

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. 21-WSTE-____ - ____
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 3, 2021

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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 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-six 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, and 21-SEPE-049-TAR ("21-149 Docket").

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 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.

- 1 1. Affirm Western's support for the calculation of the wholesale demand rate for the Local
- 2 Access Delivery Service ("LADS") service over Western's 34.5kV sub-transmission
- 3 system (Mid-Kansas division) as contained in Mr. Macke's Prefiled Direct Testimony.
- 4 2. Confirm that Western will notify its customers as required in Section C of the
- 5 Commission-approved 34.5kV FBR Protocols ("Protocols") (attached to the April 15,
- 6 2021 Commission Order Approving Unanimous Settlement Agreement as Attachment
- 7 A3 to Exhibit A in the 21-049 Docket).
- 8 3. Attest to the Equity Test requirement noted in Section G of the Protocols.
- 9 4. Provide the information required by Item No. 10 listed in Section F of the Protocols.

10 **Q. What is Western's opinion concerning the proposed 2021 34.5kV FBR rate of \$1.64/kW?**

11 A. Western's Staff has provided the data necessary for the calculations as contained in the

12 populated 34.5kV FBR template attached to the Application filed in the instant Docket as

13 Exhibit 5. Cooperative Staff has reviewed the exhibit and the supporting work papers and is

14 in agreement that the resultant rate was calculated in accordance with Western's 34.5kV FBR

15 Protocols as approved by the Commission. Accordingly, Western believes this rate, as detailed

16 in Mr. Macke's Prefiled Direct Testimony and included in the proposed LADS tariff, is just

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

18 prescribed methodology.

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

20 **Western's 34.5kV FBR Protocols, will be fulfilled.**

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

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

23 Western will receive notice of the filing when it is made with the Commission. Such notice

24 may be made via electronic mail or bill insert and will contain the following information:

- 25 1. The date the filing was made with the Commission and the docket number assigned.

1 2. The amount of the revenue adjustment sought.

2 3. The resulting rate impact.

3 4. A statement explaining that the rate adjustment is being made pursuant to the 34.5kV
4 FBR, with a cite to Docket No. 21-SEPE-049-TAR and the date of the Commission's
5 April 15, 2021 Order approving the application for continuation of Western's 34.5kV
6 FBR for another five-year term.

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

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

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

15 **Q. Has Western (Mid-Kansas division) calculated its Distribution Equity Ratio for the 2021**
16 **Test Year?**

17 A. Yes. The following Table 1 evidences that for 2020, Western's Distribution Equity Ratio (for
18 the Mid-Kansas division), calculated to be at 3.37 percent, was well below the prescribed 36.31
19 percent threshold. Per the 34.5kV FBR Protocols, this ratio is to be calculated exclusive of
20 equity in or from associated organizations. Note that the majority of such excludable equity,
21 as evidenced in Table 1, is represented by Western's investment in Mid-Kansas.

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Table 1. Western 2020 Distribution Equity Ratio (MKEC division only)			
Excluding Investment in Associated Organizations			
Total Margins & Equity			\$ 8,274,896.28
Less Equity in Assoc. Org Pat Cap			\$ 7,054,073.20
			<u>\$ 1,220,823.08</u>
Total Assets & Other Debits			\$ 43,244,351.87
Less Equity in Assoc. Org Pat Cap			\$ 7,054,073.20
			<u>\$ 36,190,278.67</u>
Distribution Equity Ratio	$\frac{\$ 1,220,823.08}{\$36,190,278.67}$	=	3.37%
Detail of Equity in Assoc. Org Pat Cap			
United Ag Service, Inc.			\$ 2,005.29
MKEC			\$ 7,052,067.91
			<u>\$ 7,054,073.20</u>

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

A. Item No. 10 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 as approved last year in the 20-WSTE-443-TAR Docket under the final year of Western’s initial 34.5kV FBR plan, the following 2020 COS items were identified as showing over a 10 percent increase: Long-Term

Interest Expense. See the following summary in Table 2.²

Table 2. Western (Mid-Kansas Division) COS Item Comparison						
COS Item Description	2020 FBR Approved Revenue Requirement	2021 FBR Revenue Requirement	Diff \$	Diff \$		
Operating Expenses						
Transmission O&M	\$ 236,567	\$ 232,297	\$ (4,270)		-2%	
Administration & General	\$ 20,244	\$ 19,834	\$ (410)		-2%	
Depreciation & Amortization			\$ -			
Transmission	\$ 281,787	\$ 277,720	\$ (4,067)		-1%	
General Plant	\$ 3,292	\$ 2,296	\$ (996)		-30%	
Property Tax	\$ -	\$ -	\$ -			
Other Taxes	\$ -	\$ -	\$ -			
L.T. Interest	\$ 178,349	\$ 205,792	\$ 27,443		15%	
Interest Charged to Constructio	\$ -	\$ -	\$ -			
Interest - Other	\$ -	\$ -	\$ -			
Other Deductions	\$ -	\$ -	\$ -			
Margin Requirement Components						
Principal Payments	\$ 250,070	\$ 241,958	\$ (8,112)		-3%	
L.T. Interest	\$ 178,349	\$ 205,792	\$ 27,443		15%	

Q. Please explain the drivers behind the change in Long-Term Interest.

A. The reason for the \$27,443 increase in Long-Term Interest allocated to this year's 34.5kV FBR is primarily due to the interest expense for the Inter-Department Line of Credit. The projected Long-Term Interest used to determine the 34.5kV FBR in the 20-WSTE-443-TAR Docket did not include interest for the Inter-Department Line of Credit.

Q. What is your final recommendation to the Commission?

A. I support Mr. Macke'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.

² Values displayed are rounded to the nearest dollar/percent.

Q. Does this conclude your testimony?

A: Yes, it does.

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.

Tom Ruth

Thomas Ruth

SUBSCRIBED AND SWORN to before me this 28th day of April, 2021.

Christina Lowry

Notary Public

My Appointment Expires:

4-25-2025

