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March 21, 2020

Mr. Chris Petrie  
Wyoming Public Service Commission  
Hansen Building, Suite 300  
2515 Warren Avenue  
Cheyenne, WY 82002

Re: Docket No. 10014-202-CR-19, Record No. 15372  
General Rate Case – Supplemental Filing #3

Dear Mr. Petrie,

In follow up to a request from Commission Staff, Powder River Energy Corporation is submitting a revised version of the Testimony for Brian J. Mills. The revision pertains to page five (5) of this Testimony being inadvertently omitted in the original Application filing submitted October 18, 2019.

Pursuant to Docket No. 90000-151-XO-20, Record No. 15474, this supplemental filing has only been submitted electronically on the Commission's Document Management System and no physical original or copies will be mailed directly to the Commission.

Thank you for your consideration.

Sincerely,

Michael E. Easley  
Chief Executive Officer

MEE/sjp

OCT 18 2019

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**BEFORE THE WYOMING PUBLIC SERVICE COMMISSION**

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|--|----------------------------|
| IN THE MATTER OF THE APPLICATION OF )  | DOCKET NO. 10014-202-CR-19 |
| POWDER RIVER ENERGY CORPORATION )      | (Record No. _____)         |
| FOR AUTHORITY TO IMPLEMENT A )         |                            |
| GENERAL RATE INCREASE OF \$7,030,045 ) |                            |
| PER ANNUM AND REVISE TARIFFS )         |                            |

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**DIRECT TESTIMONY  
OF  
BRIAN J. MILLS  
POWDER RIVER ENERGY CORPORATION**

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

2 A. My name is Brian J. Mills, and my business address is Powder River Energy Corporation,  
3 P.O. Box 930, Sundance, WY 82729.

4 **Q. What is your present occupation?**

5 A. I am employed as Deputy General Manager and Human Resource Officer of Powder  
6 River Energy Corporation (“PRECorp” or “the Cooperative”). I am testifying in this  
7 matter primarily in my capacity as the Deputy General Manager.

8 **Q. What are your duties as Deputy General Manager of Powder River Energy**  
9 **Corporation?**

10 A. My duties are to assist the CEO/General Manager in his duties to supervise the operations  
11 of the Cooperative; to make recommendations to the Board of Directors with respect to  
12 strategy and policy and to administer the policies adopted by the Board of Directors; to  
13 provide both short-term and long-range plans for the operation, construction, and  
14 financing of the Cooperative; to maintain an adequate and suitable work force; and to  
15 keep the Board informed in all aspects of the management of the Cooperative.

16 **Q. Does Exhibit BM-1 accurately reflect your professional background and**  
17 **qualifications?**

18 A. Yes.

19 **Q. Can you describe PRECorp’s service territory?**

20 A. PRECorp provides electric power to Crook, Weston, Campbell, Johnson, and Sheridan  
21 Counties in northeast Wyoming, as well as to a small area of southern Montana. Our  
22 service area includes the bulk of the Powder River Basin, and our service area in  
23 Montana includes two large coal mines, Decker and Spring Creek.

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

25 A. The purpose of my testimony is to provide a high-level view of PRECorp’s current  
26 operating and financial situation. I will explain the overall objectives of this rate filing,  
27 and briefly discuss significant elements of this rate filing to the extent they are not fully  
28 covered in PRECorp’s other pre-filed testimony.

29 **Q. Will PRECorp present additional witnesses?**

30 A. Yes. Joanne Kolb will discuss PRECorp’s loan provisions with the Rural Utilities  
31 Service (“RUS”), highlighting the key ratios that RUS uses to assess our credit  
32 worthiness and will also address the primary financial issues resulting in the need for this

33 rate filing. David Hedrick of C.H. Guernsey and Company will provide detailed technical  
34 testimony regarding the Cost of Service Study (“COSS”) and rate analysis that supports  
35 this rate filing and the objectives of the same.

36 **Q. What are the specific objectives of this rate filing?**

37 A. The specific objectives of this rate filing are to: (a) increase the system revenue  
38 requirement by approximately \$7 million to address a revenue shortfall and the  
39 consequences of that shortfall; (b) restructure rate classes to help provide class stability;  
40 and (c) increase the monthly basic charge for several classes to better recover fixed costs  
41 and bring the classes to or close to cost of service.

42 **Q. Please explain the guiding criteria used in developing this general rate filing.**

43 A. PRECorp’s purpose is to positively influence and improve lives for those we serve by  
44 providing reliable energy and services at an affordable price. This rate filing was  
45 developed because of a threat to PRECorp’s ability to meet these member expectations in  
46 a responsible fashion. The goal of filing this rate case is to stabilize PRECorp’s  
47 operational and financial condition in a declining sales environment. This declining sales  
48 environment has created a revenue shortfall for PRECorp, which is the problem resulting  
49 in the need for this application.

50 **Q. Please provide a high-level view of PRECorp’s current operating environment and**  
51 **the conditions leading to it.**

52 A. From 2010-2013, PRECorp’s overall system sales were relatively stable, despite CBM  
53 sales declines, due in large part to increasing oil-related loads and stable sales to coal  
54 mines. CBM declines continued through 2014 and, when combined with low global oil  
55 prices and continued low gas prices, system sales began declining in 2015. PRECorp has

56 not been immune to the atrophy the fossil fuel energy industry has experienced nation-  
57 wide. We have seen several selloffs of CBM assets in the Powder River Basin. Since  
58 2015, over half of our large coal mine members have filed for bankruptcy. Ms. Kolb  
59 will further detail the total sales decline we have experienced, but in summary, PRECorp  
60 is down 17% compared to year-end 2015. Seventy-eight (78%) of our costs come from  
61 purchasing power to provide to our customers.

62 **Q. Who do you purchase power from?**

63 A. We buy the bulk of our power through Members 1st Power Cooperative (“Members 1<sup>st</sup>”),  
64 which is essentially a pass-through entity that we created in 2016 by partnering with two  
65 other cooperatives, Tongue River Electric Coop and Fergus Electric Coop. In doing this,  
66 PRECorp was able to maintain a Class A presence on the Basin Board (this impacts  
67 PRECorp’s voting power on the Basin Board). PRECorp is one of 141 distribution  
68 cooperatives in nine (9) states whose members have joined together to centralize power  
69 generation and transmission in a G&T entity like Members 1<sup>st</sup> to better serve our  
70 respective co-op members. The goal of this model is to provide reliable, cost-effective  
71 power to our member owners.

72 **Q. What does PRECorp need to do to manage effectively through these challenges and**  
73 **position itself for the future?**

74 A. In 2018, the Cooperative completed a comprehensive effort that included engagement  
75 from the energy industry, employee groups, local and state government, the Board of  
76 Directors, and members to help develop a road map for PRECorp’s future. The result of  
77 that effort is the Strategy Map (Exhibit BM-2). This Strategy Map sets a course of action  
78 for the next ten (10) years and even casts an ambitious 2050 goal of having the first

79 megawatt hour of energy usage at or near zero cost. In reviewing the map, you can see  
80 PRECorp’s anticipation for the future and being able to meet our member’s energy needs  
81 in an even more efficient, reliable, and cost effective manner. This plays a big part in  
82 PRECorp’s ability to navigate future challenges. In 2019, we put the strategy in motion  
83 and began working the strategy we laid out. In executing on the strategy, in any given  
84 year, the company focuses on a handful of initiatives. Those initiatives are focused to  
85 achieve on three specific themes:

86 1) “Monitor, Predict and Harness the Power of Accelerating Technology.” An example  
87 of this is our deployment of a new Automated Meter Infrastructure (AMI) metering  
88 system. This is a multi-year effort that will allow both PRECorp and its members to have  
89 better usage data that will ultimately result in smarter usage;

90 2) “Mitigate Wholesale Power Supply Risk.” This focus incorporates working with other  
91 cooperatives to achieve economies of scale and to strengthen the members’ voices to  
92 allow PRECorp to develop favorable rates and contracts; and

93 3) “Member Engagement and Community Development.” This comes down to  
94 maintaining a high level of relevance with our members, such as helping them incubate  
95 new business opportunities or expand existing businesses, and excelling in our core  
96 business functions to earn member loyalty. Strengthening our value to our members is  
97 key.

98 Each of these three themes PRECorp established include a commitment to recruit, retain,  
99 and develop talent and utilize technology in a manner that will enable us to achieve our  
100 vision, as described in the Strategy Map.

101 **Q. What has PRECorp done since its last rate case to respond to the continued**  
102 **decrease in revenues?**

103 A. The decrease in revenues is indicative of the state the energy industry is in right now.  
104 Given that reality, one of the first safety measures we saw as necessary was ensuring we  
105 could collect earned revenue. To that end, PRECorp proposed a Deposit Policy that this  
106 Commission approved on July 27, 2017. The security this added to the membership as a  
107 whole has been widely endorsed, given the realities of what happens to the rest of the  
108 membership when bills are left unpaid. The second strategy approach has been to reduce  
109 expenses. The PRECorp team has responded very well to these challenges. Our Case for  
110 Excellence (CFE) program allows employees to submit documented work activity they  
111 complete that results in expense reduction/savings. These efforts can be as simple as  
112 negotiating a discount on a bill, implementing a way to extend equipment life, or  
113 implementing a work practice process improvement that results in efficiency and reduced  
114 costs. Employees can earn monetary rewards. Since 2015, the CFE program has  
115 recognized expense savings of nearly \$4 million. These savings have bottom-line  
116 impacts that have helped PRECorp defray or avoid costs in a way that has extended the  
117 life of our current rate structure. Additional expense savings resulted from reducing the  
118 overall benefit profile on a per employee basis and altering how we pay for medical  
119 insurance and fund a retirement plan. Another expense reduction example involves our  
120 staffing levels. In 2015, we had 141 employees. As a team, we were committed to do all  
121 that we could to reduce expenses before exercising a forced reduction in labor. To the  
122 employees' credit, we have been able to honor that commitment and through the use of  
123 technology, coupled with attrition and retirements, we have an organization of 121

124 employees today. While we have always felt like we held staffing at a responsible level in  
125 our service to the membership, these past couple years have brought a new reality for us  
126 and we have had to ask even more from the employees. We are at a point now where we  
127 fear we may see some sacrificing of quality and have begun to evaluate our options to  
128 bring back a couple of positions.

129 **Q. Why does PRECorp propose to restructure rate classes at this time?**

130 A. A rate class is simply a way to group members that have similar usage and/or  
131 requirements in serving their load. As CBM was coming on to the system, we created a  
132 couple different classes for the CBM members that allowed us to have a more accurate  
133 cost structure for our service to them (i.e., ensuring built out costs are recovered from  
134 CBM and ensuring the remaining rate payers did not subsidize this substantial expense).  
135 As the CBM industry has faded, these respective CBM class' overall load profiles,  
136 including the number of members, have followed suit to a point where it makes sense to  
137 re-incorporate those few remaining CBM members back into the General Service and  
138 Large Power classes. By re-integrating the CBM classes, we are able to achieve a more  
139 stable class structure overall for the membership. Mr. Hedrick discusses this in further  
140 detail in his testimony.

141 **Q. What specific CBM members are being re-integrated, and which classes are each  
142 being re-integrated into?**

143 A. The General Service–CBM members will be re-integrated into the General Service class,  
144 and the Large Power–CBM members will be re-integrated into the Large Power class.

145 **Q. Even with the proposed rate increase and rate changes, does PRECorp face**  
146 **continued exposure related to the potential loss of CBM load or the industry as a**  
147 **whole?**

148 A. Yes. While the proposed rate increase will help to mitigate the impact of a potential loss  
149 of the CBM load, PRECorp will continue to face challenges should the CBM load go  
150 away. PRECorp has conducted an analysis to estimate the impact on the Cooperative.  
151 The analysis shows that the loss of all CBM load would cause a \$6.4 million reduction in  
152 operating margin. Instead of an operating margin of \$6.5 million, as reflected under  
153 proposed rates, a drop off of CBM load would likely result in an operating margin of  
154 roughly \$100,000. The implications of this, even with the requested rate increase, would  
155 result in PRECorp not meeting the RUS required OTIER.

156 **Q. What does PRECorp anticipate its response would be should the CBM load cease**  
157 **during the next twelve months, while this rate filing is being processed?**

158 A. Due to the impact such a loss would have on the Cooperative, PRECorp anticipates it  
159 would be necessary to file an emergency request for an additional increase in margins  
160 sufficient to meet its lender requirements and financial objectives.

161 **Q. Were any specific Commission directives taken into account when developing this**  
162 **rate case?**

163 A. Yes, in the last rate case, the Commission and/or specific Commissioners made  
164 suggestions that we were careful to take note of. We are working hard to bring all classes  
165 close to their cost of service, as recommended by both the Commission and the OCA. We  
166 are bringing the AMI into play to allow more specific metering information. We are also  
167 analyzing the Risk Management and Deferred Revenue Funds often to assess the best and

168 most appropriate utilization of each. Ms. Kolb discusses these funds in more detail. We  
169 have also tried to provide as much information as we can to the members, large and small  
170 (in terms of kWh usage), Commission, and OCA as we developed this rate filing to  
171 ensure we work to cover the concerns everyone impacted may express to the extent we  
172 possibly can.

173 **Q. Has this filing been approved by PRECorp's Board of Directors?**

174 A. Yes, the Board approved the rate filing on September 17, 2019.

175 **Q. When does PRECorp request the rates proposed in this filing become effective?**

176 A. PRECorp is requesting the rates proposed in this filing be approved and effective no later  
177 than September 1, 2020.

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

179 A. Yes, it does.

**BEFORE THE WYOMING PUBLIC SERVICE COMMISSION**

IN THE MATTER OF THE APPLICATION OF )  
POWDER RIVER ENERGY CORPORATION ) DOCKET NO. 10014-202-CR-19  
FOR AUTHORITY TO IMPLEMENT A ) (Record No. \_\_\_\_\_)  
GENERAL RATE INCREASE OF \$7,030,045 )  
PER ANNUM AND REVISE TARIFFS )

**AFFIDAVIT, OATH AND VERIFICATION  
OF BRIAN J. MILLS**

STATE OF WYOMING )  
 ) SS  
COUNTY OF CROOK )

I, Brian J. Mills, being of lawful age and being first duly sworn, hereby state:

1. I am the Deputy General Manager and Human Resource Officer of Powder River Energy Corporation ("PRECorp").

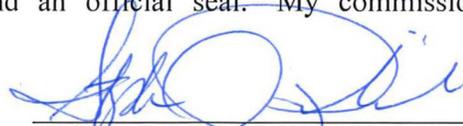
2. Filed with the Wyoming Public Service Commission in the above-captioned proceeding and made a part hereof for all purposes is my direct testimony and exhibits, which have been prepared in written form for introduction into evidence in this proceeding. I have, by all necessary action, been duly authorized to file this testimony and make this Oath and Verification.

3. I hereby verify that all statements and information contained within the direct testimony and its attachments are true and complete to the best of my knowledge.

  
\_\_\_\_\_  
Brian J. Mills  
Deputy General Manager and  
Human Resource Officer  
Powder River Energy Corporation  
221 Main Street  
Sundance, WY 82729

The foregoing was acknowledged before me by Brian J. Mills on this 30th day of September, 2019. Witness my hand an official seal. My commission expires: June 2, 2020.

S E A STEPHANIE J. PRIBILSKE - NOTARY PUBLIC  
County of Crook State of Wyoming  
My Commission Expires June 2, 2020

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