

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

In the Matter of the Joint Application of)
Mid-Kansas Electric Company, LLC,)
Prairie Land Electric Cooperative, Inc.,)
Southern Pioneer Electric Company,) Docket No. 16-MKEE- 16-MKEE-023-TAR
The Victory Electric Cooperative Association, Inc., and)
Western Cooperative Electric Association, Inc., for)
Approval of Individual 34.5kV Formula-Based Rates.)

JOINT APPLICATION

Mid-Kansas Electric Company, LLC (“Mid-Kansas”), and four of its member-owners, Prairie Land Electric Cooperative, Inc. (“Prairie Land”), Southern Pioneer Electric Company (“Southern Pioneer”), The Victory Electric Cooperative Association, Inc. (“Victory”), and Western Cooperative Electric Association, Inc. (“Western”) (individually a “Member” and collectively the “Members”) (collectively Mid-Kansas and the Members, the “Joint Applicants”) hereby file this Joint Application seeking approval from the State Corporation Commission of the State of Kansas (“Commission”) of the following:

- a. For Prairie Land, Victory and Western, an individual 34.5kV Formula-Based Rate (“34.5kV FBR”) providing, as set forth in this Joint Application and supporting testimony, for (i) the annual calculation and recovery of each Member’s respective revenue requirement, based upon an established formula, for services provided to wholesale customers receiving local access delivery service (“LADS”)¹ over the Member-owned 34.5kV sub-transmission facilities; and (ii) defined protocols, outlining the implementation and Annual Update Filing before the Commission.

¹ For clarification, in this Joint Application, LADS refers to the service facilitated under the Mid-Kansas Open Access Transmission Tariff for which a local access charge (“LAC”) is billed under the applicable Member’s LADS tariff. Any reference to a LAC is a reference to the rate charged for the provision of LADS.

- b. For Southern Pioneer, an individual 34.5kV FBR providing, as set forth in this Joint Application and supporting testimony, for (i) the annual calculation and recovery of Southern Pioneer's revenue requirement, based upon an established formula, for services provided to wholesale LADS customers and Southern Pioneer retail customers over Southern Pioneer's 34.5kV sub-transmission facilities; and (ii) defined protocols, outlining the implementation and Annual Update Filing before the Commission.²

I. INTRODUCTION AND JURISDICTION

1. Mid-Kansas is a limited liability company operating in the state of Kansas on a non-profit cooperative basis, with its principal place of business located in Hays, Kansas. Mid-Kansas is a certificated electric public utility that has elected to exempt itself from the jurisdiction, supervision and control of the Commission pursuant to K.S.A. 66-104d.³ Pursuant to K.S.A. 66-104d(f), Mid-Kansas remains subject to the Commission's jurisdiction for charges, fees or tariffs for transmission services.

2. Mid-Kansas is owned by five Kansas consumer-owned cooperatives and one corporation, wholly owned by a sixth Kansas consumer-owned cooperative.⁴ Those six entities organized Mid-Kansas for the purpose of acquiring the assets of a vertically

² The proposed 34.5kV FBR is in complement to Southern Pioneer's Commission-approved Debt Service Coverage Formula-Based Rate five-year Pilot Plan ("DSC-FBR Pilot Plan") and captures the 34.5kV system costs that are excluded from the DSC-FBR Plan, as contemplated under the Protocols set forth in the Commission Order in Docket No. 13-MKEE-452-MIS ("13-452 Docket").

³ January 7, 2014 Order Affirming Mid-Kansas Electric Company, LLC's Election to Deregulate under Docket No. 14-MKEE-253-DRC.

⁴ The six electric utilities that own Mid-Kansas and their respective headquarters are as follows: Lane-Scott Electric Cooperative, Inc., Dighton, Kansas; Southern Pioneer Electric Company, Ulysses, Kansas; Prairie Land Electric Cooperative Association, Inc., Norton, Kansas; The Victory Electric Cooperative Association, Inc., Dodge City, Kansas; Western Cooperative Electric Association, Inc., WaKeeney, Kansas; and Wheatland Electric Cooperative, Inc., Scott City, Kansas. Southern Pioneer is a not-for-profit corporation wholly owned by Pioneer Electric Cooperative, Inc. Lane-Scott and Wheatland are not Joint Applicants in this case because Lane-Scott does not currently serve any wholesale LADS customers over its 34.5kV facilities, and Wheatland is unable to participate in the 34.5kV FBR filing at this time.

integrated electric utility, Aquila, Inc., d/b/a Aquila Networks – WPK (“Aquila-WPK”), including Aquila’s transmission and sub-transmission facilities serving western Kansas. The Commission approved the acquisition of those assets by Mid-Kansas on February 23, 2007, in Docket No. 06-MKEE-524-ACQ (“06-524 Docket”). On December 21, 2007, the Commission approved the transfer of the distribution and sub-transmission assets included in the former Aquila-WPK’s vertically integrated operation to the Mid-Kansas members in Docket No. 08-MKEE-099-MIS (“08-099 Docket”).

3. The Members are certificated electric public utilities, each providing retail electric service to retail customers (comprised of individuals, small businesses, and industrial entities) pursuant to their respective Certificate and Order, issued on November 21, 2013, in Docket No. 13-MKEE-447 MIS (“13-447 Docket”). In addition to retail service, the Members also provide certain wholesale services, including service to wholesale LADS customers, over the Member-owned 34.5kV sub-transmission facilities. As determined by the Commission in the Order Addressing Joint Motion to Approve Stipulation and Agreement in Docket No. 11-GIME-597-GIE (“11-597 Docket”) on January 11, 2012, 34.5kV sub-transmission facilities that serve one or more wholesale LADS customer(s) provide a local “transmission service” under Kansas law.⁵ Mid-Kansas, as agent for the Members, administers wholesale LADS (“transmission service”) over the 34.5kV facilities pursuant to the terms and conditions of the Mid-Kansas Open Access Transmission Tariff (“OATT”) and agreements entered into between Mid-Kansas, the Members and wholesale LADS customers, as discussed in more detail below.

⁵ See also the Stipulation and Agreement, filed December 1, 2011 under the same docket.

4. Victory, Western and Prairie Land have elected to exempt themselves from the jurisdiction, supervision, and control of the Commission pursuant to K.S.A. 66-104d.⁶ However, these cooperatives continue to be regulated by the Commission as to their transmission service, in accordance with K.S.A. 66-104d(f). The proposed 34.5kV FBR for each of these self-regulated cooperatives is designed to annually establish the revenue requirement associated with the costs of owning, operating, and maintaining the respective Member-owned 34.5kV sub-transmission facilities pursuant to the established Protocols. The resultant LAC per unit demand rate, updated annually as a result of the proposed 34.5kV FBRs and recovered from the wholesale LADS customers under the Member's LADS tariff, represents the "charges, fees or tariffs for transmission service" cited as an exception to self-regulation under K.S.A. 66-104d(f). Thus, the proposed 34.5kV FBRs remain subject to the Commission's jurisdiction under K.S.A. 66-104d(f) and K.S.A. 66-117 for Victory, Prairie Land and Western.

5. Southern Pioneer is fully regulated by the Commission. Therefore, Southern Pioneer's proposed 34.5kV FBR, providing for the recovery of the annual revenue requirement and adjustment of its LAC and applicable retail rates for 34.5kV services to wholesale LADS customers and Southern Pioneer's retail customers, respectively, remains subject to the Commission's jurisdiction pursuant to K.S.A. 66-101 and K.S.A. 66-117.

⁶ May 29, 2014 Order Affirming Prairie Land Electric Cooperative, Inc.'s Election to Deregulate under Docket. No. 14-PLCE-466-DRC; June 10, 2014 Order Affirming Western Cooperative Electric Association, Inc.'s Election to Deregulate under Docket. No. 14-WSTE-533-DRC; September 9, 2014 Order Affirming Victory Electric Cooperative Association, Inc.'s Election to Deregulate under Docket. No. 14-VICE-565-DRC.

II. ADMINISTRATION OF THE 34.5kV FACILITIES

6. The 34.5kV sub-transmission facilities that are the subject of this Joint Application are those 34.5kV facilities now owned or hereafter acquired or constructed by the respective Member and are part of or utilized in conjunction with the electric system acquired by the Member from Mid-Kansas in the 08-099 Docket (“FBR Facilities”).⁷ They are also the same sub-transmission facilities contemplated by each Member’s LADS tariff applicable to each Member’s wholesale LADS customers. Mid-Kansas continues to own the transmission facilities (greater than 100kV) used to transmit electricity to its six member-owners and other third parties. Mid-Kansas has assigned functional control of *its* transmission facilities to the Southwest Power Pool, Inc. (“SPP”), a regional transmission organization. SPP is the transmission provider responsible for administering transmission service over the Mid-Kansas transmission facilities pursuant to the SPP Open Access Transmission Tariff and under the jurisdiction of the Federal Energy Regulatory Commission. The Mid-Kansas transmission facilities are interconnected to the Member-owned FBR Facilities, which are not subject to SPP control.

7. Prior to the transfer of the retail certificated service territories, Mid-Kansas established a wholesale LAC for each Member for service over the Member-owned 34.5kV sub-transmission facilities by Order of the Commission on January 11, 2010 in Docket No. 09-MKEE-969-RTS (“09-969 Docket”).⁸ Additionally, the parties to the 09-969 Docket

⁷ The subject facilities of each Member is the former Aquila-WPK sub-transmission facilities transferred from Mid-Kansas to each Mid-Kansas Member, as approved by the Commission Order in the 08-099 Docket. For clarity, the non-Aquila, or “native” portions of the Prairie Land, Victory, and Western sub-transmission systems are not included herein for purposes of each 34.5kV FBR. Additionally, Southern Pioneer was created for the purposes of the Aquila-WPK acquisition, and as such has no “native” sub-transmission facilities. The Member’s certificated territory may be amended from time to time pursuant to applicable requirements of law.

⁸ At the time of such order, Mid-Kansas was the certificated retail service provider.

Stipulation and Agreement agreed that for ease of administration and efficiency in providing wholesale LADS to customers, the Members would enter into an agency agreement designating Mid-Kansas as the agent and single point of contact for administering the LADS tariffs for each of the Members.

8. Subsequent to the 09-969 Docket, the Commission concluded in the 11-597 Docket that “the 34.5kV facilities at issue are not ‘transmission facilities’ as per Attachment AI to SPP’s Open Access Transmission Tariff under the Federal Energy Regulatory Commission (FERC) Seven Factor Test”⁹ The Commission found, in part,

that a necessary condition for inclusion of the Member’s facilities in the SPP transmission system and under the SPP OATT is not met because ownership and control of the facilities resides with the MKEC Members who are not members of SPP, and a stipulated finding that the facilities that currently provide or are necessary to provide transmission service to one or more wholesale customers (Member Facilities) are being used to provide “transmission service” under Kansas law and such service must be provided under the Mid-Kansas open access transmission tariff¹⁰

The Commission also required the Members to make their 34.5kV facilities available to Mid-Kansas to provide wholesale LADS (transmission service) and to make extensions and improvements, to allow Mid-Kansas to perform such actions as required of the Transmission Provider pursuant to the Mid-Kansas OATT, and to remain a party to the applicable LADS agreement.¹¹

9. On February 24, 2012, Mid-Kansas filed for approval with the Commission, *inter alia*, a revised OATT and *pro forma* wholesale LADS agreements in Docket No. 12-

⁹ 11-597 Docket, Order Addressing Joint Motion to Approve Stipulation and Agreement, ¶8.

¹⁰ *Id.*

¹¹ *Id.* at ¶ 12. This open access obligation and agency arrangement was subsequently memorialized in the Member Facilities Access Agreement, executed between Mid-Kansas and each Member on November 21, 2013, and formally approved by the Commission in the 13-447 Docket.

MKEE-650-TAR (“12-650 Docket”), providing the framework under which wholesale LADS customers take service over the Member 34.5kV facilities.¹² The revised Mid-Kansas OATT and *pro forma* LADS agreements were approved by the Commission on October 31, 2012, and contain the terms by which Mid-Kansas serves as the single point of contact and transmission provider responsible for administering wholesale LADS (Network Integration Transmission Service and Point-to-Point Transmission Service) over each Member’s 34.5kV facilities. More specifically, as it relates to this Joint Application, Mid-Kansas is responsible for billing and collecting each Member’s Commission-approved LAC for wholesale LADS customers taking service under the Mid-Kansas OATT.¹³ For a more complete history of the 34.5kV facilities issues and Mid-Kansas’ administration thereof, please see the Pre-filed Direct Testimony of Mr. H. Davis Rooney, included with this Joint Application.

III. THE 34.5kV FORMULA BASED RATE

10. Prairie Land, Victory, and Western each seek approval of an individual 34.5kV FBR that establishes a formula for the annual and systematic recovery of their respective revenue requirement associated with its FBR Facilities via a monthly unit demand LAC directly applicable to their respective wholesale LADS customers under each Member’s LADS tariff.¹⁴ The annual adjustments are made as necessary to keep revenue

¹² The *pro forma* wholesale LADS agreements were filed as Attachments A, B, F and G to the Mid-Kansas OATT.

¹³ Mid-Kansas bills each Member’s LAC to wholesale LADS customers under Schedules 7, 8 and 9 and Attachment H of the Mid-Kansas OATT, as applicable.

¹⁴ Additionally, the proposed 34.5kV FBRs allow a Member to allocate to the 34.5 kV revenue requirement the costs of lower voltage distribution plant, that provide service to a wholesale LADS customer(s), if such facilities are present, by utilizing a certain distribution ratio as outlined in the Implementation Protocols; provided such costs are not already accounted for in a separate rate-making mechanism. This practice is consistent with prior Commission-approved filings containing LAC Cost of Service (“COS”), including the 09-969 Docket and Docket No. 12-MKEE-380-RTS.

at a level to achieve pre-established financial coverage ratios. Because the total billing demand (used to divide the total resultant revenue requirement to arrive at a unit demand LAC) is comprised of both retail and wholesale load, it ensures that the wholesale LADS customers will pay only their portion, i.e., load ratio share, of such annual revenue requirement for each Member under the proposed 34.5kV FBRs.

11. Southern Pioneer seeks approval of a 34.5kV FBR that establishes a formula for the annual and systematic recovery of its revenue requirement from wholesale LADS customers and its retail customers, associated with the FBR Facilities.¹⁵ The annual adjustments are made as necessary to keep revenue at a level to achieve a pre-established financial coverage ratio. The wholesale LADS customers' load ratio share of the annual revenue requirement is recovered through the adjusted LAC under Southern Pioneer's LADS tariff. Southern Pioneer's retail customers' load ratio share of the annual revenue requirement is "bundled" in and recovered through the adjusted composite retail rate found in Southern Pioneer's respective retail rate schedules.

12. The proposed 34.5kV FBRs provide for established financial coverage ratios that ensure each Member will meet their respective debt service requirements, achieve the financial covenants required for financing and protecting each Member's financial integrity, and build sufficient equity to ensure the borrowing capability necessary to maintain, replace and expand the 34.5kV sub-transmission facilities. The only source of equity capital to support system reliability is derived from margins. Failure to recover costs in a timely fashion reduces this source of equity contribution and results in a less favorable financial condition and limited flexibility. The proposed FBRs, including the established

¹⁵ See FN 14 for additional explanation.

financial coverage ratios for each Member, are fully set forth in the Pre-filed Direct Testimony and Exhibits of Richard J. Macke included with this Joint Application.

13. The Joint Applicants' request for Commission approval of the proposed 34.5kV FBRs is not a request for an actual change to any Member's currently approved LAC. Rather, the request is merely for the approval of each Member's 34.5kV FBR methodology, as reflected in the formula template and Protocols provided in the testimony of Mr. Macke. If these methodologies are approved by the Commission, they will be applied in future Annual Update Filings to determine the corresponding LAC for each Member.

14. The Commission has approved formulaic rates for the SPP transmission-owning members (including Mid-Kansas) to encourage new investment in transmission infrastructure. The Commission has also approved formulaic rates for Southern Pioneer's distribution (non-34.5kV) costs in the 13-452 Docket. Now the Members seek to establish an FBR for timely recovery of each Member's costs for their individually-owned FBR Facilities in order to meet financial obligations while remaining responsive to the service and facility demands of customers. It is appropriate for customers to bear the actual cost of service over the 34.5kV systems as close to real time as possible to provide appropriate economic price signals, resulting in more efficient and economic decisions relative to the sources and types of capacity that customers require. Additionally, the uncertainty inherent in the traditional regulatory model will be alleviated with the approval of the proposed 34.5kV FBRs, allowing for stabilized rate changes—a benefit for all customers, as explained in the direct testimony of Mr. Macke.

15. Further, because the 34.5kV FBRs include an annual filing and review process, the element of customer protection afforded in a general rate proceeding is still present. The annual review will allow Commission Staff the opportunity to audit the results of the previous twelve months to ensure compliance with the 34.5kV FBR. Such review will allow the Commission the ability to meet its obligation of ensuring just and reasonable rates for each Member's wholesale LADS customer(s) and Southern Pioneer's retail customers. Additionally, interested parties will have the opportunity to intervene and participate in the applicable Member's Annual Update Filing. Under the proposed procedural schedule regarding each Member's Annual Update Filing, it is anticipated that the elapsed time for the Staff review and establishment of the applicable rate(s) will be no longer than ninety (90) days, unless challenges are raised and an evidentiary hearing is required, as more fully set forth in the Protocols included with this Joint Application. More detailed information regarding the Annual Update Filing, procedural schedule and the Protocols of each Member is contained in the direct testimony of Mr. Macke and each Member's Protocols themselves.

16. The implementation of the proposed 34.5kV FBRs will relieve much of the cost and burden placed on the Commission, Commission Staff, Mid-Kansas, the Members, and their respective customers related to the traditional ratemaking process. While Mid-Kansas and the Members have engaged consulting and legal resources as necessary to develop the 34.5kV FBRs, with the implementation of such FBRs, customers will continue to receive service at just and reasonable rates without the attendant costs of motions, discovery, analysis, and testimony incurred in the course of the traditional ratemaking process. Many of these costs can be avoided, while still ensuring that the Commission has

the opportunity to review and approve rates. This serves the best interests of the public, consumers, the Members and the Commission.

IV. TESTIMONY AND SERVICE

17. The testimony of six witnesses is submitted with this application. The names of the witnesses, the subject of their direct testimony, and the exhibits they sponsor are as follows:

H. Davis Rooney, Vice President and Chief Financial Officer
Mid-Kansas

- Policy issues as they relate to the 34.5kV FBRs.
- Reasons for Mid-Kansas joining as a Joint Applicant in this proceeding.

Richard J. Macke, Vice President, Economics, Rates, and Business Planning
Power Systems Engineering

- Overview of the 34.5kV FBRs
- 34.5kV Rate Regulation
- Explanation of the 34.5kV FBR Components:
 - A. Templates and Protocols
 - B. Rate Design
- **Exhibits 1-1 through 1-4**
Unpopulated 34.5kV FBR Templates for Each Member
- **Exhibits 2-1 through 2-4**
Populated 34.5kV Templates for Each Member
- **Exhibits 3-1 through 3-4**
34.5kV FBR Protocols for Each Member
- **Exhibit 4**
CFC Key Ratio Trend Analysis

Stephen J. Epperson, President and CEO
Southern Pioneer

- Overview of Southern Pioneer's organization and governance.
- Overview of Southern Pioneer's proposed 34.5 kV FBR.

Darrin Lynch, General Manager

Western

- Overview of Western's organization and governance.
- Western's support for this Joint Application.

Shane Laws, CEO

Victory

- Overview of Victory's organization and governance.
- Victory's support for this Joint Application.

Allan J. Miller, CEO

Prairie Land

- Overview of Prairie Land's organization and governance.
- Prairie Land's support for this Joint Application.

18. In addition to the undersigned, copies of pleadings, documents, and correspondence in this docket should be sent to:

Mid-Kansas Electric Company, LLC 301 W. 13th Street P.O. Box 980 Hays, Kansas 67601	James Brungardt Regulatory and Rate Analyst jbrungardt@sunflower.net	Reneé Braun Corporate Paralegal, Supervisor rbraun@sunflower.net
Prairie Land Electric Cooperative, Inc. 14935 US Hwy 36 P.O. Box 360 Norton, Kansas 67654	Allan Miller CEO amiller@ple.coop	Chuck Look Assistant to the CEO clook@ple.coop
Southern Pioneer Electric Company 1850 W. Oklahoma P.O. Box 430 Ulysses, Kansas 67880	Steve Epperson CEO sepperson@pioneerelectric.coop	Randy Magnison Executive VP & Asst. CEO rmagnison@pioneerelectric.coop
The Victory Electric Cooperative Association, Inc. 3230 N 14th Avenue Dodge City, Kansas 67801	Shane Laws CEO shane@victoryelectric.net	
Western Electric Cooperative Association, Inc. 635 S 13th Street WaKeeney, Kansas 67672	Darrin Lynch General Manager darrinl@westerncoop.com	

V. CONCLUSION

19. The proposed 34.5kV FBRs in this Joint Application are in the public interest and should be approved by the Commission. The 34.5kV FBRs result in just and reasonable rates for the Member Joint Applicants that are fully reviewed by the Commission, its Staff, and other interested parties. The 34.5kV FBRs provide an efficient manner for recovering investment in FBR Facilities necessary to ensure continued adequate, efficient and reliable utility service, and to maintain the financial integrity of each Member.

WHEREFORE, the Joint Applicants pray that the Commission approve the following:

- a. For Prairie Land, Victory and Western, an individual 34.5kV FBR providing, as set forth in this Joint Application and supporting testimony, for (i) the annual calculation and recovery of each Member's respective revenue requirement, based upon an established formula, for services provided to wholesale customers receiving local access delivery service over the Member-owned 34.5kV sub-transmission facilities; and (ii) defined protocols, outlining the implementation and Annual Update Filing before the Commission; and
- b. For Southern Pioneer, an individual 34.5kV FBR providing, as set forth in this Joint Application and supporting testimony, for (i) the annual calculation and recovery of Southern Pioneer's revenue requirement, based upon an established formula, for services provided to wholesale LADS customers and Southern Pioneer retail customers over Southern Pioneer's 34.5kV sub-transmission facilities; and (ii) defined protocols, outlining the implementation and Annual Update Filing before the Commission; and

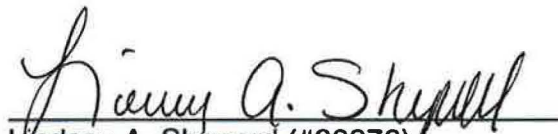
c. Such other and further relief as the Commission may deem just and reasonable.

Respectfully submitted,



Mark D. Calcara (#9957)
Taylor Calcara (#25561)
Watkins Calcara, Chtd.
1321 Main Street, Suite 300
P.O. Drawer 1110
Great Bend, Kansas 67530
(620) 792-8231 telephone
(620) 792-2775 facsimile
mcalcara@sunflower.net
tcalcara@wcrf.com

**COUNSEL FOR MID-KANSAS ELECTRIC
COMPANY, LLC, PRAIRIE LAND ELECTRIC
COOPERATIVE, INC., THE VICTORY
ELECTRIC COOPERATIVE ASSOCIATION,
INC., AND WESTERN COOPERATIVE
ELECTRIC ASSOCIATION, INC.**



Lindsay A. Shepard (#23276)
Executive Vice President – General Counsel
Southern Pioneer Electric Company
P.O. Box 430
Ulysses, Kansas 67880
(620) 424-5206 telephone
(620) 356-4306 facsimile
lshepard@pioneerelectric.coop

**COUNSEL FOR SOUTHERN PIONEER
ELECTRIC COMPANY**

VERIFICATION

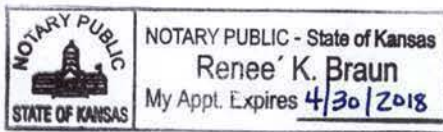
STATE OF KANSAS)
)
COUNTY OF Ellis) ss:

Taylor P. Calcara, of lawful age, being first duly sworn on oath states:

That he is counsel for Mid-Kansas Electric Company, LLC and the Joint Applicants; that he has read the foregoing pleading and knows the contents thereof; and that the facts therein are true and correct to the best of his knowledge, information, and belief.


Taylor P. Calcara

SUBSCRIBED AND SWORN to before me this 15th, day of July, 2015.




Notary Public

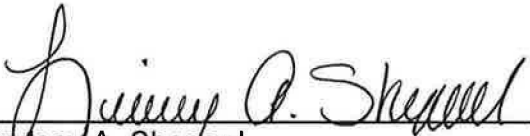
My Commission expires: April 30, 2018

VERIFICATION

STATE OF KANSAS)
)
COUNTY OF GRANT) ss:

Lindsay A. Shepard, of lawful age, being first duly sworn on oath states:

That she is Executive Vice President – General Counsel for Southern Pioneer Electric Company; that she has read the foregoing pleading and knows the contents thereof; and that the facts therein are true and correct to the best of her knowledge, information, and belief.


Lindsay A. Shepard

SUBSCRIBED AND SWORN to before me this 15th day of July, 2015.


Notary Public

My Commission expires: 4-28-2016

