

BEFORE THE KANSAS CORPORATION COMMISSION
OF THE STATE OF KANSAS

In the Matter of the Application of Western)
Cooperative Electric Association, Inc.)
Seeking Commission Approval to Update) Docket No. 20-WSTE-440-TAR
Its Local Access Delivery Service Tariff)
Pursuant to the 34.5kV Formula Based)
Rate Plan Approved in Docket No. 16-)
MKEE-023-TAR.

PREFILED DIRECT TESTIMONY OF
THOMAS RUTH
GENERAL MANAGER
WESTERN COOPERATIVE ELECTRIC ASSOCIATION, INC.

ON BEHALF OF
WESTERN COOPERATIVE ELECTRIC ASSOCIATION, INC.

May 1, 2020

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PART I – QUALIFICATIONS

Q. Please state your name and business address.

A. My name is Thomas Ruth. My business address is 635 S. 13th St., WaKeeney, Kansas.

Q. What is your profession?

A. I am the General Manager of Western Cooperative Electric Association, Inc. (“Western” or “Cooperative”). As the General Manager of Western, I also serve on the Board of Directors of Sunflower Electric Power Corporation (“Sunflower”).¹

Q. What is your educational background?

A. I graduated from the University of Missouri-Rolla in 1995 with a Bachelor of Science degree in Engineering Management. I am a professional electrical engineer, registered in Colorado.

Q. What is your professional background?

A. I have forty-four years of experience in utility industry, including electrical power and communications.

Q. Have you previously presented testimony before the Kansas Corporation Commission (“KCC” or “Commission”)?

A. Yes. I submitted Prefiled Direct Testimony in Western’s 2019 34.5kV Formula-Based Rate (“34.5kV FBR”) in the Docket No. 19-WSTE-443-TAR.

PART II - SUMMARY OF DIRECT TESTIMONY

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is as follows:

¹ Previously, I also served on the Board of Directors Mid-Kansas Electric Company, Inc. (“Mid-Kansas”), a generation and transmission company (“G&T”) for the acquired Mid-Kansas division of Western. Effective January 1, 2020, Mid-Kansas and Sunflower merged into a single entity. However, during the 2019 Historical Year, used for purposes of this filing, the entity serving Western’s acquired Mid-Kansas division was Mid-Kansas. See also footnote 14 on page 14 in the Prefiled Direct Testimony of Elena Larson and footnote 1 on page 1 in the Application submitted in the instant filing.

- 1 1. Affirm Western's support for the calculation of the wholesale demand rate for the Local
- 2 Access Delivery Service ("LADS") over Western's 34.5kV sub-transmission system (Mid-
- 3 Kansas division) as contained in Ms. Elena Larson's Direct Prefiled Testimony.
- 4 2. Confirm that Western will notify its customers as required in Section C of the Commission-
- 5 approved 34.5kV FBR Protocols ("Protocols").²
- 6 3. Attest to the Equity Test requirement noted in Section H of the Protocols.
- 7 4. Provide insight as to the information required by Item No. 11 listed in Section F of the
- 8 Protocols.

9 **Q. What is Western's opinion concerning the proposed 2020 34.5kV FBR rate of \$0.96/kW?**

10 A. Western Staff has provided the data necessary for the calculations as contained in the populated

11 34.5kV FBR template attached to the Application filed in the instant Docket as Exhibit 5.

12 Cooperative Staff has reviewed the exhibit and the supporting work papers and is in agreement

13 that the resultant rate was calculated in accordance to Western's 34.5kV FBR Protocols as

14 approved by the Commission. Accordingly, Western believes this rate, as detailed in Ms.

15 Larson's Prefiled Direct Testimony and included in the proposed LADS tariff, is just and

16 reasonable, as it is based on the cost of service ("COS") and follows the Commission-

17 prescribed methodology.

18 **Q. Please elaborate on how the Customer Notification requirement, detailed in Section C of**

19 **the Protocols, will be fulfilled.**

20 A. Upon filing of the Application and all of the exhibits in the instant Docket (and once the actual

21 Docket Number is known to the Cooperative), all customers taking wholesale LADS from

22

23

24

25 ² Included as Exhibit D with the Commission March 10 and April 26, 2016 Orders in the Docket No. 16-MKEE-023-TAR ("16-023 Docket").

Western will receive notice of the filing when it is made with the Commission. Such notice may be made via electronic mail or bill insert and will contain the following information:

1. The date the filing was made with the Commission and the docket number assigned.
2. The amount of the revenue adjustment sought.
3. The resulting rate impact.
4. A statement explaining that the rate adjustment is being made pursuant to the 34.5kV FBR, with a cite to Docket No. 16-MKEE-023-TAR and the date of the Commission's March 10, 2016 Order approving the initial application for Western's 34.5kV FBR.
5. A Western contact person and phone number for questions.

Q. Please address the Equity Test requirement as noted in Section H of the 34.5kV FBR Protocols.

A. Per Section H of the Protocols, Western (Mid-Kansas division) must notify the Commission when its distribution equity ratio (calculated exclusive of equity in or from associated organizations) reaches 36.31 percent, which would signal the re-evaluation of the currently-approved Operating Times Interest Earned ("OTIER") and Modified Debt Service Coverage ("MDSC") ratios as used in the 34.5kV FBR.

Q. Has Western (Mid-Kansas division) calculated its Distribution Equity Ratio for the 2019 Test Year?

A. Yes. Table 1 on the following page evidences that for 2019, Western's Distribution Equity Ratio (for the Mid-Kansas division), calculated to be at a 3.59 percent, was well below the prescribed 36.31 percent threshold. Note that one of the major items excluded as equity in Associated Organizations is represented by Western's equity in Mid-Kansas.

Table 1. Western 2019 Distribution Equity Ratio (MKEC division only)		
Excluding Investment in Associated Organizations		
Total Margins & Equity		\$ 7,112,582.36
Less Equity in Assoc. Org Pat Cap		\$ 5,878,447.96
		\$ 1,234,134.40
Total Assets & Other Debits		\$ 40,262,347.57
Less Equity in Assoc. Org Pat Cap		\$ 5,878,447.96
		\$ 34,383,899.61
Distribution Equity Ratio	$\frac{\$ 1,234,134.40}{\$34,383,899.61} =$	3.59%
Detail of Equity in Assoc. Org Pat Cap		
United Ag Service, Inc.		\$ 1,954.91
MKEC		\$ 5,876,493.05
		\$ 5,878,447.96

Q. Now please discuss the information required for Item No. 11 on the list of required filing exhibits as contained in Section F of the Protocols.

A. This Item requires the Cooperative to provide a summary explanation of any material increases from the previous year (where “material” is quantified to be over 10 percent) in a COS item for the 34.5kV FBR. Comparing line items in Column (i) FBR Revenue Requirement on Exhibit 5, Page 1 submitted in the instant Docket against the same categories for the 2018 calendar year filed last year in the Docket No 19-WSTE-443-TAR, in which the Commission approved Western’s 34.5kV FBR fourth Annual Update Application, identifies no items with over a 10 percent increase. See the following summary in Table 2.

Table 2. Western (East/Mid-Kansas Division) COS Item Comparison					
COS Item Description	2019 FBR		2020 FBR		DIFF
	Approved Revenue Requirement		Filed Revenue Requirement		DIFF \$ %
<u>Operating Expenses</u>					
Transmission O&M	\$	238,714	\$	236,567	\$ (2,147) -1%
Administration & General	\$	23,297	\$	20,244	\$ (3,053) -13%
Depreciation and Amortization					
Transmission	\$	262,469	\$	281,787	\$ 19,318 7%
General Plant	\$	3,193	\$	3,292	\$ 99 3%
Property Tax	\$	-	\$	-	
Other Taxes	\$	-	\$	-	\$ -
L.T. Interest	\$	183,979	\$	178,349	\$ (5,630) -3%
Interest Charged to Construction - Credit	\$	-	\$	-	
Interest-Other	\$	-	\$	-	\$ -
Other Deductions	\$	-	\$	-	\$ -
<u>Margin Requirement Components</u>					
Principal Payments	\$	251,772	\$	250,070	\$ (1,701) -1%
L.T. Interest	\$	183,979	\$	178,349	\$ (5,630) -3%

Q. What is your final recommendation to the Commission?

A. I support Ms. Larson's recommendation to approve Western's Application in the instant Docket, as the resultant rate is reflective of the COS, was calculated in accordance with the Commission-approved 34.5kV FBR Protocols, and therefore is just and reasonable and is in the public interest.

Q. Does this conclude your testimony?

A: Yes, it does.

VERIFICATION

I, Thomas Ruth, of lawful age, state:

That I am the General Manager for Western Cooperative Electric Association, Inc.; that I do solemnly, sincerely and truly declare and affirm that I have read this Prefiled Direct Testimony of Thomas Ruth and know the contents thereof; and, that the facts therein are true and correct to the best of my knowledge, information and belief, and I affirm this under the pains and penalties of perjury.

Tom Ruth

Thomas Ruth