	\$ 45,018,663			
52	Less Account 565	WP P-2, L11	27,699,530			
53	Less: Trans. Lease Payments & Facility Charge	WP P-2, L12	5,679,733			
54	Less Acct. 561 Expense Recovered Through Sch. 1	Projected Schedule 1 Rev Req, L6	1,289,836			
55	Total Transmission O&M	L51 - Sum (L52:L53)	\$ 10,349,563	PTP	1.00000	\$ 10,349,563
56	A&G -Adjusted	WP P-2, L15	\$ 15,608,454	PWS	0.27968	\$ 4,365,304
57	Plus: Advertising -Safety	WP P-2, L16	-	PWS	0.27968	-
58	Plus Association Dues Directly Related to Transmission	WP P-2, L17	-	DA	1.00000	-
59	Plus: Advertising -Transmission	WP P-2, L18	-	DA	1.00000	-
60	Plus: Research -Transmission	WP P-2, L19	-	DA	1.00000	-
61	Plus: Regulatory Exp -Transmission	WP P-2, L20	14,614	DA	1.00000	14,614
62	Plus: Corporate Visibility -Transmission	WP P-2, L21	-	PWS	0.27968	-
63	Total A&G	L56 + Sum (L57:L62)	\$ 15,623,069			\$ 4,379,918
64	Transmission Lease Payments & Facility Charges	WP P-2, L14	5,674,606	DA	1.00000	5,674,606
65	TOTAL O&M	L55 + L63 + L64	\$ 31,647,238			\$ 20,404,087
66						
67	DEPRECIATION EXPENSE					
68	Production	Act. Gross Rev Req, Pg. 2, L77	\$ 7,827,992	NA		
69	Transmission	WP P-1, Pg.2 L155	3,076,996	PTP	1.00000	\$ 3,076,996
70	Distribution	Act. Gross Rev Req, Pg. 2, L79	-	NA		
71	General	Act. Gross Rev Req, Pg. 2, L80	2,543,329	PWS	0.27968	711,307
72	Intangible & Other	Act. Gross Rev Req, Pg. 2, L81	-	PWS	0.27968	-
73	Amortization of Abandon Transmission Plant	Act. Gross Rev Req, Pg. 2, L82	-	DA	1.00000	-
74	TOTAL DEPRECIATION	Sum (L68:L73)	\$ 13,448,317			\$ 3,788,304
75						
76	TAXES OTHER THAN INCOME TAXES (Note G)					
77	LABOR RELATED					
78	Payroll	WP P-2, L25	\$ -	PWS	0.27968	\$ -
79	Highway and vehicle	WP P-2, L26	-	PWS	0.27968	-
80	PLANT RELATED					
81	Property	WP P-2, L28	-	GP	0.23975	-
82	Gross Receipts	WP P-2, L29	-	NA		-
83	Other	WP P-2, L30	528	GP	0.23975	127
84						
85	TOTAL OTHER TAXES	Sum (L78:L84)	\$ 528			\$ 127
86						
87	RETURN					
88	Return before incentives	Pg. 4, L150				\$ 3,431,646
89	Incentive return	Pg. 4, L178				-
90	Total Return	L88 + L89				\$ 3,431,646
91						
92	GROSS REV. REQ. WITH INCENTIVES	L65 + L74 + L85 + L90				\$ 27,624,164
93	Less: Gross Rev. Req. for Incentives	L178				-
94						
95	GROSS REV. REQ. WITHOUT INCENTIVES	L92 - L93				\$ 27,624,164

Sunflower Electric Power Corporation (SEPC)  
Projected Gross Revenue Requirements  
For the 12 months ended - December 31, 2019

Line	(1) Description	(2) KCC Annual Report/Worksheet	(3) Total Company	(4)	(5) Allocator	(6) Transmission (Col. 3 times Col. 5)
96	<b>TRANSMISSION PLANT INCLUDED IN FORMULA</b>					
97	Total transmission plant, including capital and operating leases	P-1 (Trans Plant), L156 + L187 + L218	\$ 221,841,874	DA	1.00000	\$ 221,841,874
98	Less: Net Substation, 34kV, & Radial Lines to Distr. Plt.	Act. Gross Rev Req, Pg.3, L107		- DA	1.00000	-
99	Less: Total GSU in Transmission Plant	Act. Gross Rev Req, Pg.3, L108		- DA	1.00000	-
100	Transmission plant included in rates	L97 - L98 - L99	\$ 221,841,874			\$ 221,841,874
101						
102	Percentage of transmission plant included in rates	L100 / L97			PTP= 1.00000	
103						
104	<b>GROSS AND NET PLANT ALLOCATORS</b>					
105	GROSS PLANT IN SERVICE	Use ACTUAL HISTORICAL COST				
106	Production	Act. Gross Rev Req, Pg.3, L114	\$ 539,475,545	NA		
107	Total transmission plant, including leases	Act. Gross Rev Req, Pg.3, L115	167,532,134	DA	1.00000	\$ 167,532,134
108	Less: Excluded Plant	Act. Gross Rev Req, Pg.3, L116	-	DA	1.00000	-
109	Distribution	Act. Gross Rev Req, Pg.3, L117	-	NA		
110	General & Intangible	Act. Gross Rev Req, Pg.3, L118	49,471,789	WS	0.27968	13,836,053
111	TOTAL GROSS PLANT	L106 + L107 - L108 + L109 + L110	\$ 756,479,468		GP = 0.23975	\$ 181,368,186
112						
113	ACCUMULATED DEPRECIATION	Use ACTUAL HISTORICAL COST				
114	Production	Act. Gross Rev Req, Pg.3, L122	\$ 373,793,394	NA		
115	Total transmission plant, including leases	Act. Gross Rev Req, Pg.3, L123	82,378,764	DA	1.00000	\$ 82,378,764
116	Less: Excluded Plant	Act. Gross Rev Req, Pg.3, L124	-	DA	1.00000	-
117	Distribution	Act. Gross Rev Req, Pg.3, L125	-	NA		
118	General & Intangible	Act. Gross Rev Req, Pg.3, L126	26,033,479	WS	0.27968	7,280,929
119	TOTAL ACCUM. DEPRECIATION	L114 + L115 - L116 + L117 + L118	\$ 482,205,637			\$ 89,659,693
120						
121	NET PLANT IN SERVICE	Use ACTUAL HISTORICAL COST				
122	Production	L106 - L114	\$ 165,682,151			
123	Total transmission plant, including leases	L107 - L115	85,153,370			\$ 85,153,370
124	Less: Excluded Plant	L108 - L116	-			-
125	Distribution	L109 - L117	-			-
126	General & Intangible	L110 - L118	23,438,310			6,555,124
127						
128	TOTAL NET PLANT	L122 + L123 - L124 + L125 + L126	\$ 274,273,831		NP = 0.33437	\$ 91,708,493

Sunflower Electric Power Corporation (SEPC)						
Projected Gross Revenue Requirements						
For the 12 months ended - December 31, 2019						
Line	(1) Description	(2) KCC Annual Report/Worksheet	(3) Total Company	(4)	(5) Allocator	(6) Transmission (Col. 3 times Col. 5)
WAGES & SALARY ALLOCATOR (WS)						
ACTUAL HISTORICAL COST						
129	Production	Act. Gross Rev Req, Pg.4, L138	\$ 12,844,656			
130	Transmission	Act. Gross Rev Req, Pg.4, L139	4,987,110	PTP	1.00000	\$ 4,987,110
131	Distribution	Act. Gross Rev Req, Pg.4, L140	-			
132	Other	Act. Gross Rev Req, Pg.4, L141	-			
133	Total	Sum (L129:L132)	\$ 17,831,766			\$ 4,987,110
134	Wage & Salary Allocator Calculation	Col 6, L133 / Col 3, L133			PWS= 0.27968	
135						
136						
137						
138						
139						
140						
141	RETURN (R)					
142						
143	RETURN (R)					
144	Net Plant allocated to Transm. 13 mo. avg. 2019, excludes leases)	Projected Gross Rev Req, L26, Col. (6)				\$ 98,063,867
145	Net Plant allocated to Transm. 13 mo. avg. 2017, excludes leases)	Actual Gross Rev Req, L27, Col. (6)				\$ 51,264,184
146	Ratio Net Plant2019 / 2017	L144 / 145				1.9129
147						
148	Transmission Return for 2017 Actual Before Incentives	Act. Gross Rev Req, L97, Col. (6)				\$ 1,793,938
149						
150	Transmission Return for 2019 Projected	L146 * L148				\$ 3,431,646
151						
152	GROSS REV. REQUIREMENT FOR INCENTIVE PROJECTS					
153	Plant Granted Incentive ROE Adder:					
154	Total Incentive Plant	WP P-1, Pg. 1, L38	\$ -			
155	Less: Total Accumulated Depreciation	WP P-1, Pg. 1, L38	-			
156	Net Incentive Plant	L154 - L155	\$ -			
157	Incentive Return	WP P-1, Pg. 1, L41			\$ -	
158						
159						
160						
161						
162						
163	Abandoned Plant:					
164	Unamortized Abandoned Transmission Plant	Pg. 1, L32	\$ -			
165	Return on Abandoned Plant	Actual Gross Rev Req Pg. 4, L174 * L164	-			
166	Amortization Expense for Abandoned Plant	Pg. 2, L73	-			
167	Total Recovery for Abandoned Plant	Sum (L165:L166)			\$ -	
168	TOTAL GROSS REV. REQUIREMENT FOR INCENTIVE PROJ.	L157 + L161 + L167				\$ -
169						
170	INCENTIVE PLANT (excludes CWIP and Abandoned Plant)					
171	Incentive Plant: Projected Base Plan Funded	RTO Project Smry	\$ -	\$ -		\$ -
172	Incentive Plant: Projected Balanced Portfolio	RTO Project Smry	-	-		-
173	Incentive Plant: Projected ITP / Priority Project-1	RTO Project Smry	-	-		-
174	Incentive Plant: Projected ITP / Priority Project-2	RTO Project Smry	-	-		-
175	Incentive Plant: Projected Sponsor Funded	Spon Project Smry	-	-		-
176	Total Incentive Plant	Sum (L171:L175)	\$ -	\$ -		\$ -
177	Note: Incentive gross plant and accumulated depreciation values, if applicable, will be calculated by cell references to the RTO Project Smry and Spon Proj Smry tabs.					
178	Incentive Return	WP P-1, Pg. 1, L41				\$ -

Sunflower Electric Power Corporation (SEPC)  
Projected Gross Revenue Requirements  
For the 12 months ended - December 31, 2019

Notes	
A	Reduce Rate Base by Unrefunded Transmission customer advances for construction. This line shall be directly assigned 100% to Transmission. Provide separate workpaper to support adjustment.
B	Hold for future use
C	Cash Working Capital assigned to transmission is one-eighth of O&M allocated to transmission at Pg. 2, L41, Col. 6.
D	Hold for future use

Line No.	Allocators	ALLOCATION FACTORS	
		Description	Location of Calculation or First Use of Allocator
1	PTP	Percentage of projected transmission plant included in rate base.	L102
2	PWS	Percentage of projected transmission labor included in rates	L134
3	DA	Direct assignment	
4	GP	Ratio of allocated transmission, general, & intangible plant to total gross plant.	L111
5	NA	Not applicable for the transmission formula rate.	
6	NP	Ratio of net transmission, general, & intangible plant to total net plant.	L128
7			

# Exhibit MD-6

## Relevant Responses to Discovery

<u>Discovery Response</u>	<u>Pages</u>
Joint Applicants's (JA) response to KEPCo 1-16, Davis Rooney, 11-8-2018, and relevant work paper in <TFR> tab from <Rooney_Direct_Workpapers.xls>	1-2
JA response to KEPCo 1-32 Supplemental, Davis Rooney, 12-7-2018	3-22
JA response to KEPCo 2-5, Davis Rooney, 12-11-2018	23
JA response to KEPCo 2-6, Davis Rooney, 12-11-2018	24-25
JA response to KCC-7, James Brungardt, 12-13-2018	26-27

Mark F. Doljac

KANSAS ELECTRIC POWER COOPERATIVE, INC.



**Kansas Electric Power Cooperative, Inc.**  
Information Request

Request No: 1-16

Company Name Mid-Kansas Electric Company, Inc. and  
Sunflower Electric Power Corporation

Docket Number 19-SEPE-054-MER

Request Date October 25, 2018

Date Information Needed November 8, 2018

**Please Provide the Following:**

Please provide all workpapers supporting Mr. Rooney's direct testimony in native file format, with links and formulas intact. Workpapers would include the underlying data and the charts presented on pages 7 and 11 of Mr. Rooney's testimony.

**Response:**

See the files listed below in the external file share:

1. "Rooney\_Direct\_Workpapers.xlsx" or "Rooney\_Direct\_Workpapers.pdf"
2. "Moody\_CoopGT\_Rating\_Methodology2013.pdf"
3. "MUFG Capital Markets Weekly IG Market Update 20 January 2017.pdf"


Submitted By: KEPCo

Submitted To: Applicants

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 KEPCo any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Information Request.

Signed:   
Davis Rooney  
Date: November 8, 2018

**Estimated Impact of Merged Transmission FBR**  
**From RRR File for Bills 2018-07-01**  
**Charges to Zone**  
**High Level Summary**

	(\$000s)	kW-Yr	(\$000s)	kW-Yr	(\$000s)	kW-Yr	SEPC	MKEC
	Sunflower	Rate	Mid-Kansas	Rate	Combined	Rate	Change %	Change %
Zonal Att H Col (3)	10,164	26.89	6,399	13.09	16,563	19.10		
BPF Att H Col (4)+(5)+(7)	7,247	19.17	15,090	30.86	22,337	25.76		
Total Zonal	17,411	46.06	21,489	43.94	38,900	44.87		
Regional Charges	6,561	17.36	8,488	17.36	15,050	17.36		
Total Zonal and Regional	23,972	63.42	29,977	61.30	53,950	62.23	-1.88%	1.50%
Zonal TU (2018P FBR)	(1,977)	(5.23)	(4,517)	(9.24)	(6,494)	(7.49)		
Total w/o Zonal TU	25,949	68.65	34,494	70.54	60,444	69.72	1.55%	-1.17%
Per kW-Mo		5.72		5.88		5.81		

12CP Avg-RRR File (MW)	378	489	867
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Attachment H	Sunflower	Mid-Kansas
Col 4	2,842	3,574
Col 5	3,881	10,182
Col 7	524	1,334
Total BPF Zonal	\$ 7,247	\$ 15,090
Att H Table 2-A	\$ 500,117	\$ 500,117
Total Region (MW)	35,600	35,600
Zone LRS	1.06%	1.37%
Att H Table 2-B	\$ 129,718	\$ 129,718
Total Region (MW)	39,188	39,188
Zone LRS	0.96%	1.25%

**Kansas Electric Power Cooperative, Inc.**  
Information Request

Request No: 1-32

Company Name Mid-Kansas Electric Company, Inc. and  
Sunflower Electric Power Corporation

Docket Number 19-SEPE-054-MER

Request Date October 25, 2018

Date Information Needed November 8, 2018

**Please Provide the Following:**

Currently, Sunflower and Mid-Kansas maintain two separate transmission formula rates. Please describe the proposed merger's impact on these formula rates. Will they be combined into a single formula rate? What is the cost impact to the respective customers? If they will be merged into a single formula rate, please provide the estimated KEPCo load ratio share in each zone and the combined zone.

**12/7/2018 Supplemental Response:**

**To the extent the DR is inquiring into transmission rates, Joint Applicants maintain their objections, as this is not a rate case.**

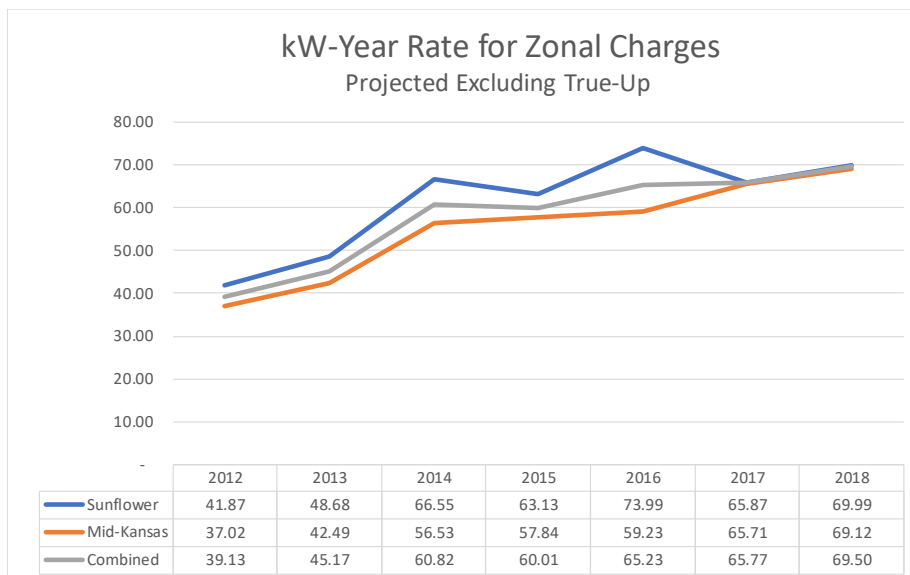
**Without waiving the objection, Transmission Formula Rates (TFR) are no longer subject to the jurisdiction of the KCC due to recent legislation; jurisdiction now resides with FERC. The analysis of "impacts" does not require a rate calculation, but rather a general understanding of direction and magnitude.**

**This analysis provided as a supplemental response was not in existence when the supplemental responses were last submitted. This newly generated analysis indicates that KEPCo is likely one of the larger third-party beneficiaries of the net cost shifts.**

**As discussed below, our current understanding of the likely impacts of merger on KEPCo is that KEPCo could benefit nearly \$1.2mm in 2020 from our merger efforts, with continued benefits of \$64k/year, or more, after 2020.**

**The trends of transmission costs in the Sunflower and Mid-Kansas pricing zones, excluding true-ups, can be seen in the graph below<sup>1</sup> :**

<sup>1</sup> Support for this graph, including a graph that includes true-ups, can be found in the supplemental response to KEPCo DR 1-32 in the file "KEPCo\_DR\_1-32\_SPP\_RRR\_History.xlsx."



For transmission customers, as to magnitude, SPP transmission rates tend to be about 10% or so of residential retail power supply rates<sup>2</sup>. Any shift in transmission costs, is mitigated by the fact that transmission costs are a relatively small component of total retail rates. For example, a 2% change in transmission rates will only be about a 0.2% impact on a residential customer. Based on this magnitude analysis and that jurisdiction has shifted away from KCC, we concluded that transmission issues would be primarily addressed in the FERC proceedings. As such, leading up to the filing of this application, we focused on power supply issues and performed limited analysis on the potential transmission impacts and no analysis on the impacts to individual transmission customers.

The transmission rates of the two applicants are currently close together, about 2% from the average combined rate. They are so close that determining which is higher, Sunflower or Mid-Kansas, is a matter of perspective. If one looks at the 2018 rates being charged by SPP (which includes costs from other SPP members)<sup>3</sup>, Mid-Kansas is lower, and Sunflower is higher. If, however, you realize that the 2018 Sunflower and Mid-Kansas components of the SPP rates include relatively large true-ups from 2016, the 2018 rates without those true-ups would flip the relationship. Mid-Kansas would be higher, and Sunflower would be lower. (See the TFR tab of the Rooney\_Direct\_Workpapers.xlsx) The perspective taken can change which company's transmission customers will have increased or decreased transmission costs from the combined transmission rate. Either way, the potential impact on transmission customers appears to be plus or minus about 2% from the combined rate. If a particular transmission customer has transmission service in both zones (Sunflower and Mid-Kansas), their impact will likely be somewhat reduced by the offsetting impacts of the two zones.

Most Sunflower and Mid-Kansas power sales are to the coop Members, subject to the rate setting of member elected boards. KEPCo is a power supply customer of Sunflower until the end of 2020. As discussed in testimony, actual historical Member rates of Sunflower and Mid-Kansas have generally been close in recent years. In general, the Sunflower rates would be higher than Mid-Kansas' rates without the merger and without other rate convergence actions (such as the resource rebalance transaction). Merger maintains the rate convergence benefits and therefore KEPCo's power supply costs benefit from merger.

<sup>2</sup> We understand the average cooperative residential rate to be about \$140/MWh. Sunflower/Mid-Kansas Members pay about \$13/MWh for transmission.

<sup>3</sup> See response to KEPCo DR 1-16. Rooney Direct Workpapers. TFR tab.

KEPCo would benefit from merger as a Sunflower power supply customer from rate convergence (approximately \$1.1mm/year)<sup>4</sup>, and by approximately \$64k/year as a transmission customer post-merger. Our initial responses to KEPCo DR 1-16 and 1-32 indicate that KEPCo might have \$28k/year of additional cost after the end of its power supply benefits<sup>5</sup>. However, this supplemental analysis reveals that KEPCo will benefit by \$64k/year<sup>6</sup>. Both of these assessments indicate the impacts are small and remain within our initial assessment of plus or minus 2% of transmission costs – and still much smaller than the benefits of the power supply impacts to KEPCo.

We understand that KEPCo is focused on the transmission issue. Any merger cannot and will not shield every customer from every unfavorable individual cost shift that comes out of the merger nor ensure each customer will benefit from only favorable cost shifts. Considering the quantitative and qualitative benefits from this proposed merger, and because Joint Applicants have appropriately timed and structured the merger filing to occur at a time when the net cost shifts result in relatively small increases to some customers and relatively small decreases to other customers, we believe the overall impact from merger on customers overall is minimal.

In any event, in an effort to help KEPCo understand their transmission cost impact, we have prepared several new documents:

A. We populated the Sunflower TFR template with pro-forma 2017 merged data. The proforma 2017 actual data is in the file “KEPCo\_DR\_1-32\_MERGED\_TFR\_2017A.xlsx” provided with this supplemental response to KEPCo DR 1-32.

B. We summarized the changes from the sum of the standalone TFRs (combined numbers) to the merged TFR. The summary of changes can be found on the “Change Detail” tab of the file “KEPCo\_DR\_1-32\_Supplemental\_KEPCo\_TFR.xlsx” provided with this supplemental response to KEPCo DR 1-32. The standalone 2017 populated templates and related filings can be found on public websites at:

i. SPP OASIS Member Related Postings  
<http://opsportal.spp.org/OASIS/Directory/Member%20Related%20Postings>

ii. SEPC TFR Docket 14-SEPE-220-TFR  
<http://estar.kcc.ks.gov/estar/portal/kscs/page/docket-docs/PSC/DocketDetails.aspx?DocketId=2443008f-d387-4306-9dc3-dd35a2198821>

iii. MKEC TFR Docket 13-MKEE-360-TFR  
<http://estar.kcc.ks.gov/estar/portal/kscs/page/docket-docs/PSC/DocketDetails.aspx?DocketId=de619e84-714d-4a06-8669-a796d1f1e5fe>

C. We recapped the key revenue requirements changes by major driver. This can also be found on the “Change Detail” tab of the file “KEPCo\_DR\_1-32\_Supplemental\_KEPCo\_TFR.xlsx” provided in supplemental response to KEPCo DR 1-32.

D. We itemized line by line the changed lines on the Gross Revenue Requirement tab and the Revenue Credits line of the Net Revenue Requirement tab where the sum of the standalone TFRs did not match the merged TFR.

<sup>4</sup> See supplemental response to KEPCo DR 1-32, file “KEPCo\_DR\_1-32\_Supplemental\_KEPCo\_TFR” > KEPCo tab > Table 3.

<sup>5</sup> See supplemental response to KEPCo DR 1-32, file “KEPCo\_DR\_1-32\_Supplemental\_KEPCo\_TFR” > KEPCo tab > Table 1.

<sup>6</sup> See supplemental response to KEPCo DR 1-32, file “KEPCo\_DR\_1-32\_Supplemental\_KEPCo\_TFR” > KEPCo tab > Table 2.

i. The total ATRR, net of the change in credits, declined by approximately \$1.1mm.

ii. Most of the change is attributable to a \$1.5mm decline in allocated A&G expenses. This occurs because the current allocation process is a two-step process – first allocated to the two companies, then allocated on wages and salaries between power supply and transmission. In the merged entity, we expect it will be a one-step process. This will increase the allocation to power supply customers (primarily to the detriment of the Members of Sunflower and Mid-Kansas) and decrease the allocation to transmission customers.

iii. Many detail lines changed as a result of reflecting intercompany leased transmission assets as owned assets. The annual lease payments are about \$2.4mm per year. The net impact was an increase in ATRR of about \$44k.

E. We also expanded upon Mr. Rooney's TFR workpaper to show that using Mr. Rooney's original workpaper and the responses to KEPCo's first set of DRs that the KEPCo impact in 2018 could be estimated at approximately \$28k/year (increased cost). See Table 1 on the "KEPCo" tab of the file "KEPCo\_DR\_1-32\_Supplemental\_KEPCo\_TFR.xlsx" provided with this supplemental response to KEPCo DR 1-32. This represents about a 0.5% change to KEPCo's transmission costs.

F. We calculated the revised Load Ratio Share (LRS) of KEPCo based on the 2017 meter data. See Table 4 on the "KEPCo" tab of the file "KEPCo\_DR\_1-32\_Supplemental\_KEPCo\_TFR.xlsx" provided with this supplemental response to KEPCo DR 1-32. The merged entity can be expected to have some amount of reduction to its coincident peaks (CP) as the result of the additional diversity of loads. We found the reduction to be small, less than 1% of the combined CP. This reduction should also produce a small reduction in the allocation of regional costs from SPP, as it should reduce the LRS of the pricing zone in SPP, if only slightly. KEPCo experienced larger reductions in its LRS -- about 2.8% after 2020 based on its loads without Victory and Prairie Land. This generally indicates that KEPCo will experience some added benefit (reduction) in its post-merger transmission costs.

G. We quantified the 2018 third-party zonal charges from SPP members to Sunflower and Mid-Kansas and combined zones. We found that these charges are higher (relatively) to the Mid-Kansas zone than to the Sunflower zone. This means that transmission customers that are primarily in the Mid-Kansas zone, like KEPCo, will get some benefit upon merger from averaging their higher third-party Mid-Kansas costs with the relatively lower third-party costs in the Sunflower zone.

H. We then incorporated these changes from the 2017 proforma merged TFR, the third-party zonal charge analysis, and the merged CP changes, to show that if those changes occurred similarly in 2018; the KEPCo impact would have been a reduction of \$64k/year. See Table 2 on the "KEPCo" tab of the file "KEPCo\_DR\_1-32\_Supplemental\_KEPCo\_TFR.xlsx" provided with this supplemental response to KEPCo DR 1-32.

I. Additionally, we provided a table calculating the KEPCo benefit in 2019 of our rate convergence/merged rate efforts. See Table 3 on the "KEPCo" tab of the file "KEPCo\_DR\_1-32\_Supplemental\_KEPCo\_TFR.xlsx" provided with this supplemental response to KEPCo DR 1-32.

J. None of this detail work significantly alters the original assessment in testimony that the impact to all transmission customer from merger are likely small.

**Additional caveats to this exercise:**

- 1. The Mid-Kansas and Sunflower rate zones are impacted by 1) the projects issued by SPP, and 2) the costs allocated to our rate zones by other SPP members. We cannot predict what the future holds. However, by combining the zones, any future impact that would likely have impacted a single zone will be spread across both zones, lessening the overall impact to customers.**
- 2. Load ratio shares are impacted by new loads, lost loads, and weather, among other things, both in our zones and in other SPP zones. As they say, past performance may not be indicative of future results.**
- 3. This exercise assumes that the Sunflower TFR template will be populated unchanged with merged company data. This is the probable scenario. However, we are reviewing FERC approved templates for other cooperatives to understand if our template is reasonable from a FERC perspective. For example, we are aware that Midwest Energy made several changes to their TFR template when they filed it at FERC.**
- 4. We have not addressed the issue of true-ups in this response. There is a separate KEPCo DR 2-06 which asks about true-ups.**
  - a. This is a transition issue affecting only 2020 and 2021. It is not an ongoing permanent issue.**
  - b. To the retail customer the impact remains small as transmission costs are only about 10% or less of the retail residential rate.**

**11/8/2018 Response:**

Please see responses to KEPCo DR 1-16. Also, see the Direct Testimony of Davis Rooney, p. 7, l. 7 -p. 8, l. 12. The impact of a single formula rate impact on individual customers has not been specifically calculated. As noted in the Direct Testimony of Davis Rooney, an estimate of +/- 2% cost impact was determined. Actual impact will depend on the formula results approved by FERC and inputs at the time.

KEPCo's load ratio share based on 2017 data is approximately 19.2% Mid-Kansas, 1.15% Sunflower, 11.53% merged. Beginning in 2021, after Victory and Prairie Land are no longer KEPCo members and the load ratio share for KEPCo under the merged entity becomes 8.79%, the individual load ratio shares for the Sunflower and Mid-Kansas zones become irrelevant following the merging of the transmission zones.

**11/1/2018 Objection:**

Joint Applicants object to the Request as it seeks information that is neither clearly relevant to the subject matter of this proceeding, nor reasonably calculated to lead to the discovery of admissible evidence.

Without waiving the objection, Joint Applicants intend to provide a response.


Submitted By: KEPCo

Submitted To: Applicants

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 KEPCo any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Information Request.

Signed:   
Davis Rooney  
Date: December 7, 2018

## KEPCo Estimated Impacts

**Table 1****From Initial Response to KEPCo DR 1-32**

	SEPC	MKEC	Combined	Supplemental Merged
KEPCo Load Ratio Share 2017	1.15%	19.22%	11.53%	11.37%
Less Prairie Land in 2021		0.71%	0.41%	0.42%
Less Victory in 2021		4.05%	2.32%	2.32%
KEPCo Load Ratio Share Post 2020	1.15%	14.46%	8.79%	8.64%

**From Response to KEPCo DR 1-16**

	(\$000s)	kW-Yr	(\$000s)	kW-Yr	(\$000s)	kW-Yr	SEPC Change %	MKEC Change %
	Sunflower	Rate	Mid-Kansas	Rate	Combined	Rate		
Zonal Att H Col (3)	10,164	26.89	6,399	13.09	16,563	19.10		
BPF Att H Col (4)+(5)+(7)	7,247	19.17	15,090	30.86	22,337	25.76		
Total Zonal	17,411	46.06	21,489	43.94	38,900	44.87		
Regional Charges	6,561	17.36	8,488	17.36	15,050	17.36		
Total Zonal and Regional	23,972	63.42	29,977	61.30	53,950	62.23	-1.88%	1.50%
Zonal TU (2018P FBR)	(1,977)	(5.23)	(4,517)	(9.24)	(6,494)	(7.49)		
Total w/o Zonal TU	25,949	68.65	34,494	70.54	60,444	69.72	1.55%	-1.17%
Per kW-Mo		5.72		5.88		5.81		

**KEPCo Estimated Impact Post 2020-Combined**

	Sunflower	Mid-Kansas	Combined	Est Impact
Total w/o Zonal TU	299	4,986	5,314	28 0.5%

## KEPCo Estimated Impacts

Table 2

From 2017 Merged Sunflower Proforma FBR, Adj for Merged CP, and Adj for Third Party Zonal Charges

	2017 Sunflower	2017 Mid-Kansas	2017 Merged	Change
Zonal	12,631	11,510	22,015	(2,126)
BPF-Zonal	3,557	5,974	9,671	140
Total Zonal	16,188	17,484	31,686	(1,986)
BPF-Regional (at 100%)	2,788	13,040	16,666	838
Total Zonal and Regional	18,976	30,524	48,352	(1,148)
SPP Load Ratio Shares (est)	1.06%	1.37%	2.41%	
SEPC/MKEC Zonal and Regional in Zone	16,356	17,701	32,088	(1,970)
Third Party Zonal	2,345	4,256	6,601	-
Regional Charges to Zone	6,561	8,488	14,900	(149)
<b>KEPCo Estimated Impact Post 2020-Merged</b>				
	Sunflower	Mid-Kansas	Merged	Merged TFR Est Impact
SEPC/MKEC Zonal and Regional	189	2,559	2,771	24
Third Party Zonal	27	615	570	(72)
Regional Charges to Zone	76	1,227	1,287	(16)
Total KEPCo Transmission	291	4,401	4,628	(64) -1.4%
KEPCo Energy Sales MWh (annual report)				2,083,646
Impact \$/MWh				\$ (0.03)

## KEPCo Estimated Impacts

Table 3

## KEPCo Impact of Rate Convergence on Power Supply

	Rate NoRebal	Rate NoRebal	Rate Rebal	Rate Rebal	2017 Determinants			
	2019	2019	2019	2019	kw-mo	MWh	(\$000s)	(\$000s)
	Demand	Energy	Demand	Energy	2017	2017	Savings	Savings
					Demand	Energy	Demand	Energy
January	8.434	19.058	7.370	16.665	33,013	19,481	(35)	(47)
February	8.434	19.058	7.370	16.665	31,444	18,066	(33)	(43)
March	8.434	19.058	7.370	16.665	24,894	19,022	(26)	(46)
April	8.434	19.058	7.370	16.665	29,424	18,376	(31)	(44)
May	8.434	19.058	7.370	16.665	32,698	19,187	(35)	(46)
June	11.256	19.058	9.840	16.665	45,909	25,848	(65)	(62)
July	11.256	19.058	9.840	16.665	44,021	31,042	(62)	(74)
August	11.256	19.058	9.840	16.665	44,488	27,897	(63)	(67)
September	11.256	19.058	9.840	16.665	39,500	22,975	(56)	(55)
October	8.434	19.058	7.370	16.665	25,739	18,974	(27)	(45)
November	8.434	19.058	7.370	16.665	28,852	20,073	(31)	(48)
December	8.434	19.058	7.370	16.665	33,424	21,170	(36)	(51)
					413,406	262,110	(501)	(627)
Savings to KEPCo Power Supply								(1,128)
KEPCo Energy Sales MWh (annual report)								2,083,646
Impact \$/MWh								(0.54)

## KEPCo Estimated Impacts

**Table 4****Load Ratio Share Support**

	<b>Sunflower</b>	<b>MKEC</b>	<b>Combined</b>	<b>Merged</b>	<b>Change</b>	<b>Change in Avg MW Mo</b>	
Kepco	53,081	1,192,825	1,245,906	1,217,539	(28,367)	(2.36)	-2.33%
Others	4,549,985	5,014,471	9,564,456	9,487,027			
Total	4,603,066	6,207,296	10,810,362	10,704,566	(105,796)	(8.82)	-0.99%
Praire Land		44,293	44,293	44,433			
Victory		251,267	251,267	248,596			
Kepco post 2020	53,081	897,265	950,346	924,510	(25,836)	(2.15)	-2.79%
SEPC component			4,603,066	4,550,671	(52,395)	(4.37)	
MKEC component			6,207,296	6,153,895	(53,401)	(4.45)	

**Summary of Gross Revenue Requirment Changes  
As Compared to the Standalone 2017 Actual Templates**

	SEPC	MKEC	Combined	Merged	Difference
	2017	2017	2017	2017	
Total ATRR	\$ 23,254,649	\$ 36,451,074	\$ 59,705,723	\$ 58,050,069	\$ (1,655,654)
Credits	\$ 4,040,869	\$ 4,988,105	\$ 9,028,974	\$ 8,495,241	\$ (533,733)
Total ATRR after Credits	\$ 19,213,780	\$ 31,462,969	\$ 50,676,749	\$ 49,554,828	\$ (1,121,921)

**Summary of Changes**

W/S Allocator and Intercompany Services	(1,992,121)
Leases	43,801
All Other Changes	292,666
<b>Gross Revenue Requirement</b>	<b>(1,655,654)</b>
Intercompany Services (Revenue Credits)	533,733
<b>Gross Revenue Requirement less Credits</b>	<b>(1,121,921)</b>

Net A&G (1,458,388)

**Detail of changes****Merged Actual Gross Rev Req, Changes from Individual FBRs**

	Total Company	Transmission	Change Driver				
Transmission Gross Plant	23,620,433	23,620,433	Leases				
Transmission Accum Depr	1,240,721	1,240,721	Leases				
Transmission Net Plant	22,379,712	22,379,712	Leases				
General Plant Gross Plant	-	(5,873,424)	Wage and Salary Allocator				
General Plant Accum Depr	-	(441,861)	Wage and Salary Allocator				
General Plant Net Plant	-	(5,431,563)	Wage and Salary Allocator				
Production Gross Plant	-	-	Not Investigated				
Production Accum Depr	45,033	-	Not Investigated				
Production Net Plant	(45,033)	-	Not Investigated				
Intangible and other Gross Plant	-	(10,468)	Wage and Salary Allocator				
Intangible and other Accum Depr	-	(7,287)	Wage and Salary Allocator				
Intangible and other Net Plant	-	(3,181)	Wage and Salary Allocator				
General Plant CWIP	-	279,328	Wage and Salary Allocator				
O&M Less Fuel	49,979,089	(3,903,726)	Components:	(1,449,826)	W/S Alloc	(2,442,888)	Leases (11,012) Other
Calc's Total Company OM WC	6,247,386		Sunflower FBR				
Transmission OM WC		(487,966)	Calc'd	(181,228)	W/S Alloc	(305,361)	Leases (1,377) Other
Prepayments (Acct 165)		85,808	Gross Plant Allocator				
<b>Total Rate Base</b>		16,822,138					

**Detail of changes****Merged Actual Gross Rev Req, Changes from Individual FBRs**

	Total Company	Transmission	Change Driver
Transmission OM	(27,299)	(27,299)	Lease Payments (Wrong Line?)
A&G OM	(1,362,319)	(1,449,826)	Wage and Salary Allocator and Intercompany Service Expense (\$520,472 per Becca)
Regulatory Expense Transmission	(32,651)	(11,012)	Difference in SEPC and MKEC FBR design
Lease Payments	(2,415,589)	(2,415,589)	Leases Payments
Transmission Depreciation	455,031	455,031	Leases
General Plant Depreciation	-	(268,742)	Wage and Salary Allocator
Intangible Amortization	-	(429)	Wage and Salary Allocator
Total Other Taxes	-	102	Appears Merged should break Gross Receipts out from Other; also Gross Plant Allocator
Return*	6,354,802	2,062,110	Various (see below), including Leases, W/S, RB allocator, AFUDC, TIER change, GP allocator

<b>Gross Revenue Requirement</b>	(1,655,654)
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**Merged Actual Net Rev Req, Changes from Individual FBRs**

Zonal Revenue Credits	(533,733)	Intercompany Service Revenue
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<b>Gross Revenue Requirement less Credits</b>	(1,121,921)
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**\*Components of Change in Return**

		Transmission	Change Driver	
Non-Operating Income	125,934	31,573	AFUDC, Sunflower FBR	
Non-Operating Income	2,442,888	1,401,861	Leases	
Rate Base Allocator	-	629,797	Leases	22,074,351 Return impact from With and Without Calc
Rate Base Allocator	-	(273,124)	Wage and Salary Allocator	(5,336,644) Return impact from With and Without Calc
All Other	3,785,980	272,003	TIER, RB-Alloc, GP-Alloc	
Total Return Change	6,354,802	2,062,110		

**Estimated Impact of Merged Transmission FBR****From RRR File for Bills 2018-07-01****Charges to Zone****High Level Summary**

	(\$000s)	kW-Yr	(\$000s)	kW-Yr	(\$000s)	kW-Yr	SEPC	MKEC
	Sunflower	Rate	Mid-Kansas	Rate	Combined	Rate	Change %	Change %
Zonal Att H Col (3)	10,164	26.89	6,399	13.09	16,563	19.10		
BPF Att H Col (4)+(5)+(7)	7,247	19.17	15,090	30.86	22,337	25.76		
Total Zonal	17,411	46.06	21,489	43.94	38,900	44.87		
Regional Charges	6,561	17.36	8,488	17.36	15,050	17.36		
Total Zonal and Regional	23,972	63.42	29,977	61.30	53,950	62.23	-1.88%	1.50%
Zonal TU (2018P FBR)	(1,977)	(5.23)	(4,517)	(9.24)	(6,494)	(7.49)		
Total w/o Zonal TU	25,949	68.65	34,494	70.54	60,444	69.72	1.55%	-1.17%
Per kW-Mo		5.72		5.88		5.81		

12CP Avg-RRR File (MW)	378	489	867
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Attachment H	Sunflower	Mid-Kansas	Combined
Col 4	2,842	3,574	6,416
Col 5	3,881	10,182	14,063
Col 7	524	1,334	1,858
Total BPF Zonal	\$ 7,247	\$ 15,090	\$ 22,337

Att H Table 2-A	\$ 500,117	\$ 500,117
Total Region (MW)	35,600	35,600
Zone LRS	1.06%	1.37%

Att H Table 2-B	\$ 129,718	\$ 129,718
Total Region (MW)	39,188	39,188
Zone LRS	0.96%	1.25%

**Adjusted to Reflect Merged CP**

	(\$000s) Sunflower	(\$000s) Mid-Kansas	(\$000s) Combined	Changed Regional Allocation
Zonal Att H Col (3)	10,164	6,399	16,563	
BPF Att H Col (4)+(5)+(7)	7,247	15,090	22,337	14,900
Total Zonal	17,411	21,489	38,900	15,050
Regional Charges	6,487	8,413	14,900	(149)
Total Zonal and Regional	23,898	29,902	53,800	
Zonal TU (2018P FBR)	(1,977)	(4,517)	(6,494)	
Total w/o Zonal TU	25,875	34,419	60,294	
Per kW-Mo				
Merged CP change	(4)	(4)	(9)	
12CP Avg-RRR File (MW)	374	485	858	
Attachment H	Sunflower	Mid-Kansas	Combined	
Col 4	2,842	3,574	6,416	
Col 5	3,881	10,182	14,063	
Col 7	524	1,334	1,858	
Total BPF Zonal	\$ 7,247	\$ 15,090	\$ 22,337	
Att H Table 2-A	\$ 500,117	\$ 500,117		
Total Region (MW)	35,591	35,591	35,591	
Zone LRS	1.05%	1.36%	2.41%	
Att H Table 2-B	\$ 129,718	\$ 129,718		
Total Region (MW)	39,179	39,179	39,179	
Zone LRS	0.95%	1.24%	2.19%	

**Estimated Impact of Merged Tr:**  
**From RRR File for Bills 2018-07-**  
**Charges to Zone**  
**High Level Summary**

## SEPC/MKEC Components

	(\$000s)	kW-Yr	(\$000s)	kW-Yr	(\$000s)	kW-Yr
Sunflower	Rate		Mid-Kansas	Rate	Combined	Rate
Zonal Att H Col (3)	10,164	26.89	5,537	11.32	15,701	18.11
BPF Att H Col (4)+(5)+(7)	4,902	12.97	11,696	23.92	16,598	19.14
Total Zonal	15,066	39.86	17,233	35.24	32,299	37.25
Regional Charges						
Total Zonal and Regional						
Zonal TU (2018P FBR)	(1,977)	(5.23)	(4,517)	(9.24)	(6,494)	(7.49)
Total w/o Zonal TU	17,043	45.09	21,750	44.48	38,793	44.74
Per kW-Mo		3.76		3.71		3.73

## 12CP Avg-RRR File (MW)

Attachment H	Sunflower	Mid-Kansas	Combined
Col 4	1,022	2,519	3,541
Col 5	3,880	9,177	13,057
Col 7	-	-	-
Total BPF Zonal	\$ 4,902	\$ 11,696	\$ 16,598

Att H Table 2-A  
 Total Region (MW)  
 Zone LRS

Att H Table 2-B  
 Total Region (MW)  
 Zone LRS

**Adjusted to Reflect Merged CP**

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Zonal Att H Col (3)  
BPF Att H Col (4)+(5)+(7)  
Total Zonal  
Regional Charges  
Total Zonal and Regional  
Zonal TU (2018P FBR)  
Total w/o Zonal TU  
Per kW-Mo  
Merged CP change  
12CP Avg-RRR File (MW)

Attachment H  
Col 4  
Col 5  
Col 7  
Total BPF Zonal

Att H Table 2-A  
Total Region (MW)  
Zone LRS

Att H Table 2-B  
Total Region (MW)  
Zone LRS

**Estimated Impact of Merged Tr:**  
**From RRR File for Bills 2018-07-**  
**Charges to Zone**  
**High Level Summary**

	Non SEPC/MKEC Components					
	(\$000s)	kW-Yr	(\$000s)	kW-Yr	(\$000s)	kW-Yr
	Sunflower	Rate	Mid-Kansa:	Rate	Combined	Rate
Zonal Att H Col (3)	-	-	862	1.76	862	0.99
BPF Att H Col (4)+(5)+(7)	2,345	6.20	3,394	6.94	5,739	6.62
Total Zonal	2,345	6.20	4,256	8.70	6,601	7.61
Regional Charges						
Total Zonal and Regional						
Zonal TU (2018P FBR)						
Total w/o Zonal TU	2,345	6.20	4,256	8.70	6,601	7.61
Per kW-Mo		0.52		0.73		0.63

12CP Avg-RRR File (MW)

Attachment H	Sunflower	Mid-Kansas	Combined
Col 4	1,820	1,055	2,875
Col 5	1	1,005	1,006
Col 7	524	1,334	1,858
Total BPF Zonal	\$ 2,345	\$ 3,394	\$ 5,739

Att H Table 2-A  
 Total Region (MW)  
 Zone LRS

Att H Table 2-B  
 Total Region (MW)  
 Zone LRS

**Adjusted to Reflect Merged CP**

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Zonal Att H Col (3)  
BPF Att H Col (4)+(5)+(7)  
Total Zonal  
Regional Charges  
Total Zonal and Regional  
Zonal TU (2018P FBR)  
Total w/o Zonal TU  
Per kW-Mo  
Merged CP change  
12CP Avg-RRR File (MW)

Attachment H  
Col 4  
Col 5  
Col 7  
Total BPF Zonal

Att H Table 2-A  
Total Region (MW)  
Zone LRS

Att H Table 2-B  
Total Region (MW)  
Zone LRS

Base Plan Funding Allocations  
Summarized from SPP RRR file

BPF Summary				SEPC	MKEC	Combined	Merged	Merged - Combined
	Regional	Others		2017 Actual	2017 Actual	2017 Actual	2017 Actual	2017 Actual
	%	Zonal %	Zonal %					
Pratt Capacitor Bank 115 kV	33%	67%	0%		493,278	493,278	529,377	36,099
Harper Capacitor Bank 115 kV	33%	67%	0%		324,031	324,031	347,767	23,735
WEPL-Cimarron Plant 115 kV Line	33%	0%	67%		386,798	386,798	415,149	28,352
Pratt - St. John 115kV Line Rebuild	33%	59%	8%		2,840,918	2,840,918	3,050,669	209,751
Clifton - Greenleaf 115kV Line (Note G)	100%	0%	0%		500,829	500,829	537,783	36,954
Medicine Lodge 138/115kV Transformer (64% BPF)	87%	5%	8%		1,438,411	1,438,411	1,544,643	106,232
Heizer - Mullergren 115kV	33%	36%	31%		158,635	158,635	170,351	11,716
Plainville 115kV Capacitor Bank	33%	67%	0%		227,278	227,278	244,072	16,794
Flatridge - Harper 138kV (54.3% BPF)	100%	0%	0%		1,167,314	1,167,314	1,253,634	86,320
Flatridge - Medicine Lodge 138kV (Note D)	33%	14%	53%		522,273	522,273	560,961	38,689
Medicine Lodge - Pratt 115kV (Note D)	98%	1%	1%		1,297,378	1,297,378	1,393,583	96,205
Ellsworth - Bushton - Rice	33%	67%	0%		4,132,637	4,132,637	4,439,852	307,214
Jewell - Smith Center 115kV	33%	67%	0%		25,506	25,506	27,406	1,900
Elm Creek-Summit 345/230kV Transformer 49%	33%	67%	0%		504,661	504,661	542,340	37,679
Elm Creek-Summit 345kV Upgrades 49%	100%	0%	0%		1,244,609	1,244,609	1,337,535	92,926
Elm Creek-Summit 230kV Upgrades 49%	33%	67%	0%		221,710	221,710	238,264	16,554
Elm Creek - Summit 345 kV Ckt 1 (ITCGP) 49%	100%	0%	0%		4,303,236	4,303,236	4,624,527	321,291
Harper - Rago 138 kV Ckt 1	33%	67%	0%		159,499	159,499	173,011	13,512
Harper - Milan Tap 138 kV Ckt 1	33%	67%	0%		3,839	3,839	4,123	284
Johnson to Pioneer 115kV Line	33%	59%	8%	725,291		725,291	631,860	(93,431)
Johnson Corner Capacitor Bank #1	33%	67%	0%	87,030		87,030	75,780	(11,250)
Johnson Corner Capacitor Bank #2	33%	67%	0%	63,191		63,191	55,023	(8,169)
Buckner - Spearville 345 kV Ckt 1 Terminal Upgrades	100%	0%	0%	68,083		68,083	58,266	(9,817)
Holcomb to Fletcher 115kV (Wheatland Lessor)	33%	67%	0%	1,074,999		1,074,999	958,591	(116,408)
Holcomb to Plymell 115kV (MKEC Lessor)	33%	58%	9%	890,601		890,601	723,426	(167,175)
Plymell to Pioneer Tap 115kV (MKEC Lessor)	33%	58%	9%	1,131,841		1,131,841	919,387	(212,454)
Mingo 345/115 kV Ckt 2 Transformer	33%	67%	0%	1,690,033		1,690,033	1,783,998	93,965
Mingo 345 kV Terminal Upgrades	100%	0%	0%	851,585		851,585	898,933	47,348
Total BPF				6,582,655	19,952,841	26,535,496	27,540,312	1,004,816
Regional				2,788,454	13,040,485	15,828,940	16,665,789	836,849
Zonal				3,556,910	5,973,908	9,530,818	9,670,583	139,765
Others Zone				237,291	938,448	1,175,739	1,203,941	28,202
Total BPF				6,582,655	19,952,841	26,535,496	27,540,312	1,004,816
Regional %				0.42	0.65	0.60	0.61	0.83
Zonal %				0.54	0.30	0.36	0.35	0.14
Other Zone %				0.04	0.05	0.04	0.04	0.03

12/11/2018 Joint Applicants Objections/Responses to KEPCo DRs 2-01 – 2-06  
19-SEPE-054-MER

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**Kansas Electric Power Cooperative, Inc.**  
Information Request

Request No: 2-05

Company Name                      MID-KANSAS ELECTRIC COMPANY, INC. AND  
    SUNFLOWER ELECTRIC POWER CORPORATION

Docket No.                         19-SEPE-054-MER

Request Date                       December 3, 2018

Date Information Needed         December 17, 2018

RE:     Joint Application of Mid-Kansas Electric Company, Inc. and Sunflower Electric Power Corporation for Approval of a Merger of Mid-Kansas Electric Company, Inc. into Sunflower Electric Power Corporation.

**Please Provide the Following:**

In his November 8, 2018 response to KEPCo 1-16, Mr. Davis Rooney provided work papers in a file named <Rooney\_Direct\_Workpapers.xlsx>. Tab <TFR> of this work paper appears to provide transmission costs under the Sunflower and Mid-Kansas formula-based rates for transmission service, and the estimated impacts of a merged transmission formula-based rate.

Please confirm that the inputs to this calculation were derived from the SPP Rates and Revenue Requirements file posted on the SPP website at the following URL:<  
[https://www.spp.org/Documents/58342/RRR\\_For\\_Bills\\_2018-07-01\\_Revenue\\_Requirements\\_and\\_Rates.xlsx](https://www.spp.org/Documents/58342/RRR_For_Bills_2018-07-01_Revenue_Requirements_and_Rates.xlsx)>. If the inputs were not derived from this source, please identify the source used for input data.

**12/11/2018 Response**


**Yes. That is the source for that workpaper.**

Submitted By KEPCo  
Submitted To Applicants

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 KEPCo any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Information Request.

Signed:   
Davis Rooney  
Dated: 12/11/2018

Request No: 2-06

Company Name	MID-KANSAS ELECTRIC COMPANY, INC. AND SUNFLOWER ELECTRIC POWER CORPORATION
Docket No.	19-SEPE-054-MER
Request Date	December 3, 2018
Date Information Needed	December 17, 2018
RE:	Joint Application of Mid-Kansas Electric Company, Inc. and Sunflower Electric Power Corporation for Approval of a Merger of Mid-Kansas Electric Company, Inc. into Sunflower Electric Power Corporation.

**Please Provide the Following:**

Please discuss how Joint Applicants intend to treat Annual True-Up Adjustments and associated interest calculated under the Sunflower and Mid-Kansas Formula-Based Rates (FBR) for Transmission Service for Rate Years or portions thereof that occur before effectuating a consolidated FBR for Transmission Service for the combined zones. Specifically, will the Annual True-Up Adjustments for the Rate Years or portions thereof that were assessed based on the separate zonal constructs for Sunflower and Mid-Kansas be designated to be credited or assessed specifically to the transmission customers who paid rates based on the Annual Projection of each individual entity's FBR, or will they be consolidated and credited or assessed as a combined adjustment to be socialized among all Sunflower and Mid-Kansas transmission customers? Please provide examples to clarify your response.

## 12/11/2018 Objection and Response

**Joint Applicants object on the basis the Request seeks information that is clearly not relevant to the subject matter of the proceeding, nor reasonably calculated to lead to the discovery of admissible evidence.**

**To the extent the DR is inquiring into transmission rates, Joint Applicants maintain their objections, as this is not a rate case.**

**Without waiving the objection, we expect this will be determined in a future FERC docket to create the merged transmission formula rate. KEPCo mentions two options which we are considering.**

**KEPCo's question about true-ups being "designated to be credited or assessed specifically to the transmission customers who paid rates based on the Annual Projection" mischaracterizes how the TFR operates. It should be noted that the formula rate is not designed to (and does not) charge individual customers a precise amount. Projected amounts are collected based on the billing parameters that exist in that billing year. True-ups to that projected billing year are collected/refunded two years later based on the billing parameters in that subsequent billing year.**

12/11/2018 Joint Applicants Objections/Responses to KEPCo DRs 2-01 – 2-06  
19-SEPE-054-MER

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**The customers paying the bills in the projected year, may be completely different than the customers receiving/paying the true-up in the true-up year.**

**While we understand KEPCo's concerns, however, on balance, KEPCo's benefits under power supply rate convergence help to offset costs in other areas that also result from the merger. Please refer to the 12/7/2018 supplemental response to KEPCo DR 1-32.**

**It is important to note:**

- 1. By using 2017 actual data, the 2017 true ups are included in the analysis provided with the 12/7/2018 supplemental response to KEPCo DR 1-32.**
- 2. This is a transition issue affecting only 2020 and 2021. It is not an ongoing permanent issue.**
- 3. To the retail customer the impact remains small as transmission costs are only about 10% or less of the retail residential rate.**
- 4. The analysis shows there is a \$1.4mm A&G reduction to the transmission customer costs included in the merged TFR.**


Submitted By KEPCo

Submitted To Applicants

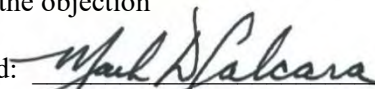
If for some reason, the above information cannot be provided by the date requested, please provide a written explanation of those reasons.

#### **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 KEPCo any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Information Request.

Signed:   
Davis Rooney  
Dated: 12/11/2018

As to the objection

Signed:   
Mark D. Calcara  
Dated: 12/11/2018

**Kansas Corporation Commission**  
Information Request

Request No: 7

Company Name                      SUNFLOWER ELECTRIC POWER CORPORATION      SEPE

Docket Number                      19-SEPE-054-MER

Request Date                      December 4, 2018

Date Information Needed              December 13, 2018

**Please Provide the Following:**

In his Testimony, Davis Rooney states that the Company's "intent [is] to have a single transmission formula rate for the merged company." He additionally states that "the transmission rates for both the Mid-Kansas zone and the Sunflower zone are also very close to each other, within 2% of the combined average rate. We expect the post-merger transmission rate impact on the transmission only customers to also be minimal."

As it relates to Sunflower's intent to have a single transmission formula rate, please answer the following questions.

1. In the event the merger is approved, please provide the steps the merged Company would need to take at FERC to converge the Mid-Kansas and Sunflower transmission formula rates. Please identify the guidelines or standards FERC uses in evaluating whether the transmission formula based rates should be merged.

**12/13/2018 Response:**

**The Mid-Kansas and Sunflower transmission formula rates are set forth in Attachment H, Addendum 19 and Addendum 20 to the Southwest Power Pool ("SPP") Open Access Transmission Tariff ("OATT"), respectively. Sunflower and Mid-Kansas will need to confirm with SPP and the FERC the particular steps that must be taken to converge the Mid-Kansas and Sunflower transmission formula rates under the SPP OATT, post-merger. However, it is our general understanding that SPP would need to submit a filing to the FERC to revise Attachment H, Addendums 19 and 20, to its OATT to consolidate the transmission formula rates for Mid-Kansas and Sunflower into a single transmission formula rate, as well as any other conforming changes to the SPP OATT which might be necessary to reflect the converged transmission formula rates. Although I am not an attorney, it is my understanding, the filing would be submitted under Section 205 of the Federal Power Act ("FPA"). The standard under FPA Section 205 is that rates must be just, reasonable and not unduly discriminatory or preferential. We expect that is the standard which would be used by FERC in evaluating a filing to merge the transmission formula rates of Mid-Kansas and Sunflower.**

12/13/2018 Joint Applicants Responses to KCC DRs 7-8  
19-SEPE-054-MER

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2. If the transmission formula rates were merged, would the current Mid-Kansas and Sunflower zones in SPP be converted into a single pricing zone? If so, please provide the steps Sunflower would need to take at SPP to convert the Mid-Kansas and Sunflower zones into a single pricing zone, and please detail any guidelines SPP has establish to analyze the merging of pricing zones.

**12/13/2018 Response:**

**Mid-Kansas and Sunflower will request that a single pricing zone be established if their transmission formula rates are merged. However, we will need to discuss the pricing zones with SPP, as well as criteria to be applied to determine whether the pricing zones of existing Transmission Owners should be combined in circumstances such as these.**

Submitted By Chad Unrein

Submitted To Davis Rooney

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:

  
James Brungardt

Date:

December 13, 2018



# Exhibit MD-7 Estimated Annual Impact of Merged Transmission Formula- Based Rate

Mark F. Doljac

KANSAS ELECTRIC POWER COOPERATIVE, INC.



**Estimated Annual Impact of Merged Transmission FBR**

**From 2019 Annual Updates and RRR File for Bills 2018-11-01**

**Charges to Zone - Estimate effective for 12 months beginning February 2019**

**High Level Summary (Updating Rooney Direct Work Paper, Response to DR KEPCo 1-16, Rooney, 11-8-2018 with 2019 Annual Updates & Associated Projections and November 2018 Regional Charges)**

	(\$000s) Sunflower 12	kW-Yr Rate	(\$000s) Mid-Kansas 15	kW-Yr Rate	(\$000s) Combined 12 & 15	kW-Yr Rate	SEPC Change %	MKEC Change %	Comments
SPP Transmission Zone									
Zonal Att H Col (3)	11,744	28.48	5,518	10.41	17,263	18.32	-35.68%	75.93%	2019 Annual Updates
BPF Att H Col (4)+(5)+(7)	10,033	24.33	15,713	29.65	25,746	27.32	12.29%	-7.85%	2019 Annual Updates; estimate assumes 52% of MKEC & 79.8% of Sunflower BPF RR is allocated zonally based on 2017 & 2018 allocations. See p. 3.
Total Zonal	21,778	52.81	21,231	40.06	43,009	45.64	-13.58%	13.93%	
Regional Charges	7,204	17.47	9,259	17.47	16,463	17.47			Estimate based on RRR_For_Bills_2018-11-01
Total Zonal and Regional	28,982	70.28	30,490	57.53	59,472	63.11	-10.20%	9.70%	
Zonal TU (2019P FBR)	920	2.23	(3,350)	(6.32)	(2,430)	(2.58)			
Total w/o Zonal TU	28,062	68.05	33,840	63.85	61,902	65.69	-3.47%	2.88%	
Per kW-Mo		5.670		5.321		5.474			
12CP Avg-RRR File (MW)	412		530		942				2019 Annual Updates, projected 12-CP Demand
Attachment H	Sunflower		Mid-Kansas						
Col 4									
Col 5									
Col 7									
Total BPF Zonal	\$ -		\$ -						
Att H Table 2-A	\$ 461,573		\$ 461,573						RRR_For_Bills_2018-11-01_Revenue_Requirements_and_Rates.xls
Total Region, Zones 1-18 (MW)	35,674		35,674						RRR_For_Bills_2018-11-01_Revenue_Requirements_and_Rates.xls
Zone LRS	1.16%		1.49%						
Att H Table 2-B	\$ 177,872		\$ 177,872						RRR_For_Bills_2018-11-01_Revenue_Requirements_and_Rates.xls
Total Region, Zones 1-19 (MW)	39,257		39,257						RRR_For_Bills_2018-11-01_Revenue_Requirements_and_Rates.xls
Zone LRS	1.05%		1.35%						
Total Zonal w/o Zonal TU	20,857	50.58	24,581	46.38	45,439	48.22	-4.67%	3.96%	Amount is relevant if Sunflower TU is assessed and Mid-Kansas TU are credited to the transmission customers based on the customers' association with each respective transmission system before the consolidation.

**Estimated Annual Impact of Merged Transmission FBR**

From 2019 Annual Updates and RRR File for Bills 2018-11-01

Charges to Zone - Estimate effective for 12 months beginning February 2019

High Level Summary (Updating Rooney Direct Work Paper, Response to DR KEPCo 1-16, Rooney, 11-8-2018 with 2019 Annual Updates & Associated Projections and November 2018 Regional Charges)

**Resulting Annual Charges under Combined Zones**

	(\$000s)	kW-Yr	(\$000s)	kW-Yr
	Sunflower	Rate	Mid-Kansas	Rate
Zonal Att H Col (3)	7,554	18.32	9,709	18.32
BPF Att H Col (4)+(5)+(7)	11,267	27.32	14,479	27.32
Total Zonal	18,821	45.64	24,188	45.64
Regional Charges	7,204	17.47	9,259	17.47
Total Zonal and Regional	26,025	63.11	33,447	63.11
Zonal TU (2019P FBR)	(1,063)	(2.58)	(1,367)	(2.58)
Total w/o Zonal TU	27,089	65.69	34,813	65.69
Per kW-Mo		5.474		5.474

**Resulting Increase under Combined Zones**

	(\$000s)	kW-Yr	(\$000s)	kW-Yr	% Increase	
	Sunflower	Rate	Mid-Kansas	Rate	Sunflower	Mid-Kansas
Zonal Att H Col (3)	(4,190)	(10.16)	4,190	7.91	-35.68%	75.93%
BPF Att H Col (4)+(5)+(7)	1,234	2.99	(1,234)	(2.33)	12.29%	-7.85%
Total Zonal	(2,957)	(7.17)	2,957	5.58	-13.58%	13.93%
Regional Charges	-	-	-	-		
Total Zonal and Regional	(2,957)	(7.17)	2,957	5.58	-10.20%	9.70%
Zonal TU (2019P FBR)	(1,983)	(4.81)	1,983	3.74		
Total w/o Zonal TU	(973)	(2.36)	973	1.84	-3.47%	2.88%
Per kW-Mo		(0.197)		0.153		

**Table 1 (using Feb-2018 RRR)**

From Initial Response to KEPCo DR 1-32

	SEPC	MKEC	Combined	Supplemental Merged
KEPCo Load Ratio Share 2017	1.15%	19.22%	11.53%	11.37%
Less Prairie Land in 2021		0.71%	0.41%	0.42%
Less Victory in 2021		4.05%	2.32%	2.32%
KEPCo Load Ratio Share Post 2020	1.15%	14.46%	8.79%	8.64%

KEPCo Estimated Impact, 2019-2020 (i.e., with KEPCo serving Prairie Land and Victory as it does today)

	Sunflower	Mid-Kansas	Combined	Est Impact	
Zonal w/ Zonal TU	334	5,859	6,854	661	10.7%
Total w/o Zonal TU	324	6,503	7,134	308	4.5%
Increase associated w/ TU	11	(644)	(280)	353	
KEPCo Estimated Impact Post 2020-Combined (i.e., with KEPCo not serving Prairie Land and Victory)					
Zonal w/ Zonal TU	334	4,407	5,228	487	10.3%
Total w/o Zonal TU	324	4,892	5,442	227	4.3%
Increase associated w/ TU	11	(484)	(214)	260	

\$3.35 M TU credit to Mid-Kansas and \$0.92 M TU assessment to Sunflower would result in large impact to KEPCo, due to all customers in combined Zone getting a socialized net credit of \$2.43 M

\$3.35 M TU credit to Mid-Kansas and \$0.92 M TU assessment to Sunflower would result in large impact to KEPCo, due to all customers in combined Zone getting a socialized net credit of \$2.43 M

## Basis of Zonal Allocation Estimate of Base Plan Revenue Requirement

### Mid-Kansas Electric Company, LLC

	<u>Feb-19</u>	<u>Feb-18</u>	<u>Feb-17</u>
1 Projected BPF ATRR	30,217,320	28,133,070	19,063,848
2 Schedule 11 BPZ Monthly TRR	1,309,417	1,279,001	786,491
3 Schedule 11 BPZ Annual TRR	15,713,006	15,348,012	9,437,892
4 % of Total 2017 BPF ATRR to BPZ	52.0000%	54.5551%	49.5068%

#### Source

Ann'l Projection, Projected Revenue Requirements, p. 3  
Schedule 11 BPZ Monthly RR, SPP As-billed  
L2 x 12  
L3 / L1

### Sunflower Electric Power Corporation

	<u>Feb-19</u>	<u>Feb-18</u>	<u>Feb-17</u>
5 Projected BPF ATRR	12,572,851	9,315,383	6,333,833
6 Schedule 11 BPZ Monthly TRR	836,095	615,596	423,899
7 Schedule 11 BPZ Annual TRR	10,033,135	7,387,152	5,086,788
8 % of Total 2017 BPF ATRR to BPZ	79.8000%	79.3006%	80.3114%

#### Source

Ann'l Projection, Projected Revenue Requirements, p. 3  
Schedule 11 BPZ Monthly RR, SPP As-billed  
L6 x 12  
L7 / L5



## Exhibit MD-8

# SPP Tariff, Attachment M, Loss Compensation Procedure

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KANSAS ELECTRIC POWER COOPERATIVE, INC.



## **ATTACHMENT M LOSS COMPENSATION PROCEDURE**

### **I. PURPOSE**

This loss compensation procedure will be used to quantify real power losses for which the Transmission Customer or Network Customer is responsible when taking service under this Tariff. The Transmission Provider shall maintain a schedule showing the real power loss factors for the provision of transmission service across each Zone on the Transmission System. The injection loss factor (“ILF”) and delivery loss factor (“DLF”) for each Zone are stated in Appendix 1 to this Attachment M.

### **II. TRANSMISSION LOSS DETERMINATION - NETWORK INTEGRATION TRANSMISSION SERVICE**

(a) The Network Customer shall be responsible for real power losses associated with Network Integration Transmission Service to its Network Load for each Zone in which its Network Load is located for the purposes of determining charges under Schedule 9 and Schedule 11 to this Tariff. The Network Customer’s loss responsibility is the product of the Zone DLF, shown in Column D of Appendix 1 to this Attachment M and the hourly metered Network Load for the hour that is coincident with the applicable Zone monthly peak load hour and such loss responsibility shall be included when calculating that Network Customer’s Load Ratio Share, Base Plan Zonal Load Ratio Share and Region-wide Load Ratio Share.

(b) Loss energy associated with hourly energy settlement under the Integrated Marketplace shall be accounted for under the settlement procedures for the Energy and Operating Reserve Markets specified in Attachment AE. Loss energy associated with the transmission of Federal Power-Western-UGP to the Statutory Load Obligations served by Western-UGP shall be the product of the amount of Federal Power-Western-UGP delivered to the Statutory Load Obligations and the Zone 19 DLF, shown in Column D of Appendix 1 to this Attachment M in accordance with Section 39.3(e)(ii) of this Tariff.

### **III. TRANSMISSION LOSS DETERMINATION - POINT-TO-POINT TRANSMISSION SERVICE**

The Transmission Customer shall be responsible for real power losses associated with Transmission Service under Schedule 7 and Schedule 8 to this Tariff. For purposes of

calculating a Transmission Customer's loss responsibility, such Transmission Customer's Transmission Service reservation capacity shall not be adjusted by the demand zonal loss factors stated in Appendix 1 to this Attachment M. Real power losses associated with settlement of Transmission Service schedules in the Integrated Marketplace shall be accounted for under the settlement procedures for the Energy and Operating Reserve Markets specified in Attachment AE.

#### **IV. OTHER LOSSES**

Additional compensation will be required for real power losses when the meter used to measure the energy taken at a delivery point is located on facilities not on the Transmission System. The Transmission Customer shall be responsible for any real power losses incurred on facilities not on the Transmission System.

# **APPENDIX 1 TO ATTACHMENT M DEMAND ZONAL LOSS FACTORS**

<b>(A) ZONE</b>	<b>(B) NAME</b>	<b>(C) INJECTION LOSS FACTOR ("ILF")</b>	<b>(D) DELIVERY LOSS FACTOR ("DLF")</b>
1	American Electric Power	2.90%	2.9866%
2	Reserved for Future Use		
3	City Utilities of Springfield	2.00%	2.0408%
4	Empire District Electric Company	2.71%	2.7855%
5	Grand River Dam Authority	3.3816%	3.5%
6	Kansas City Power & Light Company	1.8646%	1.90%
7	Oklahoma Gas and Electric Company	3.00%	3.0928%
8	Midwest Energy, Inc.	4.26%	4.4496%
9	KCP&L Greater Missouri Operations Company	1.92%	1.9576%
10	Southwestern Power Administration	4.00%	4.1667%
11	Southwestern Public Service	3.107161%	3.206801%
12	Sunflower Electric Power Corporation	4.9701%	5.23%
13	Western Farmers Electric Cooperative	3.00%	3.0928%
14	Westar Energy, Inc. (Kansas Gas and Electric and Westar Energy)	2.9786%	3.07%
15	Mid-Kansas Electric Company	5.9443%	6.32%
16	Lincoln Electric System	1.07%	1.0816%
17	Nebraska Public Power District	2.4%	2.4590%
18	Omaha Public Power District	1.1858%	1.20%
19	Upper Missouri Zone	3.8462%	4.00%