

**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

ED WILTSE

GENERAL MANAGER

LANE-SCOTT 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 business address.**

2 A. My name is Ed Wiltse. My business address is 410 S. High Street, Dighton,
3 Kansas.

4 **Q. What is your profession?**

5 A. I am the general manager of Lane-Scott Electric Cooperative, Inc. ("Lane-Scott").

6 **Q. Please describe your responsibilities with Lane-Scott.**

7 A. As the general manager, I work directly for the Board of Trustees of Lane-Scott,
8 and am responsible for assisting in establishing policy, implementing strategic
9 programs, establishing rates, and overseeing the overall operation of Lane-Scott
10 to ensure reliable service at a competitive cost using generally acceptable
11 industry business practices. I also serve on the Board of Directors of Sunflower
12 Electric Power Corporation ("Sunflower") and alternate director of Mid-Kansas
13 Electric Company, Inc. ("Mid-Kansas"), the wholesale generation and
14 transmission suppliers for Lane-Scott.

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

16 A. I graduated in 1973 from Pittsburg State University with a degree in business
17 administration.

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

19 A. I was appointed general manager of Lane-Scott, effective December 3, 2012.
20 Prior to that date, I worked for Ninnescah Electric as the general manager and
21 Pioneer Electric as the manager of member services.

1 **Q. Have you previously presented testimony before the Kansas Corporation**
2 **Commission (“Commission”)?**

3 A. No.

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

5 A. The purpose of my testimony is to provide a background of Lane-Scott and to
6 support the approval of the merger of Sunflower and Mid-Kansas.

7 **Q. Please provide a brief overview of Lane-Scott.**

8 A. Lane-Scott is an electric cooperative formed under the Kansas Electric
9 Cooperative Act. It was formed for the purpose of supplying electric energy and
10 promoting and extending the use of such energy in rural areas of western
11 Kansas. Lane-Scott has been providing electric retail service in western Kansas
12 for over 70 years.

13 **Q. Is Lane-Scott regulated by the Commission?**

14 A. Lane-Scott is self-regulated under K.S.A. § 66-104d and therefore its retail rates
15 are not regulated by the Commission.

16 **Q. Does Lane-Scott support the merger of Sunflower and Mid-Kansas with**
17 **Sunflower as the surviving corporation?**

18 A. Yes. On February 5, 2018, Lane-Scott’s Board of Directors unanimously
19 approved the Agreement and Plan of Merger, including the new bylaws for the
20 surviving corporation.

21 **Q. Why does Lane-Scott support the merger of the two companies?**

22 A. Lane-Scott joined with the other Members of Sunflower in 2005 to form Mid-
23 Kansas and purchase Aquila, Inc. (“Aquila-WPK”). Sometime after the purchase,

1 the distribution operations and assets were transferred to the Member entities of
2 Mid-Kansas. The objective at the time of the purchase was to, as quickly as
3 feasible, merge the assets of Mid-Kansas with Sunflower to create a stronger
4 company. A merged entity will have a stronger balance sheet and equity ratio
5 which will allow the entity to borrow at a cost less than either Sunflower or Mid-
6 Kansas standing alone. The Board's approval of the merger earlier this year
7 came after evaluation of relevant factors and conclusion that the decision to
8 merge the two entities remains the correct decision. The merger will result in an
9 entity that can use its greater economies of scale to provide affordable, reliable
10 electric service at a rate that is lower and more stable than either apart.

11 **Q. Why is rate stabilization a key factor in Lane-Scott's decision to approve**
12 **the merger?**

13 A. Stable rates assist the various customers of the system to engage in effective
14 business planning, as fluctuating rates disrupt product prices, operating budgets,
15 operational plans and other activities conducted by our retail customers. The
16 merged entity will more easily absorb any loss of load, mitigating the effect that
17 one large departure can have on other customers. It will also result in some
18 savings to the Members through elimination of duplicated functions, streamlining
19 the operation. These savings may be somewhat small, as Sunflower
20 management has operated the two separate entities to achieve the efficiency of a
21 single company to the extent they can; however, these savings combined with
22 the stronger balance sheet and more stable rates will result in significant
23 advantages for our customers. Additionally, the combined company would have a

1 stronger balance sheet and financial metrics that could facilitate a credit rating,
2 and as a result, a lower cost of debt. This savings is significant and would not be
3 possible unless the two companies merge.

4 **Q. Are there other benefits from merging the two companies?**

5 A. Yes. The resource generation portfolio of each separate company comes with
6 cost and risk, and the merged company will have a resource-balanced
7 generation portfolio at a lower cost than either company can achieve on its own.
8 Mid-Kansas currently has contracted coal generation that is expiring early in
9 2019. The merged entity will use the Holcomb plant to serve as a hedge against
10 rising gas prices without extending Mid-Kansas' current contract or purchasing
11 additional contracts for coal generation. The Sunflower side benefits from the
12 greater gas generation and a solar Power Purchase Agreement currently held by
13 Mid-Kansas.

14 **Q. Who are Lane-Scott's current electric wholesale providers?**

15 A. Lane-Scott is an all requirements customer of Mid-Kansas for the delivery points
16 in the certificated territory acquired from Aquila-WPK in 2007. Lane-Scott is also
17 an all requirements customer of Sunflower for what we consider the native load.
18 After the merger Lane-Scott's only wholesale supplier will be Sunflower.

19 **Q. With several wholesale suppliers, how does Lane-Scott currently price its**
20 **retail rates to retail customers?**

21 A. Lane-Scott's retail rate is a blending of the rates of our wholesale suppliers into a
22 single retail rate.

1 **Q. Does Lane-Scott believe the merger of the two companies is in the public**
2 **interest?**

3 A. Yes. Given the long-term advantages that will result from a stronger balance
4 sheet, lowered borrowing costs and direct operational savings our Board feels
5 that merging the two companies is in the best interest of our member owners and
6 western Kansas.

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

8 A. Yes.

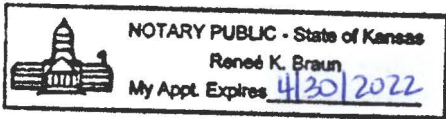
VERIFICATION

STATE OF KANSAS)
) ss:
COUNTY OF Ellis)

Ed Wiltse, being first duly sworn, deposes and says that he is the Ed Wiltse referred to in the foregoing document entitled "PREFILED DIRECT TESTIMONY OF ED WILTSE" 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.

Ed Wiltse

SUBSCRIBED AND SWORN to before me this 3rd day of ^{August}~~July~~, 2018.



Renee K. Braun
Notary Public

My Appointment Expires: