

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

In the Matter of the Joint Application of)
Sunflower Electric Power Corporation and)
Mid-Kansas Electric Company, Inc. for an)
Order Approving the Merger of Mid-Kansas) Docket No. 19-SEPE-054-MER
Electric Company, Inc. into Sunflower)
Electric Power Corporation.)

PREFILED DIRECT TESTIMONY OF

BRUCE W. MUELLER

GENERAL MANAGER

WHEATLAND ELECTRIC COOPERATIVE, INC.

ON BEHALF OF

SUNFLOWER ELECTRIC POWER CORPORATION

and

MID-KANSAS ELECTRIC COMPANY, INC.

AUGUST 3, 2018

1 **Q. Please state your name and professional title.**

2 A. My name is Bruce W. Mueller.

3 **Q. By whom are you employed and what is its business address?**

4 A. I am the General Manager (“GM”) of Wheatland Electric Cooperative, Inc.
5 (“Wheatland”). Wheatland’s address for legal service is 101 Main Street, Scott
6 City, Kansas 67871, and for mail receipt is P.O. Box 230, Scott City, Kansas
7 67871.

8 **Q. Briefly describe Wheatland.**

9 A. Wheatland is a member-owned Kansas electric cooperative serving more than
10 20,800 members and 32,500 meters located throughout nine western Kansas,
11 six central Kansas, and two eastern Colorado counties. Wheatland provides
12 retail electric service to 42 Kansas cities and one in Colorado. Further,
13 Wheatland also provides transmission service to wholesale customers. This
14 transmission service is regulated by the Commission. Please reference docket
15 number 16-WHLE-305-RTS (“16-305”) about its regulation for transmission
16 service.

17 **Q. Would you summarize your educational background?**

18 A. I have a BBA-Finance degree from Texas State University, and an MBA degree
19 from the University of Houston-Victoria.

20 **Q. Please summarize your work experience prior to working for Wheatland.**

21 A. I began my employment with Wheatland in 2012 as GM. From 2001 until I began
22 my employment with Wheatland, I worked for San Bernard Electric Cooperative,
23 Inc. (“San Bernard”) in Bellville, Texas. I began my employment with San

1 Bernard as a Special Projects Manager, which involved the overall management
2 of two departments – Member Services, and Marketing, Legislative, and
3 Regulatory. At the time I left San Bernard, I was employed as the Business
4 Group Manager-CFO where I managed several departments, including:
5 Accounting, Finance, Consumer Services, Inside Branch Office Personnel,
6 Material/Warehouse, Meter Reading/Collections, Member Service, Marketing,
7 Key Accounts, Benefits, and Legislative/Regulatory. Prior to entering the
8 cooperative realm, I held various management level positions with C3
9 Communications L.P. – American Electric Power (“AEP”), and Central Power &
10 Light Company-Central & South West Power (“CSW”). In summary, I have over
11 34 years working in the investor owned electric and electric cooperative
12 industries.

13 **Q. What, if any, responsibilities do you have with Sunflower Electric Power**
14 **Corporation (“Sunflower”) and/or Mid-Kansas Electric Company, Inc. (“Mid-**
15 **Kansas”)?**

16 A. As GM of Wheatland, I am also a member of the Board of Directors for both Mid-
17 Kansas and Sunflower.

18 **Q. Also, please explain briefly Wheatland’s business relationship with**
19 **Sunflower and Mid-Kansas.**

20 A. Wheatland is one of six member-owners of Sunflower and Mid-Kansas.

21 **Q. Please summarize your job responsibilities at Wheatland.**

22 A. As the GM, I direct the overall operations of Wheatland. I am entrusted by the
23 membership to lead the cooperative to achieve its mission of improving the

1 quality of life of its members and the communities it serves by providing reliable
2 and competitively priced electricity and other essential services.

3 **Q. Is Wheatland’s retail service subject to the regulation and over sight of the**
4 **Commission?**

5 A. Generally, no. Wheatland deregulated pursuant to K.S.A. 66-104d and is self-
6 regulated. Please reference docket number 14-WHLE-546-DRC. Wheatland is
7 regulated for transmission services.

8 **Q. Does Wheatland support the merger of Sunflower and Mid-Kansas with**
9 **Sunflower becoming the surviving corporation?**

10 A. Yes. The Wheatland Board of Trustees (“Board”) unanimously approved the
11 Agreement and Plan of Merger which included the new bylaws for the surviving
12 corporation.

13 **Q. Why does Wheatland support the merger of the two companies?**

14 A. The Board determined that the surviving company, Sunflower, would be a
15 financially stronger company through an improved credit profile which will have a
16 positive impact on cost of debt. The merged and surviving Sunflower will have a
17 higher equity ratio which again has a positive impact by lowering overall cost of
18 debt. Merging the companies will also mitigate against several risks. Examples
19 of the risk mitigation are larger generation fleet mitigates against the loss of one
20 source, and the increased size in MWh and revenue of the surviving Sunflower
21 mitigates against load loss risks. I am also confident that economies of scale,
22 administrative efficiencies, and the benefits already mentioned, will lead to
23 greater rate stabilization.

1 **Q. Why is rate stabilization a factor in Wheatland's decision to approve the**
2 **merger?**

3 A. Wheatland has large industrial loads, significant commercial loads and a large
4 number of residential members. Stable rates are always a topic of concern and
5 importance to our members. Our residential members and our business
6 members all budget for costs, and electricity is only one of those cost. By
7 combining the two companies, a loss of load does not have as significant an
8 impact on a combined company's revenue requirements. A merged Sunflower
9 can more easily absorb the impact of a load loss better than either Sunflower or
10 Mid-Kansas can on a standalone basis. By combining the two companies, the
11 merged company, and therefore our members, are far less vulnerable to rate
12 fluctuations due to load variations or other major events throughout the year. The
13 combined company can better mitigate the risk of rate increases.

14 **Q. Who are your current electric wholesale providers?**

15 A. Wheatland has an all requirements contract with Sunflower and an all
16 requirements contract with Mid-Kansas for the delivery points in the certificated
17 territory acquired in the Aquila-WPK purchase in 2007. If the merger is
18 approved, Sunflower will be Wheatland's only wholesale provider.

19 **Q. Will the merger in any way affect retail rates to Wheatland's members?**

20 A. No, as I mentioned, Wheatland is deregulated and merged the two wholesale
21 rates to its member's retail rates in January of 2016.

1 **Q. You stated earlier that Wheatland is still regulated by the Commission for**
2 **transmission. If approved, how will the merger affect the rates of your**
3 **wholesale transmission customers?**

4 A. It will in no way affect Wheatland's wholesale customers. In the 16-WHLE-305-
5 RTS docket the Commission approved a stated tariff rate for Wheatland's
6 wholesale customers on its native Sunflower delivery points and a stated tariff
7 rate for the delivery points on the Mid-Kansas facilities. That could only change if
8 Wheatland files a rate case with the Commission based upon cost of service.
9 Any issues regarding the regulatory propriety of combining Sunflower and Mid-
10 Kansas rates would be addressed in that future docket.

11 **Q. Does Wheatland believe the merger of the two companies is in the public**
12 **interest?**

13 A. Yes, the Board does or it would not have voted to approve it, nor would I, as a
14 director of Sunflower and Mid-Kansas, have voted to approve the merger. The
15 surviving merged company will be a stronger, and more financially sound
16 company. The merger will provide greater rate stability and lower costs of
17 operation. Frankly, nothing has changed since the acquisition of Aquila-WPK. At
18 the time of the acquisition, all Members of Mid-Kansas concluded the acquisition
19 and eventual merger of the two companies was the right thing to do for the
20 customers of Wheatland. Nothing has changed.

21 **Q. Does that conclude your testimony?**

22 A. Yes.

