

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)
Its Local Access Delivery Service Tariff) Docket No. 24-WSTE- 682- TAR
Pursuant to the 34.5kV Formula Based)
Rate Plan Approved in Docket No. 21-)
SEPE-049-TAR.)

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

ON BEHALF OF
WESTERN COOPERATIVE ELECTRIC ASSOCIATION, INC.

May 1, 2024

TABLE OF CONTENTS

PART I - QUALIFICATIONS 1

PART II - SUMMARY OF DIRECT TESTIMONY 1

TABLES

Table 1 - Western (Mid-Kansas Division) 2023 Distribution Equity Ratio **5**

Table 2 - Western (Mid-Kansas Division) COS Item Comparison After Allocation..... **6**

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 Western’s General Manager, I am also a member of the Board 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-seven 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 have provided testimony in Docket Nos. 19-WSTE-443-TAR (“19-443 Docket”), 20-WSTE-443-TAR, 21-SEPE-049-TAR (“21-149 Docket”), 21-WSTE-404-TAR, and 22-WSTE-497-TAR, 23-WSTE-791-TAR.

¹ Prior to January 1, 2020, Western was also a member-owner of the Mid-Kansas Electric Company, LLC (“Mid-Kansas”), a G&T for the acquired Mid-Kansas division of the Cooperative. Effective January 1, 2020 Mid-Kansas and Sunflower merged into a single entity. However, for purposes of this filing, all data inputs used to calculate the LADS rate still represent the Cooperative’s Mid-Kansas division’s data, as required by the Commission-approved Protocols for the 34.5KV Formula-Based Rate Plan.

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. Affirm Western’s support for the calculation of the wholesale demand rate for the Local Access Delivery Service (“LADS”) service over Western’s 34.5kV sub-transmission system (Mid-Kansas division) as contained in Mr. Craswell’s Prefiled Direct Testimony.
2. Confirm that Western will notify its customers as required in Section C of the Commission-approved 34.5kV FBR Protocols (“Protocols”) (attached to the April 15, 2021 Commission Order Approving Unanimous Settlement Agreement as Attachment A3 to Exhibit A in the 21-049 Docket).
3. Attest to the Equity Test requirement noted in Section G of the Protocols.
4. Provide the information required by Item No. 10 listed in Section F of the Protocols.

Q. What is Western’s opinion concerning the proposed 2024 34.5kV FBR rate of \$1.27/kW?

A. Western’s Staff has provided the data necessary for the calculations as contained in the populated 34.5kV FBR template attached to the Application filed in the instant Docket as Exhibit 5. Cooperative Staff has reviewed the exhibit and the supporting work papers and is in agreement that the resultant rate was calculated in accordance with (1) Western’s 34.5kV FBR Protocols as approved by the Commission and (2) Emergency Order issued by the Commission on February 15, 2021 in Docket No. 21-GIMX-3030-MIX.²

² See Part C on page 3 of the Emergency Order directing jurisdictional companies to defer Storm Uri-related costs. Although Western is not regulated for its retail rates, it is jurisdictional to the KCC for wholesale 34.5kV system LADS rate. Therefore, filing this year’s 34.5kV FBR excluding Storm Uri costs (set aside as a deferred debit and being recovered from its retail members on behalf of whom Western incurred the extraordinary purchased power costs) – same as last year, - satisfies KCC requirements outlined in the Emergency Order.

1 **Q. Do you agree with the extraordinary adjustment made to exclude debt service associated**
2 **with the Storm Uri in this year's filing as described in Mr. Craswell's Prefiled**
3 **Testimony?**

4 A. Yes. Western deferred debt related to extraordinary purchase power costs incurred in February
5 2021 as a result of Storm Uri over 3 years and established a retail rider set to recover these
6 costs from its retail members over the same period of time³. As Mr. Craswell noted on pages
7 4 and 5 of his Prefiled Testimony filed in the instant Docket, the said extraordinary costs are
8 segregated and clearly identifiable as shown in Exhibit 8, also provided in the instant Docket.
9 Accordingly, Western believes this rate, as detailed in Mr. Craswell's Prefiled Direct
10 Testimony and included in the proposed LADS tariff, is just and reasonable, as it is based on
11 the cost of service ("COS") and follows the Commission-prescribed methodology.

12 **Q. Please elaborate on how the Customer Notification requirement, detailed in Section C of**
13 **Western's 34.5kV FBR Protocols, will be fulfilled.**

14 A. Upon filing of the Application and all of the exhibits in the instant Docket (and once the actual
15 Docket Number is known to the Cooperative), all customers taking wholesale LADS from
16 Western will receive notice of the filing when it is made with the Commission. Such notice
17 may be made via electronic mail or bill insert and will contain the following information:

- 18 1. The date the filing was made with the Commission and the docket number assigned.
- 19 2. The amount of the revenue adjustment sought.
- 20 3. The resulting rate impact.
- 21 4. A statement explaining that the rate adjustment is being made pursuant to the 34.5kV
22 FBR, with a cite to Docket No. 21-SEPE-049-TAR and the date of the Commission's

24
25 ³ The 3-year period includes part of 2021, all of 2022, and part of 2023; otherwise, totals 24 months.

1 April 15, 2021 Order approving the application for continuation of Western's 34.5kV
2 FBR for another five-year term.

3 5. A Western contact person name and phone number for questions.

4 **Q. Please address the Equity Test requirement as noted in Section G of the 34.5kV FBR**
5 **Protocols.**

6 A. Per Section G of the Protocols, Pages 9 and 10, Western must notify the Commission when its
7 distribution equity ratio (for the Mid-Kansas division) reaches 36.31 percent, which would
8 signal the re-evaluation of the currently-approved Operating Times Interest Earned Ratio
9 ("OTIER") and Modified Debt Service Coverage ("MDSC") metrics as used in the 34.5kV
10 FBR.

11 **Q. Has Western (Mid-Kansas division) calculated its Distribution Equity Ratio for the 2024**
12 **Test Year?**

13 A. Yes. The following Table 1 evidences that for 2023, Western's Distribution Equity Ratio (for
14 the Mid-Kansas division), calculated to be at 5.85 percent, was well below the prescribed 36.31
15 percent threshold. Per the 34.5kV FBR Protocols, this ratio is to be calculated exclusive of
16 equity in or from associated organizations. Note that the majority of such excludable equity,
17 as evidenced in Table 1, is represented by Western's investment in Mid-Kansas.

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Table 1. Western 2023 Distribution Equity Ratio (MKEC division only)

Excluding Investment in Associated Organizations

Total Margins & Equity			\$ 11,473,432.00
Less Equity in Assoc. Org Pat Cap			\$ 8,873,865.00
			<u>\$ 2,599,567.00</u>
Total Assets & Other Debits			\$ 53,290,556.00
Less Equity in Assoc. Org Pat Cap			\$ 8,873,865.00
			<u>\$ 44,416,691.00</u>
Distribution Equity Ratio		$\frac{\$ 2,599,567.00}{\$ 44,416,691.00}$	= 5.85%
Detail of Equity in Assoc. Org Pat Cap			
United Ag Service, Inc.			\$ 2,756.00
MKEC			\$ 8,871,109.00
			<u>\$ 8,873,865.00</u>

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1 **Q. Now please discuss the information required for Item No. 10 on the list of required filing**
 2 **exhibits as contained in the Filing Exhibits Section E of the Protocols.**

3 A. Item No. 10 requires the Cooperative to provide a summary explanation of any material
 4 increases from the previous year (where “material” is quantified to be over 10 percent) in a
 5 COS item for the 34.5kV FBR. Comparing line items in Column (i) FBR Revenue
 6 Requirement on Exhibit 5, Page 1, submitted in the instant Docket against the same categories
 7 as approved last year in the 23-WSTE-791-TAR Docket under the final year of Western’s
 8 initial 34.5kV FBR plan, the following 2023 COS items were identified as showing over a 10
 9 percent increase: Transmission O&M, Administration & General, General Plant, Interest
 10 Charged to Construction, Interest - Other. See the following summary in Table 2.⁴

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12 **Table 2. Western (Mid-Kansas Division) COS Item Comparison**

COS Item Description	2023 FBR Approved Revenue Requirement	2024 FBR Revenue Requirement	Diff \$	Diff %
<u>Operating Expenses</u>				
Transmission O&M	\$ 175,835	\$ 257,227	\$ 81,392	46%
Administration & General	\$ 20,824	\$ 39,954	\$ 19,130	92%
Depreciation & Amortization			\$ -	
Transmission	\$ 283,185	\$ 290,145	\$ 6,961	2%
General Plant	\$ 2,455	\$ 3,207	\$ 752	31%
Property Tax	\$ -	\$ -	\$ -	
Other Taxes	\$ -	\$ -	\$ -	
L.T. Interest	\$ 179,653	\$ 163,136	\$ (16,518)	-9%
Interest Charged to Construction	\$ 37,500	\$ 45,488	\$ 7,988	21%
Interest - Other	\$ 1,612	\$ 2,535	\$ 924	57%
Other Deductions	\$ -	\$ -	\$ -	
<u>Margin Requirement Components</u>				
Principal Payments	\$ 276,496	\$ 239,258	\$ (37,238)	-13%
L.T. Interest	\$ 179,653	\$ 163,136	\$ (16,518)	-9%

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25 ⁴ Values displayed are rounded to the nearest dollar/percent.

1 **Q. Please explain the drivers behind the change in Transmission O&M.**

2 A. In March 2022 Western received approval for an RUS waiver from the 7 CFR Part 1767.41,
3 Accounting Methods and Procedures Required of All Rural Utilities Service Borrowers,
4 Interpretation No. 119, Special Equipment accounting requirements. Entries were previously
5 required under this RUS provision to credit appropriate expense accounts for estimated
6 installation cost of special equipment (transformers, meters, OCR's) at the time the special
7 equipment was purchased. The entries were a credit to expense and a debit to the appropriate
8 fixed asset along with the actual purchase price of the special equipment. Once this waiver was
9 received Western no longer made monthly entries for estimated installation costs and instead
10 only capitalized the cost of the special equipment. Associated actual labor and overheads are
11 capitalized at the time the special equipment is installed and placed into service. The final
12 special equipment estimated labor cost entries were completed in March 2022 and amounted to
13 \$47,000 of credits to expense account 570.000 – Maintenance of Transmission Station
14 Equipment. This accounts for 56% of the increase seen from 2022 to 2023.

15 Labor and associated overheads increased in 2023 due to some additional maintenance items
16 in April and August. In April 2023 additional line switching was necessary for Sunflower Electric
17 Power Corporation (SEPC) to perform maintenance on 115kV lines. In addition, there was
18 maintenance performed on capacitor bank in the Essex Substation. In August 2023 Western was
19 again performing three weeks of intermittent line switching for SEPC to perform maintenance on
20 115kV lines. There was also 34.5kV breaker maintenance performed in the Russell Substation.

21 **Q. Please explain the drivers behind the change in Administration and General.**

22 A. There was a marginal increase in safety and benefit expenses from 2022 to 2023. The labor
23 allocation factor increased from 0.15397 in the 2022 filing to 0.025334 in the 2023 filing (reasons
24 for this addressed in Transmission O&M discussion). This increase caused an increase in the
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1 allocated administration and general expense in the 2023 calculation.

2 **Q. Please explain the drivers behind the change in General Plant Depreciation.**

3 A. General plant depreciation decreased from 2022 to 2023 but the labor allocation factor increased
4 from the 2023 filing (as discussed in the Administration & General discussion). This increase
5 caused the allocated general plant depreciation to increase slightly from the prior year even with a
6 decrease in general plant depreciation expense in total.

7 **Q. Please explain the drivers behind the change in Interest Charged to Construction.**

8 A. Western is booking their Intercompany loan separately on this line in the Operating Income
9 statement instead of including it in the Long-Term Interest Expense. The change in the amount
10 allocated to the 34.5kV FBR compared to last year reflects the increase in the total amount
11 recorded in the General Ledger account 427.300 for the interest due to the outstanding payable
12 / receivable between the Mid-Kansas and Native divisions. In other words, the amount
13 borrowed by Mid-Kansas division from the Native division increased in 2023 compared to
14 2022, which generated more interest expense being recorded.

15 **Q. Please explain the drivers behind the change in Interest Other.**

16 A. Western has experienced some delays in obtaining the final approvals on their RUS FFB 4-
17 year construction work plan loan. Once that approval is obtained permanent long-term
18 borrowing will be put into place alleviating the need to rely on the short-term line of credit.
19 Western incurred more short-term expense in 2023 due to an increased need for line of credit
20 borrowing to fund operations during the RUS loan delay.

21 **Q. Do you have any other comments regarding the steps Western took to lessen the impact
22 of the cost increase noted above on its customers?**

23 A. I would like to close by noting that increases in costs due to operational changes affect
24 Western's wholesale and retail customers alike. Decisions made with regards to staffing, debt
25 financing, and the overall operations of Western are always made with the customers' best

1 interest in mind. Every effort is taken to find cost saving measures whenever possible in order
2 to lessen the impact to our customers. .

3 **Q. What is your final recommendation to the Commission?**

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

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

9 A: Yes, it does.

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VERIFICATION OF THOMAS RUTH

STATE OF KANSAS)
) ss:
COUNTY OF TREGO)

Thomas Ruth, being first duly sworn, deposes and says that he is the Thomas Ruth referred to in the foregoing document entitled "Prefiled Direct Testimony of Thomas Ruth" 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.

Thomas Ruth
Thomas Ruth

SUBSCRIBED AND SWORN to before me this 29th day of April, 2024.

Christina Lowry
Notary Public

My Appointment Expires: 4-25-2025



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