

**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**

**ALLAN J. MILLER**

**CHIEF EXECUTIVE OFFICER**

**PRAIRE LAND 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.**

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"). My  
5 business address is 14935 US 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 in  
8 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 Company,  
12 Inc., the predecessor company of Prairie Land. From 1977 to 1981, I was staff  
13 assistant, and from 1981 to 1990, I was the office manager. In 1990, I was  
14 promoted to chief executive officer, the position I currently hold. I also serve as a  
15 Director on the Boards of Sunflower Electric Power Corporation ("Sunflower")  
16 and Mid-Kansas Electric Company, Inc. ("Mid-Kansas").

17 **Q. Have you previously presented testimony before the Commission?**

18 A. Yes. I have provided testimony in Docket Nos. 06-MKEE-524-ACQ, 13-MKEE-  
19 447-MIS, 16-MKEE-023-TAR, 16-PLCE-490-TAR, 17-PLCE-478-TAR, 18-  
20 MKEE-160-TAR, 18-PLCE-462-TAR. I also filed an Application in Docket No. 15-  
21 PLCE-176-TAR.

22 **Q. What is the purpose of your testimony?**

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

1 support the approval of the merger of Sunflower and Mid-Kansas.

2 **Q. Please provide a brief overview of Prairie Land.**

3 A. Prairie Land is an electric cooperative formed under the Kansas Electric  
4 Cooperative Act. It was formed for the purpose of supplying, promoting and  
5 extending the use of electric energy in rural areas of northwest Kansas. Prairie  
6 Land is the successor cooperative of the merger in 1997 of two other electric  
7 cooperatives: Norton-Decatur Cooperative Electric Company, Inc. and  
8 Northwestern Kansas Electric Cooperative Association, Inc. Norton-Decatur  
9 Cooperative Electric Company was formed in 1938, with the first lines energized  
10 in 1941. Prairie Land, therefore, has been providing electric retail service in the  
11 northwest Kansas for over 77 years. Today, Prairie Land serves approximately  
12 24,798 retail customers, maintains 6,980 miles of line, and employs 88 full-time  
13 employees in its native Sunflower and acquired Mid-Kansas service areas  
14 combined.

15 **Q. Is Prairie Land subject to the regulation and oversight of the Commission?**

16 A. No. Prairie Land is self-regulated except for transmission services which are still  
17 regulated by the Commission.

18 **Q. Does Prairie Land support the merger of Sunflower and Mid-Kansas with**  
19 **Sunflower becoming the surviving corporation?**

20 A. Yes. Prairie Land's Board of Directors unanimously approved the Agreement and  
21 Plan of Merger which included the new bylaws for the surviving corporation.

1    **Q.     Why does Prairie Land support the merger of the two companies?**

2    A.     In 2005, our board along with the other Members of Sunflower combined  
3           together to acquire Aquila, Inc. ("Aquila-WPK") by forming Mid-Kansas. The  
4           acquisition was finally approved in 2007 and after that the distribution assets and  
5           functions were eventually transferred to the Mid-Kansas Members. Since the  
6           inception of Mid-Kansas, the Mid-Kansas Members contemplated merging the  
7           two companies at the appropriate time. We knew at acquisition that merging the  
8           two companies would strengthen both companies. The combined company  
9           would have a stronger balance sheet and financial metrics that could facilitate a  
10          credit rating, and as a result, a lower cost of debt. This savings is not insignificant  
11          and would not be possible unless the two companies merge. As we analyzed the  
12          advantages and disadvantages of merger, our Board concluded the decision to  
13          merge in 2007 is and remains the right decision for the success of Prairie Land  
14          and our member owners. In the years since acquisition, it is evident that  
15          accomplishing a greater economy of scale is important to providing our member  
16          owners with affordable and reliable service. Combining the two companies will  
17          also provide greater rate stabilization and lower costs.

18   **Q.     Why is rate stabilization a key factor in Prairie Land's decision to approve**  
19   **the merger?**

20   A.     Lower rates are always important to retail customers, but so are rates that are  
21          stable. Significant fluctuation in rates disrupts budgets, pricing of products, crop  
22          planting intentions and a host of other activities. By combining the two

1 companies, our board believes the surviving company can more easily absorb  
2 load loss and other factors that can directly affect revenue requirements.  
3 Sunflower management has tried to operate Sunflower and Mid-Kansas as a  
4 single company to the extent it can; therefore, our board does not anticipate  
5 much in the way of additional merger savings from operational efficiencies. There  
6 is some duplication of services and functions that can be eliminated by  
7 combining the two companies which will simplify and further streamline the  
8 operations. All of this will result in savings in expense and manhours. All things  
9 considered, combining the two companies will provide the synergies and  
10 operational efficiency contemplated at the time of acquisition.

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

12 A. Yes. The merged company would have a resource-balanced generation portfolio  
13 at a lower cost than either company can achieve on its own. Mid-Kansas  
14 currently has contracted coal generation that is expiring early in 2019. A merged  
15 company will allow utilization of Sunflower's Holcomb plant to serve as a hedge  
16 against rising gas prices without extending or purchasing additional contracts for  
17 coal generation. The Sunflower side will benefit from the greater gas generation  
18 and a solar Power Purchase Agreement Mid-Kansas has.

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

20 A. Prairie Land is an all requirements customer of Mid-Kansas for the delivery  
21 points in the certificated territory acquired from Aquila-WPK in 2007. Also, Prairie  
22 Land is an all requirements customer of Sunflower and an all requirements  
23 customer of Kansas Electric Power Cooperative, Inc. ("KEPCo") for specified

1 delivery points within Prairie Land's non-Aquila-WPK territory. At the end of 2020,  
2 Prairie Land's all requirements contract with KEPCo ends and Prairie Land will  
3 have only Sunflower and Mid-Kansas as wholesale suppliers, and after merger  
4 Prairie Land's only wholesale supplier will eventually be Sunflower.

5 **Q. With several wholesale suppliers, how does Prairie Land currently price**  
6 **retail rates to retail customers?**

7 A. Prairie Land's retail rate is a blending of the rates of the three wholesale  
8 suppliers into a single rate.

9 **Q. Will the merger affect the local access delivery services ("LADS") provided**  
10 **to wholesale customers taking service on Prairie Land 34.5 kV system or**  
11 **the local access charge ("LAC")?**

12 A. The merger of Sunflower and Mid-Kansas will have no impact on the LADS or  
13 the LAC. Mid-Kansas and Sunflower currently serve as administrator of the Mid-  
14 Kansas Open Access Transmission Tariff under which Prairie Land provides and  
15 supports the local access services. The 34.5 kV facilities are owned by Prairie  
16 Land and the services are provided by Prairie Land. The LAC is based on the  
17 formula rate that is based upon Prairie Land's costs of service to the wholesale  
18 sub-transmission customers. The merger of Sunflower and Mid-Kansas will have  
19 no impact on the LADS or LAC other than the merger will result in a single  
20 administrator, Sunflower, rather than two as there are currently. Furthermore, to  
21 the extent the merger would have any impact, any such impact would be  
22 necessarily addressed at the Prairie Land level and not at Sunflower or Mid-  
23 Kansas. The LADS and LAC are not impacted by the merger of Sunflower and

1 Mid-Kansas. If there were required changes, the changes to the LADS or LAC  
2 would be addressed in a Prairie Land docket before the Commission.

3 **Q. Does Prairie Land believe the merger of the two companies is in the public**  
4 **interest?**

5 A. Our board has always felt that merging the two companies was in the best  
6 interest of our member owners and western Kansas. After consideration, our  
7 board still holds to that belief and approves of the merger.


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

9 A. Yes.

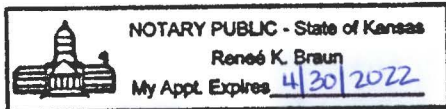
VERIFICATION

STATE OF KANSAS                     )  
  ) ss:  
COUNTY OF Ellis                     )

Allan J. Miller, being first duly sworn, deposes and says that he is the Allan J. Miller referred to in the foregoing document entitled "PREFILED 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 3rd day of August, 2018.



My Appointment Expires:

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