

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

In the Matter of the Joint Application of)
Mid-Kansas Electric Company, LLC,)
Prairie Land Electric Cooperative, Inc.,)
Southern Pioneer Electric Company,) Docket No. 16-MKEE-_____
The Victory Electric Cooperative Association, Inc., and)
Western Cooperative Electric Association, Inc., for)
Approval of Individual 34.5kV Formula-Based Rates.)

PREFILED DIRECT TESTIMONY OF

ALLAN J. MILLER

ON BEHALF OF

PRAIRIE LAND ELECTRIC COOPERATIVE, INC.

July 15, 2015

1 **Q: Please state your name.**

2 A: My name is Allan J. Miller.

3 **Q: By whom are you employed and what is your business address?**

4 A: I am employed by Prairie Land Electric Cooperative, Inc. ("Prairie Land").

5 My business address is 14295 U.S. Highway 36, Norton, Kansas.

6 **Q: Would you summarize your educational background?**

7 A: I graduated from Fort Hays State University with a Bachelor of Arts degree

8 in political science. I also have one year of work on a degree in public

9 administration at Fort Hays State University.

10 **Q: Please summarize your work experience.**

11 A: In 1975, I became employed by Norton-Decatur Cooperative Electric

12 Company, Inc., the predecessor company of Prairie Land. From 1977 to

13 1981, I was staff assistant, and from 1981 to 1990, I was the office

14 manager. In 1990, I was promoted to Chief Executive Officer. As Chief

15 Executive Officer of Prairie Land, I serve on the Board of Directors for Mid-

16 Kansas Electric Company, LLC ("Mid-Kansas") and Sunflower Electric

17 Power Corporation ("Sunflower").

18 **Q: Have you previously presented testimony before the Commission?**

19 A: Yes. I have provided testimony in Docket Nos. 06-MKEE-524-ACQ and

20 13-MKEE-447-MIS. I also filed an Application in Docket No. 15-PLCE-176-

21 TAR.

22 **Q: What is the purpose of your testimony today?**

23 A: The purpose of my testimony is to provide a background of Prairie Land

1 and to confirm Prairie Land's support for this Joint Filing for Approval of
2 the 34.5kV Formula-Based Rate ("FBR").

3 **Q: Please provide a brief overview of Prairie Land.**

4 A: Prairie Land is an electric cooperative formed under the Kansas Electric
5 Cooperative Act K.S.A. 17-4601 et seq. It was organized for the purpose
6 of supplying and promoting the use of electric energy in rural areas of
7 northwest Kansas. Prairie Land is the successor cooperative of the 1997
8 merger of two other electric cooperatives: Norton-Decatur Cooperative
9 Electric Company, Inc. and Northwest Kansas Electric Cooperative
10 Association, Inc. Norton-Decatur Cooperative Electric Company was
11 formed in 1938. Prairie Land, therefore, has been providing electric retail
12 service in northwest Kansas for over 75 years. Today, Prairie Land serves
13 approximately 25,348 retail customers, maintains 6,968 miles of line, and
14 employs 86 full-time employees in its native Sunflower and acquired Mid-
15 Kansas service areas combined.

16 **Q: What is Prairie Land's opinion concerning the proposed 34.5kV**
17 **FBR?**

18 A: Prairie Land supports the proposed 34.5kV FBR as detailed in the Joint
19 Application and the Prefiled Direct Testimony of Richard J. Macke
20 submitted in support of this Joint Application.

21 **Q: What are the reasons for Prairie Land's request to implement the**
22 **proposed 34.5kV FBR?**

1 A: In Prairie Land's opinion, the FBR approach reduces the costs and
2 regulatory lag of a traditional rate case while ensuring Commission and
3 interested parties are afforded a comprehensive and systematic review of
4 the rates (which, by the inherent design of the proposed 34.5kV FBR,
5 remain cost-based). Prefiled Direct Testimony of Richard J. Macke further
6 highlights the advantages that a formula-based rate approach offers to the
7 Commission, affected utilities, and customers as compared to a traditional
8 rate application.

9 **Q: Does Prairie Land currently have a formula-based rate in place for**
10 **any of its facilities?**

11 A: Not in a direct sense. However, Prairie Land does have a Commission-
12 approved Property Tax Rider in place, which, similar to the proposed
13 34.5kV FBR, annually updates rates on a formulaic basis. Additionally,
14 two of Prairie Land's power suppliers, Mid-Kansas and Sunflower (where,
15 as mentioned previously, I am a Board Member), currently have
16 Commission-approved formula-based rates in place for their transmission
17 facilities.

18 **Q: Are you of the opinion the Mid-Kansas and Sunflower formula-based**
19 **rates have captured those same general advantages and benefits of**
20 **formula-based rates?**

21 A: Yes. In my view, the general arguments in favor of a formula-based rate
22 have been realized by the Mid-Kansas and Sunflower FBRs.

1 **Q: What is the basic approach utilized in the proposed Prairie Land**
2 **34.5kV FBR?**

3 **A:** Prairie Land's proposed 34.5kV FBR calculates the annual revenue
4 requirement based upon pertinent operating expenses and margin
5 requirements.

6 **Q: What type and level of margin requirement is Prairie Land requesting**
7 **be used as the basis for the return requirement incorporated into its**
8 **34.5kV FBR?**

9 **A:** Prairie Land requests that a greater of a 1.8 Operating Times Interest
10 Earned Ratio ("OTIER") or a 1.8 Modified Debt Service Coverage Ratio
11 ("MDSC") be used as the margin requirement for determining the return
12 requirement.

13 **Q: Why are those appropriate levels and types of financial ratios for**
14 **determination of Prairie Land's margin requirement?**

15 **A:** First, in Prairie Land's latest Local Access Charge ("LAC") Cost of Service
16 filing in Docket No. 15-PLCE-176-TAR, the Commission approved a LAC
17 in an amount that assumes a 1.8 OTIER. Second, Prairie Land finds that
18 a 1.8 OTIER/MDSC would allow for a sufficient level of positive operating
19 margins to facilitate the improvement of capital structure to ensure safe
20 and reliable service, as well as help deal with unexpected contingencies.
21 Third, using the "greater of," with a secondary metric (the MDSC of 1.8),
22 allows flexibility in choosing the most appropriate driver for the margin
23 requirement as our debt matures.

1 **Q: Do you support the Prefiled Direct Testimony of Richard J. Macke**
2 **with respect to all aspects of the margin requirements and levels**
3 **thereof that are used to determine the revenue requirement in Prairie**
4 **Land's 34.5kV FBR?**

5 A: Yes, I concur with his analysis and the margin requirements he details,
6 which are the same margin requirements I previously mentioned.

7 **Q: Are you comfortable with having Mid-Kansas act as the billing agent**
8 **for purposes of Prairie Land's 34.5kV FBR proposed in the instant**
9 **proceeding?**

10 A: Yes, I am. Mid-Kansas is already serving in that capacity for purposes of
11 the Members' LAC. This is consistent with the prior Commission findings
12 (addressed in the 09-MKEE-969-RTS Docket and later upheld in the 11-
13 GIME-597-GIE Docket), where Mid-Kansas was designated to act as an
14 agent for purposes of administering the local delivery service over the Mid-
15 Kansas Members' 34.5kV facilities. For a more detailed history on Mid-
16 Kansas's role as a billing agent for the Members' LAC, see the Prefiled
17 Direct Testimony of H. Davis Rooney.

18 **Q: Does this conclude your testimony?**

19 A: Yes, it does.

VERIFICATION OF ALLAN J. MILLER

STATE OF KANSAS)
) ss:
COUNTY OF Johnson)

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
Allan J. Miller

SUBSCRIBED AND SWORN to before me this 14th day of July, 2015.

Jennifer Little
Notary Public

My Appointment Expires:

