

THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

Before Commissioners: Mark Sievers, Chairman
Thomas E. Wright

In the Matter of Midwest Energy, Inc. Seeking)
Commission Approval to Implement Changes)
in its Transmission Delivery Charges Rate) Docket No. 12-MDWE-827-TAR
Schedules.)
)

ORDER APPROVING TARIFF REVISIONS

The above-captioned matter comes before the State Corporation Commission of the State of Kansas (Commission) for consideration and determination. Having examined its files and records, and being duly advised in the premises, the Commission finds and concludes as follows:

1. On May 10, 2012, Midwest Energy, Inc. (Midwest) filed its application seeking Commission approval to implement changes in its transmission delivery charge (TDC) rate schedules.

2. The Staff of the Commission (Staff) filed a Report and Recommendation on August 15, 2012, which is attached hereto and hereby incorporated by reference. Staff states it reviewed Midwest's Annual Update, in which Midwest requests that \$6,762,308 be allocated among its retail customers, representing approximately 73% of its total Annual Transmission Revenue Requirement (ATRR) based on retail customers' contribution to system peak, as defined by the 12-CP demand allocator from its previous rate case in Commission Docket No. 11-MDWE-609-RTS. Staff further states it found one error in an input in Midwest's Transmission Formula Rate (TFR), Attachment H to its ATRR, and therefore in the amount of

which is allocated toward retail customers, however, Staff recommends the Commission approve Midwest's filing and allow Midwest to correct the error in its next TDC filing.

3. Upon review of Staff's Report and Recommendation, the Commission adopts Staff's recommendation, approves the proposed rate schedules as filed and will allow Midwest to correct its error during its next TDC filing.

IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:

(A) Midwest Energy, Inc.'s Application to implement changes in its transmission delivery charge (TDC) rate schedules is hereby approved.

(B) The parties have fifteen (15) days, plus three (3) days if service of this order is by mail, from the date this order was served in which to petition the Commission for reconsideration of any issue or issues decided herein.¹

(C) The Commission retains jurisdiction over the subject matter and the parties for the purpose of entering such further orders as it may deem necessary and proper.

BY THE COMMISSION IT IS SO ORDERED.

Sievers, Chmn; Wright, Com.

Dated: AUG 27 2012



ORDER MAILED AUG 27 2012

Patrice Petersen-Klein
Executive Director

hf

¹ K.S.A. 66-118b (2011); K.S.A. 77-529(a)(1) (2011).

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Mark Sievers, Chairman
Thomas E. Wright, Commissioner

Sam Brownback, Governor

**REPORT AND RECOMMENDATION
UTILITIES DIVISION**

**STATE CORPORATION
COMMISSION**

AUG 15 2012

TO: Chairman Mark Sievers
Commissioner Thomas E. Wright

**PATRICE PETERSEN-KLEIN
EXECUTIVE DIRECTOR**

FROM: Jaime Stamatson, Senior Research Economist

DATE: August 14, 2012

DATE SUBMITTED TO EXECUTIVE DIRECTOR: 8/16/12

DATE SUBMITTED TO LEGAL: 8.17.12

DATE SUBMITTED TO COMMISSIONERS: 8-20-12

SUBJECT: Docket No. 12-MDWE-827-TAR, In the Matter of Midwest Energy, Inc. Seeking Commission Approval to Implement Changes in its Transmission Delivery Charges Rate Schedules.

EXECUTIVE SUMMARY:

Midwest Energy Inc. (Midwest) filed its Annual Update to its retail Transmission Delivery Charge (TDC) requesting \$6,762,308 be allocated among its retail customers. This represents approximately 73% of its Total Annual Transmission Revenue Requirement (ATRR) based on retail customer's contribution to system peak, as defined by the 12-CP demand allocator from its previous rate case in Docket No. 11-MDWE-609-RTS. Staff has reviewed Midwest's filing and found one error in an input in Midwest's Transmission Formula Rate (TFR), Attachment H to its Open Access Transmission Tariff (OATT). This error affects the calculation of Midwest's ATRR, and therefore the amount of which is allocated toward retail customers. However, due to the de minimus nature of the error, Staff recommends the Commission approve Midwest's filing and allow the Company to correct the error during its next TDC filing.

BACKGROUND:

On May 10, 2012, Midwest filed its Annual Update to its retail TDC rate schedules. This is the Company's fourth Annual Update under its KCC- jurisdictional TFR which recalculates Midwest's total transmission related cost (its ATRR).¹

¹ Midwest's ATRR doesn't actually encompass all of its transmission related expenses. Midwest recovers other transmission related expenses through its Energy Cost Adjustment (ECA) mechanism. These include SPP

On July 1, 2012, Midwest's retail TDC rates went into effect, subject to refund. The retail portion of the TDC is calculated by multiplying the retail Load Ratio Share (LRS)² by the ATRR. This results in retail customers being responsible for \$6,762,308 of the \$9,258,630 ATRR, approximately 73%. This is then allocated among customer classes based on the ratio of each tariff sub-class' contribution to the total tariff class multiplied by the tariff class 12-CP contribution. This yields a measure of each tariff sub-class' contribution to the total retail peak that can be divided by the total retail peak, giving a ratio to multiply with the total retail revenue requirement. This yields a sub-class revenue requirement that can be divided by the billing determinant for that tariff sub-class, calculating volumetric TDC rate.

ANALYSIS:

Staff has reviewed both the TFR and TDC portions of Midwest's Filing and found one error in the TFR portion, Attachment H to Midwest's OATT. The TFR is FERC jurisdictional but it is where the Company calculates its ATRR, a portion of which is allocated to retail customers based of the retail LRS. This error appears in Line 91, Less Account 216.1-Unamortized Undistributed Subsidiary Earnings. The number inputted in Midwest's filing is zero, when it should be \$218,468. This is the correct number per Midwest's 2011 FERC Form 1, page 112, line 12, column C. Staff has communicated this error to Midwest and the Company agrees that there is an error and the number listed in Midwest's 2011 FERC Form 1 is correct.³ However, the dollar amount of the error is quite small relative to the Company's total ATRR. Based on Midwest's residential LRS of approximately 73%, retail customers are currently being overbilled for \$723. This is approximately 0.01% of the share of the ATRR that retail customers are responsible for. Furthermore, when allocated among tariff sub-classes, the dollar impact on most tariff sub-classes doesn't even show up in the last (6th) digit of the rate.

RECOMMENDATION:

Staff recommends that the Commission approve Midwest's TDC filing and allow Midwest to make the correction to the error on Line 91 of the Attachment H to the OATT at the time of its next TDC filing.

cc: Patrice Petersen-Klein, Executive Director
Jeff McClanahan, Director of Utilities
Robert Glass, Chief of Economics and Rates
Holly Fisher, Attorney

administrative fees (SPP OATT Schedule 1-A), Base Plan regional and zonal charges (SPP OATT Schedule 11), and SPP scheduling fees (SPP OATT Schedule 1).

² The retail LRS is calculated by subtracting out wholesale sales from total sales to get retail sales and then dividing by the total sales.

³ Email correspondence with Michael Volker, Director of Regulatory and Energy Services.

PLEASE FORWARD THE ATTACHED DOCUMENT (S) ISSUED IN THE ABOVE-REFERENCED DOCKET TO THE FOLLOWING:

NAME AND ADDRESS	NO. CERT. COPIES	NO. PLAIN COPIES
HOLLY FISHER, ATTORNEY KANSAS CORPORATION COMMISSION 1500 SW ARROWHEAD ROAD TOPEKA, KS 66604-4027 ***Hand Delivered***		
MICHAEL J. VOLKER, DIR REGULATORY & ENERGY SERVICES MIDWEST ENERGY, INC. 1330 CANTERBURY ROAD PO BOX 898 HAYS, KS 67601-0898		

ORDER MAILED AUG 27 2012

The Docket Room hereby certified that on this _____ day of _____, 20____, it caused a true and correct copy of the attached ORDER to be deposited in the United States Mail, postage prepaid, and addressed to the above persons.