BEFORE THE CORPORATION COMMISSION
OF THE STATE OF KANSAS

IN THE MATTER OF THE APPLICATION OF MID-KANSAS ELECTRIC COMPANY, LLC FOR APPROVAL TO MAKE CERTAIN CHANGES IN ITS CHARGES FOR ELECTRIC SERVICES IN THE GEOGRAPHIC SERVICE TERRITORY SERVED BY LANE SCOTT ELECTRIC COOPERATIVE, INC.	]]]]]]]	KCC Docket No. 12-MKEE-410-RTS

DIRECT TESTIMONY OF

BENJAMIN D. COTTON

ON BEHALF OF

THE CITIZENS' UTILITY RATEPAYER BOARD

November 30, 2012

TABLE OF CONTENTS

I. STATEMENT OF QUALIFICATIONS

Q. Please state your name and business address.

A. My name is Benjamin D. Cotton and my business address is 90 Grove Street, Ridgefield, Connecticut 06877. (Mailing Address: PO Box 810, Georgetown, Connecticut 06829.)

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

A. I am a Senior Consultant at the Columbia Group, Inc. a financial consulting firm that specializes in utility regulation. In this role, I analyze utility rate filings and prepare expert testimony.

Q. Please summarize your professional experience.

A. I have worked as an On-Boarding Analyst for RBS Securities, Inc., and UBS Securities, Inc. I also worked as a Client Service Specialist for Rockit Solutions, LLC, a division of Rockefeller & Co., Inc. As an On-Boarding Analyst I guided clients through the account opening process with the bank's credit, legal, anti-money laundering, and sales groups. I prepared analyses of new customers for use in determining credit worthiness and appropriate lines of credit. While at Rockit, I was responsible for the generation, analysis, and delivery of asset reports for high net worth individuals and family offices.

Q. What is your educational background?

A. In 2005, I received a Masters degree in Business Administration from the University of Connecticut. My undergraduate degree is a B.A. in Government from Franklin and Marshall College in Lancaster, Pennsylvania.

Q. Have you previously testified in regulatory proceedings?

A. No. This is my first testimony in a regulatory proceeding.

II. PURPOSE OF TESTIMONY

Q. What is the purpose of your testimony?

A. On August 6, 2012, Mid-Kansas Electric Company, LLC ("MKEC) filed an Application with the Kansas Corporation Commission ("KCC" or "Commission") for its service division ("Lane Scott Division", or "Division") served by Lane Scott Electric Cooperative, Inc. ("Native System"). The Lane Scott Division is proposing an increase of $510,915, or approximately 13.34% in the rates for service based on a rate base/rate of return methodology.

The Columbia Group, Inc. was engaged by The State of Kansas, Citizens' Utility Ratepayer Board ("CURB") to review MKEC's Application and make recommendations to the KCC. My testimony will address the capital structure and cost of capital of the Lane Scott Division.

III. SUMMARY OF CONCLUSIONS

Q. What are your conclusions concerning the Lane Scott Division's capital structure and cost of capital?

A. Based on my analysis of the Division's Application, data responses, and other documentation in this case, my conclusions are as follows:

1. The Commission should approve a pro forma capital structure for the Lane Scott Division consisting of 50% equity and 50% long-term debt.

2. The Commission should approve a pro forma cost of equity of 8.72%, as requested by the Division.

3. The Commission should approve a pro forma cost of debt of 4.38%, based on the embedded debt of the Native System.

4. The Commission should approve an overall rate of return of 6.55%, as shown in Schedule BDC-2.

IV. DISCUSSION OF THE ISSUES

Q. How is return generally calculated in a utility rate proceeding for an investor-owned utility?

A. In an investor owned utility, the authorized overall rate of return is calculated by weighting the relevant components of the capital structure, usually long-term debt and equity, by the respective debt and equity costs. The capital structure utilized can be the actual capital structure for the utility, the actual capital structure for its parent company, or some hypothetical capital structure, depending on the circumstances. An embedded cost of debt is typically used. The required equity return is usually estimated by techniques such as the Discounted Cash Flow ("DCF") Model or other widely-accepted methodologies. The authorized overall rate of return is then applied to the investment in the utility, or rate base, in order to determine the overall level of earnings required.

Q. How is return generally calculated in a utility rate proceeding for a cooperative?

A. Cooperative utilities frequently use the Times Interest Earned Ratio ("TIER") or Debt Service Coverage ("DSC") approach to calculate their required return, or operating

margin. Some cooperatives, such as Midwest Energy, have also utilized a rate base/rate of return approach. In that case, the cost of equity was determined pursuant to the Goodwin Model, as discussed below.

Q. What methodology was used in the Lane Scott Division's last base rate case?

A. The TIER methodology was used in the last Lane Scott base rate case, which was Docket No. 09-MKEE-969-RTS, filed on behalf of five (5) MKEC members. TIER is generally calculated by adding the Net Margins to the Interest on Long-Term Debt and dividing the sum by the Interest on Long Term Debt. The Net Margins include the Utility Operating Margin less Other Income Deductions, such as interest charges, plus Other Non-Operating Income. The targeted TIER ratio is usually tied to the ratio required by the cooperative's bond covenants with its lender.

Q. Has the Lane Scott Division used the same methodology in this case?

A. No. In this case, Lane Scott states that neither the TIER nor DSC models are appropriate because the Lane Scott Division has no outstanding long-term debt. Therefore, the Division would have no margin requirement if either the TIER or DSC approaches were used.

Q. How did the Lane Scott Division determine its margin requirement in this case?

A. The Division's witness, Douglas S. Shepherd, calculates the required return by using the weighted average cost of capital method. On page 6, lines 13 & 14 of his testimony, Mr. Shepherd defines weighted average cost of capital as the average of the cost of debt and

the cost of equity. As the Lane Scott Division currently has no outstanding debt, the Division's return is based on a capital structure consisting of 100% equity.

The Lane Scott Division is proposing a return on equity of 8.72%. The proposed return is based on a modified Goodwin model that was developed by the Rural Utilities Service ("RUS") and the National Rural Utilities Cooperative Finance Corporation ("CFC") for use by cooperative utilities. The model is designed "...to hold the equity ratio at its present level while growing at a fixed level of growth (g) and revolving capital credits and a specific cycle (n years)."[1] The Lane Scott Division uses a 20 year (n) rotation cycle and a growth rate (g) of 6.0% to calculate the minimum required return. It should be noted that the growth rate used in the Goodwin Model is growth in net plant. In some versions of the Goodwin model, a further adjustment is made to achieve a targeted equity level within a certain period of time.

Following is the modified Goodwin Model used by Lane Scott to calculate its required cost of equity:

Cost of Equity = [{(1+g)^(n+1)}-{(1+g)^n}]/[{(1+g)^n}-1]

Given Mr. Shepherd's inputs of a 6% growth rate and a 20 year rotation cycle, the modified Goodwin Model results in a cost of equity of 8.72%. Since the Lane Scott Division states that it has no outstanding debt, its margin requirement is based on a capital structure consisting of 100% equity, and on an equity return of 8.72%.[2]

[1] Direct Testimony of William K. Edwards, March 2, 2011, p. 20, KCC Docket 11-MDWE-609-RTS.
[2] Shepherd Direct, Schedule G-1, Line 14.

Q. How did the Lane Scott Division develop its proposed 6% growth rate?

A. The growth rate is based on the Native System's growth in net plant of 6%[3] over the past several years. The Lane Scott has limited history with regard to operating the assets formerly owned by Aquila. Moreover, during this limited period, there has been little growth in the Lane Scott Division's net plant. Therefore, the Lane Scott Division has utilized the growth rate in the Native System as a proxy for growth in the Lane Scott Division.

Q. Are you recommending any adjustment to the cost of capital proposed by Lane Scott?

A. I am not recommending any adjustment to the cost of equity of 8.72%. However, I am recommending an adjustment to the Division's proposed capital structure. Instead of a capital structure consisting of 100% equity, I recommend that the KCC adopt a hypothetical capital structure consisting of 50% equity and 50% debt.

Q. Why are you recommending a hypothetical capital structure in this case?

A. I am recommending a hypothetical capital structure for several reasons. First, a capital structure consisting of 100% equity does not represent an efficient capital structure for a utility. Since equity is generally more expensive than long-term debt, using a capital structure that contains 100% equity will result in higher rates than are necessary. Adding long-term debt to the capital structure would reduce the overall cost of capital for Lane Scott. At some point, too much debt can actually increase the overall required return, as both bondholders and stockholders require additional return in order to invest in what is

[3] Shepherd Direct, pp. 6-7, Schedule G-1, Line 19.

perceived as a riskier investment. However, over a broad range, the addition of long-term debt to the capital structure will reduce the overall required return.

In addition, while the Lane Scott Division states that it is financed with 100% equity, a review of its balance sheet indicates otherwise. While there is no long-term debt outstanding, there is also negative equity, as shown in Schedule H-1 to Mr. Shepherd's testimony. Total equities and margins were ($721,359) at the end of the Test Year, suggesting that the Lane Scott Division's capital structure consisting of 100% equity is itself hypothetical.

Q. What is the reason for the Lane Scott Division's negative equity?

A. It appears that the Lane Scott Division's margins have not been sufficient to cover its operating expenses and debt service requirements. In spite of these margins, the Division has managed to pay off the debt that it issued in order to acquire the Aquila assets. This suggests that the Native System has been subsidizing the Lane Scott Division. Ms. Crane addresses this issue in more detail in her testimony.

Q. What is a typical capital structure for cooperative utilities?

A. According to the testimony of Mr. Edwards, economist and Vice President of Regulatory Affairs for the CFC, before the KCC in KCC Docket No. 11-MDWE-609-RTS, the reasonableness of a cooperative's equity ratio can be assessed by comparing it to the state and national median ratios.[4] In that testimony, Mr. Edwards testified that the 2009 national median was 47.63% equity and the Kansas cooperative median was 45.23%.[5]

[4] Direct Testimony of William K. Edwards, March 2, 2011, pp. 15-16, KCC Docket 11-MDWE-609-RTS.
[5] *Id.*, p. 15.

Moreover, in KCC Docket No. 12-MKEE-491-RTS, Richard J. Macke testified that the 2010 national median for CFC borrowers was 48.6% equity, and the Kansas median was slightly lower at 47.35%.[6] Therefore, the 50% equity level that I am recommending is close to the state and national medians for cooperative utilities and represents a more reasonable equity level than the 100% equity being claimed by the Lane Scott Division.

Q. What is the capital structure of the Lane Scott Native System?

A. The capital structure of the Native System is derived from the response to KCC-142. The Lane Scott Native System was approximately 75% Debt and 25% Equity as of December 31, 2011, and approximately 54% Debt and 46% Equity as of December 31, 2010. Again, this suggests that a capital structure consisting of 50% equity is more appropriate to utilize for setting rates at the Lane Scott Division than the capital structure proposed in the Division's filing.

Q. Given the fact that you are recommending a capital structure consisting of 50% equity instead of the 100% proposed by the Lane Scott Division, did you make any adjustment to the Goodwin model to reflect reaching a targeted equity level after so many years?

A. No, I did not. Mr. Shepherd did not make any adjustment to the Goodwin Model to reflect a targeted equity level, in spite of the fact that Lane Scott actually has negative equity on its balance sheet. Moreover, my recommendation reflects a 50% equity level that is in-line with other cooperatives; therefore no adjustment is necessary to the Goodwin model.

[6] Direct Testimony of Richard J. Macke, February 1, 2012, p. 19, KCC Docket No. 12-MKEE-491-RTS.

Q. What cost of debt did you utilize?

A. I utilized a cost of debt of 4.38% based on the weighted average embedded cost for the Native System's long term debt issuances. This figure was derived from the company's response to KCC-127 and is detailed in Schedule BDC-1.

Q: What is the resulting weighted average cost of capital that you are recommending using a 50/50 debt and equity ratio?

A: As shown on Schedule BCD-2, I am recommending an overall cost of capital of 6.55%. This recommendation reflects an equity cost of 8.72%, a cost long term debt cost of 4.38%, and a capital structure consisting of 50% equity and 50% long-term debt.

Q. Does this conclude your testimony?

A. Yes, it does.

VERIFICATION

STATE OF CONNECTICUT)

COUNTY OF FAIRFIELD) ss: Ridgefield

Ben Cotton, being duly sworn upon his oath, deposes and states that he is a consultant for the Citizens' Utility Ratepayer Board, that he has read and is familiar with the foregoing testimony, and that the statements made herein are true to the best of his knowledge, information and belief

Benjamin D. Cotton

Benjamin D. Cotton

Subscribed and sworn before me this 29th day of Nov., 2012.

Notary Public Sandra P. Mosiello

My Commission Expires: _____

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

APPENDIX A

Supporting Schedules

Schedule BDC-1

NATIVE SYSTEM EMBEDDED COST OF DEBT
AT DECEMBER 31, 2011

	(A) Outstanding Debt End of 2011	Percent	(A) Cost of Debt	Weighted Average
1.	$29,384.28	0.16%	2.000%	0.0032%
2.	36,358.73	0.20%	2.000%	0.0040%
3.	97,191.12	0.53%	5.000%	0.0266%
4.	121,833.79	0.67%	5.000%	0.0334%
5.	37,984.62	0.21%	5.000%	0.0104%
6.	162,319.50	0.89%	5.000%	0.0444%
7.	585,791.68	3.21%	5.000%	0.1604%
8.	23,708.58	0.13%	5.000%	0.0065%
9.	206,536.04	1.13%	5.000%	0.0565%
10.	225,974.74	1.24%	5.000%	0.0619%
11.	60,987.20	0.33%	5.000%	0.0167%
12.	437,757.66	2.40%	5.000%	0.1199%
13.	1,075,081.32	5.89%	4.870%	0.2867%
14.	1,548,016.07	8.48%	5.000%	0.4238%
15.	1,285,830.74	7.04%	5.000%	0.3521%
16.	573,178.61	3.14%	5.000%	0.1569%
17.	917,085.81	5.02%	5.000%	0.2511%
18.	552,162.08	3.02%	5.000%	0.1512%
19.	943,834.17	5.17%	5.000%	0.2584%
20.	109,251.56	0.60%	5.000%	0.0299%
21.	3,961,837.75	21.69%	4.516%	0.9797%
22.	896,707.47	4.91%	3.485%	0.1711%
23.	1,122,918.92	6.15%	4.243%	0.2609%
24.	3,192,273.32	17.48%	2.837%	0.4959%
25.	57,710.44	0.32%	5.650%	0.0179%
26.	$18,261,716.20	100.00%		4.38%

Source:
(A) Response to KCC-127

Schedule BDC-2

LANE SCOTT DIVISION
TEST YEAR ENDING DECEMBER 31, 2010
WEIGHTED AVERAGE COST OF CAPITAL

	Capital Structure	Cost Rate		Weighted Cost
	(A)			
1. Common Equity	50%	8.72%	(B)	4.36%
2. Long Term Debt	50%	4.38%	(C)	2.19%
3. Total	100%			6.55%

Sources:
(A) Recommendation of Ben Cotton
(B) Company Schedule G-3, Testimony of Douglas S. Shepherd
(C) Schedule BDC-1

APPENDIX B

Referenced Data Requests

KCC-127 – Partial
KCC-142 – Partial

Kansas Corporation Commission
Information Request

Request No: 127

Company Name	MID-KANSAS ELECTRIC COMPANY, LLC	MKEE
Docket Number	12-MKEE-410-RTS	
Request Date	October 27, 2012	
Date Information Needed	November 5, 2012	

RE: Cost of Debt of Native System and Cost of Intercompany loans to MKEC Division

Please Provide the Following:

Cost of Debt for Lane-Scott (Native System)

For the years 2009, 2010, & 2011 provided Lane-Scott (Native System) embedded cost of debt on an issue by issue basis for the Mortgage Notes, Other Long-term Debt, Notes Payable, and inter-company loans between Lane-Scott and the MKEC Division of Lane-Scott.

Submitted By Adam Gatewood

Submitted To Lane-Scott

Please see the attached file "DR 127.xlsx".

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: Doug Morris

Date: November 5, 2012

Request No. 127
Company: Mid-Kansas Electric Company, LLC
Docket No. 12-MKEE-410-RTS
RE: Cost of Debt of Native System and Cost of Intercompany loans to MKEC Division

Lane-Scott Native System Long Term Debt

Type	Rate	Date of Issue	Loan No.	Beginning Balance 2011	Date of Maturity	Interest Pd This Yr	Principle Pd This Yr	Total Paid This Year	Outstanding End of 2011
RUS	2%	05/23/78	14120	$ 52,673.27	May-13	$ 879.01	$ 23,288.99	$ 24,168.00	$ 29,384.28
RUS	2%	04/17/78	14121	$ 64,683.14	Apr-14	$ 1,081.51	$ 28,324.41	$ 29,405.92	$ 36,358.73
RUS	5%	10/10/84	1B130	$ 107,439.83	Oct-19	$ 5,137.21	$ 10,248.71	$ 15,385.92	$ 97,191.12
RUS	5%	10/10/84	1B131	$ 134,572.39	Oct-19	$ 6,436.80	$ 12,738.60	$ 19,175.40	$ 121,833.79
RUS	5%	10/10/84	1B133	$ 41,956.19	Oct-19	$ 2,006.83	$ 3,971.57	$ 5,978.40	$ 37,984.62
RUS	5%	10/10/84	1B134	$ 172,388.42	Oct-19	$ 8,388.40	$ 10,068.92	$ 18,457.32	$ 162,319.50
RUS	5%	12/16/96	1B140	$ 604,935.24	Dec-31	$ 29,806.00	$ 19,143.56	$ 48,949.56	$ 585,791.68
RUS	5%	10/13/99	1B142	$ 24,484.96	Oct-34	$ 1,206.38	$ 776.38	$ 1,982.76	$ 23,708.58
RUS	5%	10/15/98	1B150	$ 211,885.37	May-33	$ 10,470.87	$ 5,349.33	$ 15,820.20	$ 206,536.04
RUS	5%	07/31/99	1B151	$ 231,827.51	May-34	$ 11,456.39	$ 5,852.77	$ 17,309.16	$ 225,974.74
RUS	5%	08/15/00	1B152	$ 62,566.31	May-35	$ 3,091.89	$ 1,579.11	$ 4,671.00	$ 60,987.20
RUS	5%	01/02/01	1B160	$ 447,073.59	Jan-36	$ 22,138.35	$ 9,315.93	$ 31,454.28	$ 437,757.66
RUS	4.87%	05/01/03	1B170	$ 1,095,434.16	May-38	$ 52,943.16	$ 20,352.84	$ 73,296.00	$ 1,075,081.32
RUS	5%	09/08/05	1B180	$ 1,573,839.80	Sep-40	$ 78,093.27	$ 25,823.73	$ 103,917.00	$ 1,548,016.07
RUS	5%	09/28/06	1B190	$ 1,304,544.15	Sep-41	$ 64,792.43	$ 18,713.41	$ 83,505.84	$ 1,285,830.74
RUS	5%	11/30/06	1B191	$ 581,520.40	Nov-41	$ 28,882.21	$ 8,341.79	$ 37,224.00	$ 573,178.61
RUS	5%	01/01/07	1B192	$ 930,432.66	Jan-42	$ 46,211.55	$ 13,346.85	$ 59,558.40	$ 917,085.81
RUS	5%	05/29/07	1B193	$ 560,197.99	May-42	$ 27,823.21	$ 8,035.91	$ 35,859.12	$ 552,162.08
RUS	5%	02/29/08	1B194	$ 957,570.30	Feb-43	$ 47,559.39	$ 13,736.13	$ 61,295.52	$ 943,834.17
RUS	5%	10/30/08	1B195	$ 110,832.89	Oct-43	$ 5,504.91	$ 1,581.33	$ 7,086.24	$ 109,251.56
RUS TOTALS				$ 9,270,858.57		$ 453,909.77	$ 240,590.27	$ 694,500.04	$ 9,030,268.30
FFB	4.516%	02/23/10	H0010	$ 3,973,000.00	Jan-45	$ 108,995.18	$ 11,162.25	$ 120,157.43	$ 3,961,837.75
FFB	3.485%	09/07/10	H0015	$ 900,000.00	Sep-45	$ 74,810.27	$ 3,292.53	$ 78,102.80	$ 896,707.47
FFB	4.243%	01/21/11	H0020	$ 1,128,000.00	Jan-46	$ 79,906.73	$ 5,081.08	$ 84,987.81	$ 1,122,918.92
FFB	2.837%	09/07/11	H0025	$ 3,206,718.00	Sep-46	$ 30,704.70	$ 14,444.68	$ 45,149.38	$ 3,192,273.32
FFB TOTALS				$ 9,207,718.00		$ 294,416.88	$ 33,980.54	$ 328,397.42	$ 9,173,737.46
RUS Eco Devo Grant				$ 150,382.00					$ 150,382.00
CFC	5.65%	06/01/96	9001001	$ 63,638.66	Sep-19	$ 3,056.58	$ 5,928.22	$ 8,984.80	$ 57,710.44
COMBINED CFC & RUS TOTALS				$ 18,692,597.23		$ 751,383.23	$ 280,499.03	$ 1,031,882.26	$ 18,412,098.20

RUS - Balance Outstanding End of Yr with Gen Ledger Ending Balance of acct 224.1.
RUS Eco Devo Grant - Balance Outstanding End of Yr with Gen Ledger Ending Balance in acct 224.18
CFC - Balance Outstanding End of Yr with Gen Ledger Ending Balance in acct 224.12.

Lane-Scott Division Long Term Debt

Type	Rate	Date of Issue	Loan No.	Beginning Balance 2011	Date of Maturity	Interest Pd This Yr	Principle Pd This Yr	Total Paid This Year	Outstanding End of 2011
CFC	4.95%	03/01/09	9003001	$ 273,982.53	Feb-12	$ 3,637.22	$ 273,982.53	$ 277,619.75	$ -

CFC - Balance Outstanding End of Yr with Gen Ledger Ending Balance in acct 1.224.12.

Lane-Scott Native System Notes Payable

Type	Rate	Date of Issue	Loan No.		Date of Maturity	Outstanding End of 2011	
CFC	4.25%	01/01/10	5102001		Dec-10	$ 1,773,726.23	Perpetual Line of Credit
CFC	4.25%	01/31/07	5104001		Jan-12	$ 2,275,069.11	Revolving Line of Credit
CoBank	3.30%	03/11/10	RI0875S01	Variable Rate	Sep-12	$ 1,000,000.00	Revolving Line of Credit
						$ 5,048,795.34	

CFC - Balance Outstanding End of Yr with Gen Ledger Ending Balance in acct 231

Kansas Corporation Commission
Information Request

Request No: 142

Company Name	MID-KANSAS ELECTRIC COMPANY, LLC	MKEE
Docket Number	12-MKEE-410-RTS	
Request Date	October 30, 2012	
Date Information Needed	November 7, 2012	

RE: RUS Reports

Please Provide the Following:

Please provide all Rural Utility Service year-end operating and financial reports for Lane Scott for the last three years.

Submitted By Laura Bowman

Submitted To Lane-Scott

Please see files:

DR 142-2009.pdf

DR 142-2010.pdf

DR 142-2011.pdf

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: Doug Morris

Date: November 7, 2012

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION**	BORROWER DESIGNATION KS0042 PERIOD ENDED December, 2010
INSTRUCTIONS - See help in the online application.	

PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT

ITEM	YEAR-TO-DATE LAST YEAR (a)	YEAR-TO-DATE THIS YEAR (b)	ITEM	YEAR-TO-DATE LAST YEAR (a)	YEAR-TO-DATE THIS YEAR (b)
1. New Services Connected	129	130	5. Miles Transmission		
2. Services Retired	42	179	6. Miles Distribution – Overhead	2,012.67	2,029.92
3. Total Services in Place	6,213	6,159	7. Miles Distribution - Underground	5.06	5.06
4. Idle Services (*Exclude Seasonals*)	624	501	**8. Total Miles Energized** *(5 + 6 + 7)*	2,017.73	2,034.98

PART C. BALANCE SHEET

ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
1. Total Utility Plant in Service	33,211,955	30. Memberships	0
2. Construction Work in Progress	3,497,697	31. Patronage Capital	7,594,364
3. Total Utility Plant *(1 + 2)*	36,709,652	32. Operating Margins - Prior Years	(717,484)
4. Accum. Provision for Depreciation and Amort.	12,607,659	33. Operating Margins - Current Year	19,870
5. Net Utility Plant *(3 - 4)*	24,101,993	34. Non-Operating Margins	(490,294)
6. Non-Utility Property (Net)	0	35. Other Margins and Equities	140,446
7. Investments in Subsidiary Companies	1,424,123	**36. Total Margins & Equities** *(30 thru 35)*	6,546,902
8. Invest. in Assoc. Org. - Patronage Capital	125,943	37. Long-Term Debt - RUS (Net)	9,026,572
9. Invest. in Assoc. Org. - Other - General Funds	374,811	38. Long-Term Debt - FFB - RUS Guaranteed	4,873,000
10. Invest. in Assoc. Org. - Other - Nongeneral Funds	223,340	39. Long-Term Debt - Other - RUS Guaranteed	0
11. Investments in Economic Development Projects	0	40. Long-Term Debt Other (Net)	0
12. Other Investments	20,539	41. Long-Term Debt - RUS - Econ. Devel. (Net)	150,382
13. Special Funds	0	42. Payments – Unapplied	0
14. Total Other Property & Investments *(6 thru 13)*	2,168,756	**43. Total Long-Term Debt** *(37 thru 41 - 42)*	14,049,954
15. Cash - General Funds	590,601	44. Obligations Under Capital Leases - Noncurrent	0
16. Cash - Construction Funds - Trustee	91	45. Accumulated Operating Provisions and Asset Retirement Obligations	0
17. Special Deposits	25	**46. Total Other Noncurrent Liabilities** *(44 + 45)*	0
18. Temporary Investments	43,868	47. Notes Payable	8,515,069
19. Notes Receivable (Net)	0	48. Accounts Payable	864,706
20. Accounts Receivable - Sales of Energy (Net)	1,199,711	49. Consumers Deposits	124,967
21. Accounts Receivable - Other (Net)	2,198,192		
22. Renewable Energy Credits	0	50. Current Maturities Long-Term Debt	581,908
23. Materials and Supplies - Electric & Other	471,447	51. Current Maturities Long-Term Debt - Economic Development	0
24. Prepayments	0	52. Current Maturities Capital Leases	0
25. Other Current and Accrued Assets	2,760	53. Other Current and Accrued Liabilities	363,985
26. Total Current and Accrued Assets *(15 thru 25)*	4,506,695	**54. Total Current & Accrued Liabilities** *(47 thru 53)*	10,450,635
27. Regulatory Assets	0	55. Regulatory Liabilities	0
28. Other Deferred Debits	270,047	56. Other Deferred Credits	0
29. Total Assets and Other Debits *(5+14+26 thru 28)*	31,047,491	**57. Total Liabilities and Other Credits** *(36 + 43 + 46 + 54 thru 56)*	31,047,491

CERTIFICATE OF SERVICE

12-MKEE-410-RTS

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing document was served by electronic service this 30th day of November, 2012, to the following parties who have waived receipt of follow-up hard copies:

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