

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

In the Matter of the Application of Prairie )  
Land Electric Cooperative, Inc. Seeking )  
Commission Approval to Update Its Local ) Docket No. 18-PLCE-462 - TAR  
Access Delivery Service Tariff Pursuant to )  
the 34.5kV Formula Based Rate Plan )  
Approved in Docket No.16-MKEE-023- )  
TAR.

**PREFILED DIRECT TESTIMONY OF**

**ALLAN J. MILLER**  
**CHIEF EXECUTIVE OFFICER**  
**PRAIRIE LAND ELECTRIC COOPERATIVE, INC.**

**ON BEHALF OF**

**PRAIRIE LAND ELECTRIC COOPERATIVE, INC.**

April 20, 2018

## **TABLE OF CONTENTS**

<b>PART I - QUALIFICATIONS .....</b>	<b>1</b>
<b>PART II - SUMMARY OF DIRECT TESTIMONY .....</b>	<b>1</b>

## **TABLES**

Table 1 - Prairie Land (Mid-Kansas Division) 2017 Distribution Equity Ratio.....	<b>4</b>
Table 2 - Prairie Land (Mid-Kansas Division) 2017 Investment in Associated Organizations..	<b>4</b>
Table 3 - Prairie Land (Mid-Kansas Division) COS Item Comparison.....	<b>5</b>

**PART I - QUALIFICATIONS**

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

A. My name is Allan J. Miller. My business address is 14295 U.S. Highway 36, Norton, Kansas.

**Q. What is your profession?**

A. I am Chief Executive Officer of Prairie Land Electric Cooperative, Inc. ("Prairie Land").

**Q. What is your educational background?**

A. I graduated from Fort Hays State University with a Bachelor of Arts degree in political science.

I also have one year of work on a degree in public administration at Fort Hays State University.

**Q. What is your professional background?**

A. In 1975, I became employed by Norton-Decatur Cooperative Electric Company, Inc., the predecessor company of Prairie Land. From 1977 to 1981, I was staff assistant; and from 1981 to 1990, I was the office manager. In 1990, I was promoted to Chief Executive Officer. As Chief Executive Officer of Prairie Land, I serve on the Board of Directors for Mid-Kansas Electric Company, LLC ("Mid-Kansas") and Sunflower Electric Power Corporation ("Sunflower").

**Q. Have you previously presented testimony before the Kansas Corporation Commission ("KCC" or "Commission")?**

A. Yes. I have provided testimony in Docket Nos. 06-MKEE-524-ACQ, 13-MKEE-447-MIS, 16-MKEE-023-TAR ("16-023 Docket"), 16-PLCE-490-TAR ("16-490 Docket"), and 17-PLCE-478-TAR ("17-478 Docket"). I also filed an Application in Docket No. 15-PLCE-176-TAR.

**PART II - SUMMARY OF DIRECT TESTIMONY**

**Q. What is the purpose of your testimony in this proceeding?**

A. The purpose of my testimony is as follows:

- 1           1. Affirm Prairie Land's support for the calculation of the wholesale demand rate for the
- 2           Local Access Delivery Service ("LADS") service over Prairie Land's 34.5kV sub-
- 3           transmission system (Mid-Kansas division) as contained in Ms. Elena Larson's Direct
- 4           Prefiled Testimony.
- 5           2. Confirm that Prairie Land will notify its customers as required in Section C of the
- 6           Commission-approved 34.5kV FBR Protocols (included as Exhibit B with the
- 7           Commission March 10, 2016 and April 26, 2016 Orders in the 16-023 Docket).
- 8           3. Attest to the Equity Test requirement noted in Section H of the Protocols.
- 9           4. Provide the information required by Item No. 11 listed in Section F of the Protocols.

10 **Q. What is Prairie Land's opinion concerning the proposed 2018 34.5kV FBR rate of**  
11 **\$2.79/kW?**

12 A. Prairie Land Staff has provided the data necessary for the calculations as contained in the  
13 populated 34.5kV FBR template attached to the Application filed in the instant Docket as  
14 Exhibit 5. Cooperative Staff has reviewed the exhibit and the supporting work papers and is  
15 in agreement that the resultant rate was arrived in accordance to Prairie Land's 34.5kV FBR  
16 Protocols as approved by the Commission. Accordingly, Prairie Land believes this rate, as  
17 detailed in Ms. Larson's Prefiled Direct Testimony and included in the proposed LADS tariff,  
18 is just and reasonable, as it is based on the cost of service ("COS") and follows the  
19 Commission-prescribed methodology.

20 **Q. Please elaborate on how the Customer Notification requirement, detailed in Section C of**  
21 **the Protocols, will be fulfilled.**

22 A. Upon filing of the Application and all of the exhibits in the instant Docket (and once the  
23 actual Docket Number is known to the Cooperative), all customers taking wholesale LADS  
24 from Prairie Land will receive notice of the filing when it was made with the Commission.

1 Such notice may be made via electronic mail or bill insert and will contain the following  
2 information:

- 3 1. The date the filing was made with the Commission and the docket number assigned.
- 4 2. The amount of the revenue adjustment sought.
- 5 3. The resulting rate impact.
- 6 4. A statement explaining that the rate adjustment is being made pursuant to the 34.5kV  
7 FBR, with a cite to Docket No. 16-MKEE-023-TAR and the date of the Commission's  
8 March 10, 2016 Order approving the initial application for Prairie Land's 34.5kV FBR.
- 9 5. A Prairie Land contact person and phone number for questions.

10 **Q. Please address the Equity Test requirement as noted in Section H of the 34.5kV FBR**  
11 **Protocols.**

12 A. Per Section H of the Protocols, Prairie Land (Mid-Kansas division) must notify the  
13 Commission when its distribution equity ratio (calculated exclusive of equity in or from  
14 associated organizations) reaches 36.31 percent, which would signal the re-evaluation of  
15 the currently-approved Operating Times Interest Earned ("OTIER") and Modified Debt  
16 Service Coverage ("MDSC") ratios as used in the 34.5kV FBR.

17 **Q. Has Prairie Land (Mid-Kansas division) calculated its Distribution Equity Ratio for**  
18 **the 2017 Test Year?**

19 A. Yes. Table 1 on the following page evidences that for 2017, Prairie Land's Distribution  
20 Equity Ratio (for the Mid-Kansas division), calculated to be at 29.42 percent, was below  
21 the prescribed 36.31 percent threshold. Note that one of the major items excluded as equity  
22 in Associated Organizations, as detailed in Table 2 on the following page, is represented by  
23 Prairie Land's equity in the Mid-Kansas, its generation and transmission ("G&T") provider.

24

25

**Table 1. Prairie Land (Mid-Kansas Division) 2017 Distribution Equity Ratio**

Excluding investment in Associated Organizations				
2017				
Bal. Sheet				
<u>Ln. No.</u>				
C29	Total Assets & Other Debts		\$	83,338,625
C36	Total Margins & Equities		\$	32,104,486
C8	Investment in Associated Organizations - Patronage Capital		\$	676,413
C9	Investment in Associated Organizations - Other - General Funds		\$	10,075,415
C10	Investment in Associated Organizations - Other - Nongeneral Funds		\$	-
	Total Investment in Associated Organizations		\$	10,751,828
<b>Distribution</b>	<u>C36 - (C8+C9+C10)</u>	=	<u>\$32,104,486 - \$10,751,828</u>	<b>29.42%</b>
<b>Equity</b>				
<b>Ratio</b>	C29 - (C8+C9+C10)		\$83,338,625 - \$10,751,828	

**Table 2. Prairie Land (Mid-Kansas Division) 2017 Investment in Associated Organizations**

2017				
Bal. Sheet				
<u>Ln. No.</u>	<u>Description</u>			<u>Amount</u>
C8	Cooperative Response Center - Equity Investment	\$		1,740
	Federated Insurance Capital Credits	\$		198,544
	Kansas Electric Cooperatives - Capital Credits	\$		37,311
	Farmway Co-op - Capital Credits	\$		135
	NRUCFC - Capital Credits	\$		350,729
	Rural Telephone Capital Credits	\$		1,854
	CoBank - Capital Credits	\$		7,752
	National Information Solutions Cooperative - Capital Credits	\$		69,747
	National Rural Telecommunications Cooperative	\$		8,601
		\$		676,413
C9	Mid-Kansas Electric Company - Margins Allocation	\$		10,075,415
C10				-
Total Investment in Associated Organizations		\$		10,751,828

**Q. Now please discuss the information required for Item No. 11 on the list of required filing exhibits as contained in Section F of the Protocols.**

A. The aforementioned Item requires the Cooperative to provide a summary explanation of any material increases from the previous year (where “material” is quantified to be over 10 percent) in a COS item for the 34.5kV FBR. Comparing line items in Column (i) FBR Revenue Requirement on Exhibit 5, Page 1 submitted in the instant docket against the same categories as filed last year and approved by the Commission in the 17-478 Docket identifies there are no 2017 COS items that show over a 10 percent increase as compared to the 2016 calendar year. See the following summary in Table 3.

<b>Table 3. Prairie Land (Mid-Kansas Division) COS Item Comparison</b>					
<b>COS Item Description</b>	<b>2017 FBR Filed Revenue Requirement</b>	<b>2018 FBR Filed Revenue Requirement</b>	<b>DIFF \$</b>	<b>DIFF %</b>	
<b><u>Operating Expenses</u></b>					
Transmission O&M	\$ 638,420	\$ 673,340	\$ 34,920	5%	
Administration & General	\$ 135,715	\$ 101,212	\$ (34,503)	-25%	
Depreciation and Amortization	\$ -	\$ -			
Transmission	\$ 553,913	\$ 581,453	\$ 27,540	5%	
General Plant	\$ 7,736	\$ 6,102	\$ (1,634)	-21%	
Property Tax	\$ -	\$ -			
Other Taxes	\$ 183	\$ 182	\$ (1)	0%	
L.T. Interest	\$ 564,432	\$ 599,887	\$ 35,455	6%	
Interest Charged to Construction - Credit	\$ -	\$ -	\$ -		
Interest-Other	\$ 10,735	\$ 7,044	\$ (3,691)	-34%	
Other Deductions	\$ -	\$ -	\$ -		
<b><u>Margin Requirement Components</u></b>					
Principal Payments	\$ 469,005	\$ 481,907	\$ 12,903	3%	
L.T. Interest	\$ 564,432	\$ 599,887	\$ 35,455	6%	

**Q. What is your final recommendation to the Commission?**

A. I support Ms. Larson’s recommendation to approve Prairie Land’s Application in the instant Docket, as the resultant rate is reflective of the COS, was calculated in accordance to the

Commission-approved 34.5kV FBR Protocols, and therefore is just and reasonable and is  
in the public interest.

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


A: Yes, it does.



**VERIFICATION OF ALLAN J. MILLER**

STATE OF KANSAS                    )  
  ) ss:  
COUNTY OF NORTON                )

Allan J. Miller, being first duly sworn, deposes and says that he is the Allan J. Miller referred to in the foregoing document entitled "Direct Testimony of Allan J. Miller" before the State Corporation Commission of the State of Kansas and that the statements therein were prepared by him or under his direction and are true and correct to the best of his information, knowledge and belief.

  
\_\_\_\_\_  
Allan J. Miller

**SUBSCRIBED AND SWORN** to before me this 19<sup>th</sup> day of April, 2018.

  
\_\_\_\_\_  
Notary Public

My Appointment Expires:

