

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

DIRECT TESTIMONY
OF
ALLAN J. MILLER

DOCKET NO. 06-MKEE-524-ACQ

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

2 A. My name is Allan J. Miller.

3

4 **Q. By whom are you employed?**

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

6 My business address is 1101 West Highway 36, Norton, Kansas.

7

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

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

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

11 administration, also at Fort Hays State University.

12

13 **Q. Please summarize your work experience.**

14 A. In 1975, I became employed by Norton-Decatur Cooperative Electric

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

1 1981, I was a staff assistant and from 1981 to 1990, I was the office
2 manager. In 1990, I was promoted general manager.

3

4 **Q. Are you also an officer of Mid-Kansas Electric Company, LLC**
5 **(“MKEC”)?**

6 A. Yes, I am also the Chairman of Mid-Kansas Electric Company's board of
7 directors.

8

9 **Q. Who are the members of MKEC?**

10 A. As noted in the testimony of L. Earl Watkins Jr., MKEC consists of five
11 cooperatives and one subsidiary of a cooperative. The five Kansas
12 cooperatives and subsidiary company, collectively referred to as members of
13 MKEC, and their headquarters are as follows: Lane-Scott Electric
14 Cooperative, Inc., Dighton; Prairie Land Electric Cooperative Association,
15 Inc., Norton; Victory Electric Cooperative Association, Inc., Dodge City;
16 Western Cooperative Electric Association, Inc., WaKeeney; Wheatland
17 Electric Cooperative, Inc., Scott City and Southern Pioneer Electric
18 Company, a subsidiary of Pioneer Electric Cooperative, Inc., Ulysses. MKEC
19 was organized in 2005. The five cooperative members of MKEC and Pioneer
20 Electric also own Sunflower Electric Power Corporation (“Sunflower”).

21

1 **Q. Are the members of MKEC regulated by the Kansas Corporation**
2 **Commission (“Commission”)?**

3 A. Currently, Wheatland Electric and Pioneer Electric are fully regulated by the
4 Commission. The other members of MKEC are not rate regulated by the
5 Commission because their members have opted to remove their respective
6 cooperatives for rate regulation by the Commission pursuant to K.S.A 66-
7 104d.

8

9 **Q. Will MKEC be subject to the jurisdiction of the Commission?**

10 A. It is my understanding that MKEC is subject to the jurisdiction of the
11 Commission.

12

13 **Q. Please describe the service territory of the five cooperative members of**
14 **MKEC and Pioneer Electric.**

15 A. The service territory of the aforementioned cooperatives encompasses 34
16 counties in the western one-third of Kansas and has a size of approximately
17 20,500 square miles. Collectively, the cooperatives have approximately
18 54,000 connected services. Additionally, the member Members of MKEC
19 had combined revenues of \$132.7 million in 2004 and combined equity of
20 approximately \$122.4 million.

21

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

1 A. The purpose of my testimony is to provide: (1) a description of the MKEC
2 properties that the MKEC members will operate and maintain, (2) a general
3 discussion of how the transaction will affect customers within the MKEC area
4 that the MKEC members will operate and maintain; and (3) a discussion of
5 how the transaction will affect reliability and safety. My testimony is intended
6 to give a general overview of these subjects. MKEC is sponsoring a panel of
7 witnesses consisting of a representative from each of the MKEC members to
8 address questions specific to the operations of each MKEC member.

9

10 **Q. Please provide a description of the service territory that MKEC**
11 **proposes to acquire.**

12 A. MKEC is proposing to acquire the service territory of Aquila Networks –WPK
13 (“WPK”). This territory is located in 32 counties covering 3,529 square miles
14 in the central part of Kansas adjacent to the service territory of the MKEC
15 members. As of December 31, 2004, WPK had approximately 68,000
16 customers of which 76.1% were residential, 23.2% were commercial and
17 0.7% were industrial customers. WPK has approximately 2,755,000 MWHs
18 of annual sales and annual revenues of approximately \$186 million.

19

20 Exhibit E attached to the Application is a map that depicts the current service
21 territory of each of the MKEC members and the WPK service territory that
22 MKEC proposes to acquire. The map is also color-coded depicting the

1 portion of the MKEC acquired property that each MKEC member will be
2 responsible for operating and maintaining.

3

4 **Q. Please describe in general how the WPK facilities will be operated after**
5 **the transaction is completed.**

6 A. In general, the MKEC members will be responsible for the operation and
7 maintenance of the WPK distribution facilities through a service and
8 operation agreement between the MKEC members and MKEC. Sunflower
9 will be responsible for operating and maintaining the WPK generation and
10 transmission assets of MKEC through a separate service and operation
11 agreement with MKEC.

12

13 **Q. Explain further the service and operation agreement that the MKEC**
14 **members and Sunflower will enter into with MKEC?**

15 A. The service and operation agreement basically defines the working
16 relationship between the MKEC members and MKEC and Sunflower and
17 MKEC with respect to the operation and maintenance of the distribution,
18 generation and transmission facilities of MKEC. The service and operation
19 agreement will address such items as costs, insurance requirements, record
20 keeping and reimbursement of costs.

21

22 **Q. How will the transaction affect MKEC customers?**

1 A. MKEC customers will interface with the member of MKEC responsible for the
2 operation and maintenance of the MKEC territory in which the MKEC
3 customer is located. The customer will direct questions about billing, service
4 requests and complaints directly to the local member of MKEC.

5

6 **Q. Will different parts of the MKEC service territory have different rates
7 and rates structures?**

8 A. No. MKEC is requesting the Commission allow MKEC to adopt the rates and
9 rules and regulation of WPK for the entire MKEC service territory.

10

11 **Q. Do the members of MKECs intend to maintain a “local” presence in the
12 MKEC area that it is assuming operating responsibility?**

13 A. Yes, for several reasons. First, all WPK employees will be offered
14 employment with MKEC which means that there will be an equal amount or
15 more employees able to serve MKEC customers. Second, as previously
16 discussed, the MKEC customers will be afforded local access to a member of
17 MKEC responsible for operations in their respective area of MKEC. Finally, I
18 believe that at least some members of MKEC will establish additional local
19 service and payment centers. For instance, I believe that Wheatland Electric
20 plans to open a local service office in Great Bend. Currently, Great Bend
21 customers do not have a local service contact.

22

1 **Q. Will the operation of the MKEC as described affect reliability?**

2 A. MKEC believes that service reliability will be enhanced by the transaction.

3

4 **Q. Why?**

5 A. The members of MKEC have an excellent record for maintaining reliability of
6 service. As shown below, the members of MKEC generally have a consumer
7 outage rate of less than 3 hours per consumer per year. MKEC believes that
8 this is an excellent outage rate considering that extreme rural nature of the
9 service territory served.

10

11 All of the members of MKEC are Rural Utilities Services ("RUS) borrowers
12 and subject to RUS rules and regulations. RUS Bulletin 161- Interruption
13 Reporting and Service Continuity specifies that corrective action must be
14 explained and may require corrective action if average annual services
15 interruptions are greater than 5 consumer-hours.

16

17 MKEC would expect that the outage rate for the MKEC territory to be less
18 than that the current service territory of the MKEC members because the
19 majority of the MKEC service territory is concentrated within specific
20 communities and easily accessible.

21

1 Additionally, MKEC reliability should be further enhanced because the
2 members of MKEC participate in a shared services agreement with the
3 cooperatives of Kansas Electric Cooperatives, Inc. Through this agreement
4 members of MKEC are able to call on other cooperatives to assist in
5 restoring electrical service caused by an event such as a tornado or winter
6 storm.

7

MKEC member Outage Statistics

Hours per Consumer

	2002	2003	2004
Lane-Scott	3.02	5.71	3.11
Pioneer	1.05	2.37	1.49
Prairie Land	1.51	1.57	3.70
Victory	2.65	2.61	2.62
Western	2.58	1.41	3.11
Wheatland	0.72	0.70	1.29

8

9

10 **Q. Do the members of MKEC have safety programs.?**

11 A. Yes. All of the members of MKEC have safety programs. Most members of
12 MKEC have programs associated with Kansas Electric Cooperatives, Inc.
13 (“KEC”) and/or the National Rural Electric Cooperative Association
14 (“NRECA”). NRECA accreditation requires a rigorous audit of a cooperative’s
15 operational records and work practices every three years. KEC offers the
16 members of MKEC assistance with on-site safety meetings, field
17 observations, regulatory compliance and training. All of the members of
18 MKEC also have in-house safety programs.

1

2 **Q. Please describe customer education programs that the members of**
3 **MKEC currently have in place.**

4 A. The members of MKEC participate in various programs that educate the
5 member MKEC cooperatives. Among these activities are safety
6 demonstrations; sponsorship of youth leadership programs; participation in
7 "Cooperative Month" during October; publications such as newsletters,
8 brochures, and Kansas Country Living that is published by KEC; sponsorship
9 of ElectroRally car race; sponsorship of the "Get Charged" program that was
10 developed in conjunction with the Discovery Channel School to create a
11 teaching module for teaching electricity concepts to middle and grade school
12 youth; and sponsorship of Child I.D. kits.

13

14 **Q. Are the members of MKEC involved with the communities they serve?**

15 A. Yes, the members of MKEC are deeply involved in the communities that they
16 serve and contribute both volunteer time and money for various community
17 projects.

18

19 **Q. Is there anything else that you would like to bring to the attention of the**
20 **Commission?**

21 A. Yes. A significant benefit of this transaction is that the members of MKEC
22 will see an increase in the number of consumers per mile of distribution line.

1 Currently, the members of MKEC combined have an average of 2.63
2 consumers per mile of line while the WPK system has approximately five
3 times the customer density (approximately 12.82 consumers per mile of
4 distribution line). The implication of acquiring service territory with higher
5 consumer density is that the members of MKEC may be able to increase
6 productivity by optimizing existing distribution resources.

7

8 **Q. Is there anything else?**

9 A. Yes. The members of MKEC wish to assure the Commission that it is the
10 intent of the member of MKEC to operate the affected service territory in an
11 efficient, safe, and reliable manner consistent with sound business practice.

12

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


14 A. Yes.

VERIFICATION OF ALLAN J. MILLER

STATE OF KANSAS

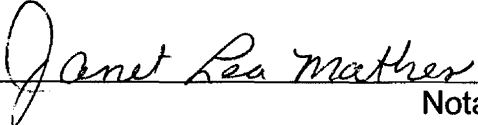
COUNTY OF NORTON

Allan J. Miller, being first duly sworn, deposes and says that he is 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 4th day of November, 2005.



Notary Public

My Appointment Expires:

