

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 TO  
ITS CHARGES FOR ELECTRIC SERVICES IN  
THE GEOGRAPHIC SERVICE TERRITORY  
SERVED BY SOUTHERN PIONEER ELECTRIC  
COMPANY

] ] KCC Docket No. 13-MKEE-699-RTS



AUG 22 2013

by  
State Corporation Commission  
of Kansas

CROSS ANSWERING TESTIMONY OF

ANDREA C. CRANE

ON BEHALF OF

THE CITIZENS' UTILITY RATEPAYER BOARD

August 22, 2013

1 **I. STATEMENT OF QUALIFICATIONS**

2 **Q. Please state your name and business address.**

3 A. My name is Andrea C. Crane and my business address is 90 Grove Street, Suite 211,  
4 Ridgefield, Connecticut 06877. (Mailing Address: PO Box 810, Georgetown,  
5 Connecticut 06829)

6  
7 **Q. Did you previously file testimony in this proceeding?**

8 A. Yes, on August 12, 2013, I filed Direct Testimony on behalf of the Citizens' Utility  
9 Ratepayer Board ("CURB"). My Direct Testimony addressed the abbreviated rate filing  
10 made on May 17, 2013 by Mid-Kansas Electric Company, LLC ("MKEC" or "Company")  
11 seeking an increase in its rates for electric service in the service territory served by  
12 Southern Pioneer Electric Company ("Southern Pioneer").

13 In my Direct Testimony, I recommended that the Kansas Corporation  
14 Commission ("KCC") approve a rate increase of \$778,565 for MKEC's Southern Pioneer  
15 service territory, approve MKEC's proposed allocation of the increase among its various  
16 customer classes, and establish new base rates based upon the billing determinants used  
17 in Docket No. 12-MKEE-380-RTS ("380 Docket").

18

19 **Q. What is the purpose of your Cross Answering Testimony?**

20 A. The purpose of my Cross Answering Testimony is to respond to the Direct Testimony of  
21 Jeffry Pollock, filed on behalf of the Western Kansas Industrial Electric Customers  
22 ("WKIEC"). Mr. Pollock objects to the manner in which the Company proposes to  
23 allocate the increase from this abbreviated case. MKEC is proposing to allocate the

1 increase on an across-the-board basis. This results in an increase of 4.28% to each  
2 customer class. Mr. Pollock argues that this methodology allocates too much of the  
3 proposed increase to customers that take service under the Sub-transmission and  
4 Transmission Level Electric Service Rate ("STR"). Staff and CURB support the  
5 Company's proposed allocation.

6  
7 **Q. How does Mr. Pollock propose that the rate increase be allocated?**

8 A. Instead of the across-the-board allocation that is being proposed, Mr. Pollock proposes  
9 that STR customers receive the same proportion of the increase that they received in  
10 KCC Docket No 12-MKEE-380-RTS ("380 Docket"). This would result in a 0.9% of the  
11 increase being allocated to STR customers. Alternatively, Mr. Pollock recommends that  
12 the KCC approve the methodology proposed by certain parties in KCC Docket No. 13-  
13 MKEE-452-MIS ("452 Docket"), which would preclude certain costs from being  
14 allocated to STR customers.

15  
16 **Q. Is it reasonable to allocate the rate increase resulting from the abbreviated case in  
17 the same manner as the increase in the 380 Docket?**

18 A. No, it is not. In the 380 Docket, the Company was not simply allocating an incremental  
19 increase, but rather it was allocating an entire revenue requirement. Therefore, in  
20 allocating the 380 Docket increase, the Company also took into account how much would  
21 be recovered from each rate class under existing rates and how much of its cost of service  
22 each class was already contributing. The rate increase was then allocated in such a way

1 as to move each class's base revenues at proposed rates (including both present rate  
2 revenue and the proposed increase) toward its cost of service.

3 That situation is very different from the current case where the Company is only  
4 allocating an incremental increase. Without a cost of service study, we do not know how  
5 much each respective class is contributing to its current cost of service. Consequently,  
6 without another class cost of service study, we have no basis for allocating the rate  
7 increase resulting from the abbreviated case in any manner other than on an across-the-  
8 board basis.

9  
10 **Q. But isn't Mr. Pollock seeking to use the allocations from the last case?**

11 A. No. While Mr. Pollock is seeking to utilize the allocation of only the rate increase from  
12 the last case - he has ignored the fact that the entire revenue requirement was being  
13 allocated in the 380 Docket. For example, assume that there are two classes of service,  
14 each with a cost of service of \$100. Assume that Class A is currently contributing \$90 in  
15 revenues and that Class B is contributing \$95, and that a rate increase of \$15 is being  
16 distributed between the two. It would be reasonable to allocate \$10 to Class A and \$5 to  
17 Class B. However, at that point each of the two classes would be covering its cost of  
18 service. If the Commission subsequently approved another \$15 increase in an  
19 abbreviated rate filing, there would be no basis for again allocating  $2/3^{\text{rd}}$  of the increase to  
20 Class A and  $1/3^{\text{rd}}$  to Class B, since after the first increase the two classes were assumed to  
21 be at their cost of service. Yet, that is exactly what Mr. Pollock is proposing.

22 In the 380 Docket, only 0.9% of the increase was allocated to the STR class. As  
23 shown in Exhibit JP-2 to Mr. Pollock's testimony, this resulted in an overall increase of

1           only 6.9% for the class, while the average base rate increase was 37.9%. Residential  
2           general use customers received an increase of 39.3% and small general service customers  
3           received a rate increase of 58.6%. These disparate increases were based on underlying  
4           differences in the degree to which each class was covering its costs of service. There is  
5           no indication in this abbreviated case that such differences still exist.

6  
7   **Q. Did the Order in the 380 Docket provide for a review of class cost of service**  
8   **allocations in this case?**

9   A. The KCC Order Approving the Settlement Agreement in the 380 Docket permitted an  
10   abbreviated filing "...for the limited purpose of seeking recovery of additional debt  
11   service costs, including debt coverage, related to debt levels in excess of Southern  
12   Pioneer's existing level of debt...".<sup>1</sup> The Order also required Southern Pioneer to adhere  
13   to the findings of the Commission from the 380 Docket with regard to other regulatory  
14   procedures and principles, and noted that the terms of the Settlement Agreement  
15   expressly provided that "[n]o other issues will be litigated in the abbreviated rate case."<sup>2</sup>  
16   Thus, there was no provision in the in the 380 Docket Order for reviewing class cost of  
17   service allocations in this case.

18  
19   **Q. Please address Mr. Pollock's alternative recommendation that the allocation**  
20   **methodology proposed in the 452 Docket be adopted.**

21   A. The allocation methodology proposed in the 452 Docket has not been approved by the  
22   KCC. Moreover, CURB was not a party to the Stipulation and Agreement ("S&A") in

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<sup>1</sup> Order Approving Settlement Agreement with Modifications, June 25, 2012, ¶¶ 15, 27 B. (ii), Attachment A (Settlement Agreement), ¶ 9, Docket No. 12-MKEE-380-RTS.

<sup>2</sup> *Id.*, at ¶¶ 15, attached Settlement Agreement, ¶ 9.

1           the 452 Docket. More importantly, as noted above, there is no provision in the Order in  
2           the 380 Docket to permit a new class cost of service allocation for any rate increase  
3           resulting from this abbreviated rate case. Therefore, the KCC should likewise reject the  
4           alternative allocation methodology proposed by Mr. Pollock, and instead adopt the  
5           across-the-board increase proposed by MKEC and supported by Staff and CURB.

6

7   **Q.    Does this conclude your testimony?**

8   **A.    Yes, it does.**

9

VERIFICATION

STATE OF CONNECTICUT                    )  
COUNTY OF FAIRFIELD                 )        ss:

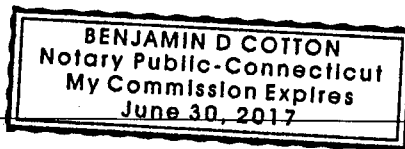
Andrea C. Crane, being duly sworn upon her oath, deposes and states that she is a consultant for the Citizens' Utility Ratepayer Board, that she has read and is familiar with the foregoing testimony, and that the statements made herein are true to the best of her knowledge, information and belief

*Andrea C. Crane*  
\_\_\_\_\_  
Andrea C. Crane

Subscribed and sworn before me this 19<sup>th</sup> day of August, 2013.

Notary Public *Benjamin D Cotton*  
\_\_\_\_\_

My Commission Expires: \_\_\_\_\_



**CERTIFICATE OF SERVICE**

13-MKEE-699-MIS

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing document was served by electronic service on this 22<sup>nd</sup> day of August, 2013, to the following parties who have waived receipt of follow-up hard copies:

AMBER SMITH, LITIGATION COUNSEL  
KANSAS CORPORATION COMMISSION  
1500 SW ARROWHEAD ROAD  
TOPEKA, KS 66604-4027  
[a.smith@kcc.ks.gov](mailto:a.smith@kcc.ks.gov)

JUDY JENKINS, LITIGATION COUNSEL  
KANSAS CORPORATION COMMISSION  
1500 SW ARROWHEAD ROAD  
TOPEKA, KS 66604-4027  
[j.jenkins@kcc.ks.gov](mailto:j.jenkins@kcc.ks.gov)

ANDREW FRENCH, ADVISORY COUNSEL  
KANSAS CORPORATION COMMISSION  
1500 SW ARROWHEAD ROAD  
TOPEKA, KS 66604-4027  
[a.french@kcc.ks.gov](mailto:a.french@kcc.ks.gov)

DON GULLEY, VP, Regulatory and Market Affairs  
MID-KANSAS ELECTRIC COMPANY, LLC  
301 WEST 13TH STREET  
PO BOX 980  
HAYS, KS 67601  
[dgulley@sunflower.net](mailto:dgulley@sunflower.net)

RANDY MAGNISON  
EXECUTIVE VICE PRESIDENT  
SOUTHERN PIONEER ELECTRIC COMPANY  
P.O. BOX 430  
ULYSSES, KS 67880-0430  
[rmagnison@pioneerelectric.coop](mailto:rmagnison@pioneerelectric.coop)

MARK D. CALCARA, ATTORNEY  
WATKINS CALCARA CHTD.  
1321 MAIN STREET SUITE 300  
PO DRAWER 1110  
GREAT BEND, KS 67530  
[mcalcara@wcrf.com](mailto:mcalcara@wcrf.com)

1  
GLENDA CAFER, ATTORNEY  
CAFER LAW OFFICE, L.L.C.  
3321 SW 6TH STREET  
TOPEKA, KS 66606  
[glenda@caferlaw.com](mailto:glenda@caferlaw.com)



TERRI PEMBERTON, ATTORNEY  
CAFER LAW OFFICE, L.L.C.  
3321 SW 6TH STREET  
TOPEKA, KS 66606  
[terri@caferlaw.com](mailto:terri@caferlaw.com)

MARK DOLJAC, DIR RATES AND REGULATION  
KANSAS ELECTRIC POWER CO-OP, INC.  
600 SW CORPORATE VIEW (66615)  
PO BOX 4877  
TOPEKA, KS 66604-0877  
[mdoljac@kepco.org](mailto:mdoljac@kepco.org)

WILLIAM G. RIGGINS, SR VICE PRES AND GENERAL COUNSEL  
KANSAS ELECTRIC POWER CO-OP, INC.  
600 SW CORPORATE VIEW (66615)  
PO BOX 4877  
TOPEKA, KS 66604-0877  
[briggins@kepco.org](mailto:briggins@kepco.org)

CURTIS M. IRBY, COUNSEL  
WESTER KANSAS INDUSTRIAL ELECTRIC CONSUMERS  
GLAVES, IRBY AND RHOADS  
155 N MARKET STE 1050  
WICHITA, KS 67202  
[cmirby@sbcglobal.net](mailto:cmirby@sbcglobal.net)

  
\_\_\_\_\_  
Della Smith  
Administrative Specialist