

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

**In the Matter of the Application of                    )**  
**Kansas Electric Power Cooperative, Inc.    )**       **Docket No. 08-KEPE-597-RTS**  
**For Approval to Make Changes in its        )**  
**Charges for Electric Service.                )**

STATE CORPORATION COMMISSION

**JOINT MOTION FOR APPROVAL OF**  
**STIPULATION AND AGREEMENT**

JUN 13 2008

 Docket Room

The Staff of the State Corporation Commission of the State of Kansas (“Staff”), together with Kansas Electric Power Cooperative, Inc. (“KEPCo”) and the Citizens’ Utility Ratepayer Board (“CURB”), have had settlement discussions and have reached the following Stipulation and Agreement. This Stipulation and Agreement is submitted to the State Corporation Commission of the State of Kansas (“Commission”) by the above-referenced parties (the “Signatories”) for approval pursuant to the terms set forth herein.

**I. DESCRIPTION OF THE PROCEEDINGS**

1. On December 21, 2007, KEPCo filed with the Commission an Application for Approval of Changes in its Charges for Electric Services (“Application”) requesting an increase in its wholesale rates of approximately \$5,410,938. KEPCo proposed a uniform rate for all its members with a one-year phase-in of the effects of any member’s rate increase that is above the average rate increase approved by the Commission. The Application was accompanied by schedules and pre-filed testimony by KEPCo in support of the Application.

2. On December 21, 2007, KEPCo filed a Motion for Interim Rate Relief Subject to Refund.

3. On December 27, 2007, CURB filed a Petition to Intervene. The Commission granted intervention on January 30, 2008.

4. On January 15, 2008, the Staff and KEPCo filed a Joint Motion for Prehearing Conference scheduled for February 12, 2008. The Commission granted that Prehearing Conference in an Order dated February 4, 2008.

5. On January 15, 2008, the Commission issued a Suspension Order stating that the Application should be suspended for a period of 240 days from the date the application was made until August 17, 2008.

6. The Prehearing Conference was held on February 12, 2008 in which the parties discussed KEPCo's Motion for Interim Rate Relief, adoption of the procedural schedule, and customer notice.

7. On March 7, 2008, the Commission issued an Order setting the procedural schedule including a prehearing conference scheduled for June 9, 2008 and an evidentiary hearing with the Commission presiding on June 16, 2008, to continue as needed on June 23 and June 24, 2008.

8. On April 25, 2008, KEPCo filed a Compliance Filing Pursuant to Order Setting Procedural Schedule to detail the temporary rate surcharge it had requested in the Application and to explain its plan for giving notice to its member customers and to the public.

9. On May 19, 2008, Staff and CURB submitted the prefiled direct testimony of their witnesses, detailing proposed adjustments to the Application submitted by

KEPCo. In subsequent days, telephonic and in-person discussions took place among the Signatories in which the Stipulation and Agreement detailed below was developed.

## II. TERMS OF STIPULATION AND AGREEMENT

10. KEPCo, Staff and CURB stipulate and agree that the Commission should enter an order resolving all outstanding issues in this docket, which order should include the following findings and conclusions:

### **A. Weather Normalization**

For purposes of establishing billing determinants for rate design, the Signatories adopt the weather normalization adjustment to demand and energy usage components recommended by Staff. Rates will be determined by KEPCo's revenue and purchased power calculations using Staff's weather normalized demand and energy usage components as inputs.

### **B. Seneca Adjustment**

In determining total billing determinants and purchased power requirements, as well as allocating demand to base and excess demand units, the test year demand attributable to serving the City of Seneca by KEPCo and its Member, Brown-Atchison Electric Cooperative Assn., Inc. (Brown-Atchison) shall be removed from the cost of service. At the request of the City of Seneca, service to the city terminated as of June 1, 2008, and will not be in effect for any time that new rates are in effect. (See Docket No. 08-KEPE-941-CON).

### **C. Revenue Requirement**

The Signatories agree that the revenue increase requested by KEPCo should be reduced by two hundred fifty thousand dollars (\$250,000). KEPCo's requested revenue

increase of \$5,410,938 is therefore reduced to \$5,160,938. The application of the weather normalization adjustment, the Seneca adjustment, and the reduction in revenue requirement increase results in an overall revenue requirement of \$107,707,400. Each party has evaluated the proposed adjustments to KEPCo's cost of service study and agrees that this reduction provides a just and reasonable result.

**D. Rate Design**

i. The annual demand cost adjustment proposed by KEPCo is approved. KEPCo agrees to resubmit the demand cost adjustment for consideration as part of the rate application it will file to incorporate the costs of its 30 MW interest in the Iatan 2 generating station now under construction by Kansas City Power and Light Company. The issue of whether the demand cost adjustment should continue as an annual adjustment or be modified to a monthly adjustment will be taken up in that proceeding. KEPCo will submit actual monthly demand cost figures to Staff starting with the first complete month billed under rates approved in this docket in order to allow Staff to analyze the monthly data and prepare a recommendation regarding a potential change from annual to monthly demand cost adjustments in KEPCo's next rate application proceeding. This paragraph is intended to comply with the general intent of the testimony of Staff witness Al Maxwell on the issue of monthly versus annual demand cost adjustments.

ii. KEPCo's Delivery Point Charge is approved as proposed.

iii. KEPCo's rates for the M-10 tariff are approved as attached to this Joint Motion as Attachment 1.

iv. The one-year phase-in for individual Members whose rate increase exceeds the average rate increase is approved.

v. KEPCo will submit documentation proving that the final rates, applied to the test year billing determinants (after adjustments discussed above) generate the revenue requirement approved by the Commission.

#### **E. Surcharge**

KEPCo proposed a surcharge of 2 mills per kWh to be applied during the months of September through December, 2008, to assure that it would meet its budgeted 2008 Debt Service Coverage (DSC) ratio of 1.1. Any amounts of the surcharge collected but not needed to meet the budgeted DSC level would be refunded after the close of the year. KEPCo has received a refund of certain rates paid to Westar Energy, Inc. in the amount of \$1,236,596. This refund would be eligible to be flowed through to KEPCo's Members through KEPCo's ECA clause. With the approval of its Members, KEPCo has requested and the signatories agree that, as an alternative to the surcharge, KEPCo should be authorized and directed to suspend application of the ECA as to this refund until after the close of the 2008 year and use such funds to assure that KEPCo meets the budgeted DSC level of 1.1. When the financial performance for 2008 has been determined, KEPCo shall flow all amounts of this refund to its Members through the ECA that are not required to achieve the budgeted 1.1 DSC. The request for the proposed surcharge is withdrawn.

#### **F. Policies and Procedures**

KEPCo will work with Staff to adequately document its accounting procedures and policies regarding its subsidiary, KSI.

11. This Stipulation and Agreement fully resolves all issues among KEPCo, Staff and CURB in this docket. KEPCo, Staff and CURB believe the terms of this Stipulation and Agreement constitute a fair, just and reasonable resolution of issues arising from the Application filed by KEPCo herein.

12. The terms and provisions of this Stipulation and Agreement have resulted from extensive negotiations among the Signatories and are interdependent. In the event the Commission does not approve and adopt the terms of this Stipulation and Agreement in total, it shall be voidable and none of the Signatories hereto shall be bound by, prejudiced, or in any way affected by any of the agreements or provisions hereof, unless otherwise provided herein, and the Signatories shall be entitled to submit additional testimony and present evidence for a determination by the Commission at a Technical Hearing as if this Stipulation and Agreement had not been executed.

13. In the event the Commission accepts the specific terms of this Stipulation and Agreement in total, each signatory waives its respective rights to object to the admission of testimony by witnesses sponsored by the other signatories, or to cross examine such witnesses, and each signatory waives its respective rights to present oral argument and written briefs in opposition to the settlement reached herein, or to seek judicial review of any order approving the Stipulation and Agreement (although each signatory may defend this Stipulation and Agreement on appeal by any other party). This waiver applies only to those matters explicitly addressed by this Stipulation and Agreement and included in a Commission Order issued in this proceeding and does not apply to: (a) any matters not expressly addressed by this Stipulation and Agreement, or

(b) except as specified herein, to any matters raised in any subsequent or in any separate and currently pending Commission proceeding.

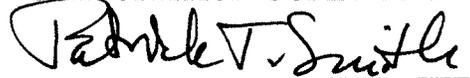
14. None of the Signatories to this Stipulation and Agreement shall be deemed to have approved of or acquiesced in any question of Commission authority, ratemaking principle, valuation methodology, cost of service methodology or determination, depreciation principle or method, rate design methodology, cost allocation, cost recovery or prudence that may underlie this Stipulation and Agreement, or for which provision is made or deferred in this Stipulation and Agreement.

15. Unless (and only to the extent) otherwise specified in this Stipulation and Agreement, the Signatories to this Stipulation and Agreement shall not be prejudiced, bound by, or affected in any way by the terms of this Stipulation and Agreement; (a) in any future proceeding, (b) in any proceeding currently pending under a separate docket, or (c) in this proceeding if the Commission decides not to approve this Stipulation and Agreement in total or in any way conditions its approval of same.

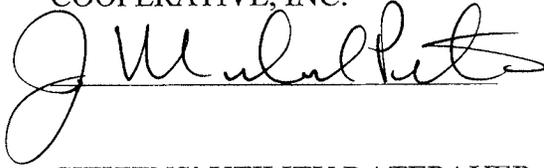
WHEREFORE, the Signatories hereto believe the Stipulation and Agreement is fair, just and equitable and in the public interest, and respectfully request that the Commission approve this Stipulation and Agreement in its entirety and issue an Order in this matter approving the same.

Dated this 13<sup>th</sup> day of June, 2008.

STAFF OF THE STATE  
CORPORATION COMMISSION

  
Pamela T. Smith

KANSAS ELECTRIC POWER  
COOPERATIVE, INC.



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CITIZENS' UTILITY RATEPAYER  
BOARD



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**CERTIFICATE OF SERVICE**

08-KEPE-597-RTS

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing Joint Motion was placed in the United States mail, postage prepaid, or hand-delivered this 13th day of June, 2008, to the following:

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\_\_\_\_\_  
KIM DAVIS  
Administrative Specialist

# THE STATE CORPORATION COMMISSION OF KANSAS

SCHEDULE M-10

KANSAS ELECTRIC POWER COOPERATIVE, INC.

(Name of Issuing Utility)

Replacing Schedule M-9 Sheet 1 of 5

KEPCo MEMBER SERVICE TERRITORY

(Territory to which schedule is applicable)

which was filed January 29, 2002

No supplement or separate understanding

Sheet 1 of 5 Sheets

shall modify the tariff as shown herein.

## SCHEDULE M-10 ALL REQUIREMENT MEMBER WHOLESALE ELECTRIC SERVICE

### AVAILABILITY

Electric Service is available to the KEPCo Members at points of delivery which, by mutual agreement between the Member and KEPCo, are suitable and adequate for the service desired within the limitations hereinafter specified and which are served by KEPCo pursuant to the terms and conditions of this tariff.

### APPLICABILITY

This tariff is applicable to all Members of the KEPCo organized to operate without profit under the laws of the State of Kansas. This schedule is not applicable for emergency, standby, or supplemental electric service.

### CHARACTER OF SERVICE

Alternating current, 60 Hertz, at the phase, voltage and maximum capacity (contract capacity) specified for each point of delivery in the contract for such service

### POWER FACTOR

Members will maintain a minimum ninety-five percent (95%) power factor at all times.

### DEFINITIONS

#### KEPCO COINCIDENT PEAK DEMAND

The KEPCo coincident peak demand shall be the highest of the monthly arithmetic sums of the sixty-minute clock hour integrated kilowatt demands measured each calendar month at all Member delivery points, but shall exclude those demands that occur on Saturdays, Sundays and the holidays of New Years Day, Memorial Day, Independence Day, Labor Day, Thanksgiving, and Christmas.

Issued \_\_\_\_\_  
Month Day Year

Effective \_\_\_\_\_  
Month Day Year

By \_\_\_\_\_ Exec VP/CEO  
Signature of Officer Title

**THE STATE CORPORATION COMMISSION OF KANSAS**

SCHEDULE M-10

KANSAS ELECTRIC POWER COOPERATIVE, INC.  
(Name of Issuing Utility)

Replacing Schedule M-9 Sheet 2 of 5

KEPCo MEMBER SERVICE TERRITORY  
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Sheet 2 of 5 Sheets

**BASE DEMAND**

The Base Demand for each member is listed below and shall remain fixed during the term of this Schedule M-10.

<u>Member</u>	<u>Base Demand (kW)</u>
Ark Valley	7,817
Bluestern	8,149
Brown-Atchison	4,526
Butler Rural	10,478
Caney Valley	5,395
CMS	9,581
DS&O Rural	10,936
Flint Hills Rural	6,916
Heartland Rural	13,199
Leavenworth-Jefferson	10,578
Lyon-Coffey	8,662
Ninnescah Rural	5,163
Prairie Land	2,157
Radiant	5,363
Rolling Hills	11,133
Sedgwick County	10,178
Summer-Cowley	6,584
Twin Valley	3,147
Victory	<u>10,644</u>
KEPCo Total	150,606

**NON-COINCIDENT PEAK DEMAND**

The Non-coincident Peak Demand shall be the sum of the maximum sixty-minute clock hour integrated kilowatt demands registered during the month for each delivery point for each Member.

Issued \_\_\_\_\_  
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**THE STATE CORPORATION COMMISSION OF KANSAS**

SCHEDULE M-10

KANSAS ELECTRIC POWER COOPERATIVE, INC.  
(Name of Issuing Utility)

Replacing Schedule M-9 Sheet 3 of 5

KEPCo MEMBER SERVICE TERRITORY  
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Sheet 3 of 5 Sheets

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**ENERGY COST ADJUSTMENT**

The charges for energy hereunder shall be subject to adjustment in accordance with this Energy Cost Adjustment (ECA) Clause. The rates for energy shall be adjusted by \$0.00001 per kilowatt-hour for each \$0.00001 (or major fraction thereof) increase or decrease in the aggregate cost of energy per kilowatt-hour as computed each month in accordance with the following formula:

$$ECA = [(F + PE) \div S]$$

Where:

- ECA = The monthly Energy Cost Adjustment factor.
- F = KEPCo's cost of fuel reported in Account 518 for the billing month.
- PE = The energy, fuel adjustment (including true-ups), and other variable components of KEPCo's purchased power for the billing month.
- S = The total KEPCo energy sales to Members in kilowatt-hours for the billing month.

**REVENUE CREDIT ADJUSTMENT**

The charges for energy hereunder shall be subject to adjustment in accordance with this Revenue Credit Adjustment (RCA) Clause. The rates for energy shall be adjusted by \$0.00001 per kilowatt-hour for each \$0.00001 (or major fraction thereof) increase or decrease in the aggregate revenue received for off-system sales of energy per kilowatt-hour as computed each month in accordance with the following formula:

$$RCA = [RC \div S]$$

Where:

- RCA = The monthly Revenue Credit Adjustment factor.
- RC = Revenue credits associated with the energy charge component of non-Member sales by KEPCo for the billing month.
- S = The total KEPCo energy sales to Members in kilowatt-hours for the billing month.

Issued \_\_\_\_\_  
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Signature of Officer Title

Exec VP/CEO

**THE STATE CORPORATION COMMISSION OF KANSAS**

SCHEDULE M-10

KANSAS ELECTRIC POWER COOPERATIVE, INC.  
(Name of Issuing Utility)

Replacing Schedule M-9 Sheet 4 of 5

KEPCo MEMBER SERVICE TERRITORY  
(Territory to which schedule is applicable)

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No supplement or separate understanding

Sheet 4 of 5 Sheets

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**DECOMMISSIONING ADJUSTMENT**

The charges for energy hereunder shall be subject to adjustment in accordance with this Decommissioning Adjustment (DA) Clause. The rates for energy shall be adjusted by \$0.00001 per kilowatt-hour for each \$0.00001 (or major fraction thereof) of the decommissioning cost as computed each month in accordance with the following formula:

$$DA = [MDC \div S]$$

Where:

- DA = The monthly Decommissioning Adjustment factor.
- MDC = One-twelfth (1/12) of the Annual Decommissioning Fund contribution as determined by order of the State Corporation Commission of the State of Kansas.
- S = The total KEPCo energy sales to Members in kilowatt-hours for the billing month.

**DEMAND COST ADJUSTMENT**

The Demand Cost Adjustment will be computed at the end of each calendar year, using actual data for the calendar year, it will be effective for the next calendar year, and will be applied to the sum of the Base Demand and Excess Demand billing units. When the contract between KEPCo and Westar dated August 6, 2007 (Agreement), becomes applicable to KEPCo's purchases from Westar, a Demand Cost Adjustment will be calculated and become effective at the same time as the Agreement is effective and will be computed in accordance with the following using actual data for the most recent twelve month period available, and it will be applicable to only the Production Base Demand Billing units for the "D" term in the formula. The rates for demand shall be adjusted by \$0.01 per kilowatt for each \$0.01 (or major fraction thereof) of the demand cost as computed annually in accordance with the following formula:

$$DCAe = [ADC - (D) * (BD) + R] / D$$

$$R = DC - (D) * (BD) - (D) * (DCAa) +/- \text{Prior Year Under/Over Recovery}$$

Where:

- DCAe = The estimated Demand Cost Adjustment factor applicable for future period.
- DCAa = The actual Demand Cost Adjustment factor applied in the current year (The DCEe calculation from prior year.
- DC = The actual annual purchased power demand cost that KEPCo pays to its suppliers in the year.
- ADC = The annualized purchased power demand cost based on the demand rates in effect at the end of the year.
- D = Total annual Base and Excess billing demand units for the current year.
- BD = Base Demand embedded in this tariff - \$5.12/kW.

Issued \_\_\_\_\_  
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**THE STATE CORPORATION COMMISSION OF KANSAS**

SCHEDULE M-10

KANSAS ELECTRIC POWER COOPERATIVE, INC.  
(Name of Issuing Utility)

Replacing Schedule M-9 Sheet 5 of 5

KEPCo MEMBER SERVICE TERRITORY  
(Territory to which schedule is applicable)

which was filed January 29, 2002

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**DISCOUNTS**

**PRIMARY METERING DISCOUNT**

If the metering for a Member delivery point is on the primary side of the substation, a credit of 1.5% of the kilowatt-hours of energy and the kilowatts of demand metered at the point shall be made for losses.

**HIGH VOLTAGE DISCOUNT**

- (1) For delivery of power at voltages of 115 kV or higher, \$1.30 per kW of the Non-Coincident Peak Demand each month.
- (2) For delivery of power at voltages of 69 kV, \$.72 per kW of the Non-Coincident Peak Demand each month.
- (3) For delivery of power at voltages of 34.5 kV, \$.59 per kW of the Non-Coincident Peak Demand each month.

**CALCULATING BILLS**

**MONTHLY BILL**

The monthly bill for each Member receiving service from KEPCo shall be the sum of Power Service and Transmission Service charges below:

**Power Service**

The charge for Power Service shall be the sum of (a), (b), (c), (d), (e), (f), (g) and (h) below:

- (a) Delivery Point. The Member's number of delivery points, multiplied by \$900.00.
- (b) Base Demand. The Member's Base Demand, multiplied by \$7.90/kW.
- (c) Excess Demand.
  - 1. For the months of January, February, March, April, May, October, November, December -- 70% of the Member's demand at the time of the highest KEPCo Coincident Peak Demand occurring in either of the previous months of July and August, less the Base Demand, multiplied by \$9.00/kW, or

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**THE STATE CORPORATION COMMISSION OF KANSAS**

SCHEDULE                                       M-10

KANSAS ELECTRIC POWER COOPERATIVE, INC.  
(Name of Issuing Utility)

Replacing Schedule            M-9            Sheet   6   of   5  

KEPCo MEMBER SERVICE TERRITORY  
(Territory to which schedule is applicable)

which was filed                    January 29, 2002

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2. For the months of June, July, August and September - 100% of the Member's demand at the time of the KEPCo Coincident Peak Demand occurring in the current month, less the Base Demand, multiplied by \$9.00/kW.

- (d) Sum the Base Demand and the Excess Demand and then multiply by the Demand Cost Adjustment.
- (e) The monthly energy delivery multiplied by \$0.01434 per kWh of energy.
- (f) The monthly energy delivery multiplied by the monthly Energy Cost Adjustment factor.
- (g) The monthly energy delivery multiplied by the monthly Revenue Credit Adjustment factor.
- (h) The monthly energy delivery multiplied by the monthly Decommissioning Adjustment factor.

Transmission Service

The charge for Transmission Service shall be the sum of (a) and (b) below:

- (a) Non-Coincident Peak Demand. The Member's monthly Non-Coincident Peak Demand, multiplied by \$4.60/kW.
- (b) Less appropriate high voltage discount.

**PENALTIES**

The terms and conditions of this tariff shall be subject to the penalty provisions of the contracts between KEPCo and its Members.

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