

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. 23-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 1, 2023

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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, 21-SEPE-049-TAR ("21-149 Docket"), 21-WSTE-404-TAR, and 22-WSTE-497-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 Ms. Larson'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 2023 34.5kV FBR rate of \$1.23/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

Q. Do you agree with the extraordinary adjustment made to exclude debt service associated with the Storm Uri in this year's filing as described in Ms. Larson's Prefiled Testimony?

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 A. Yes. Western deferred debt related to extraordinary purchase power costs incurred in February
2 2021 as a result of Storm Uri over 3 years and established a retail rider set to recover these
3 costs from its retail members over the same period of time³. As Ms. Larson noted on page 9 of
4 her Prefiled Testimony filed in the instant Docket, the said extraordinary costs are segregated
5 and clearly identifiable as shown in Exhibit 8, also provided in the instant Docket. Accordingly,
6 Western believes this rate, as detailed in Ms. Larson's Prefiled Direct Testimony and included
7 in the proposed LADS tariff, is just and reasonable, as it is based on the cost of service ("COS")
8 and follows the Commission-prescribed methodology.

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

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

- 15 1. The date the filing was made with the Commission and the docket number assigned.
- 16 2. The amount of the revenue adjustment sought.
- 17 3. The resulting rate impact.
- 18 4. A statement explaining that the rate adjustment is being made pursuant to the 34.5kV
19 FBR, with a cite to Docket No. 21-SEPE-049-TAR and the date of the Commission's
20 April 15, 2021 Order approving the application for continuation of Western's 34.5kV
21 FBR for another five-year term.
- 22 5. A Western contact person name and phone number for questions.

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

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

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

8 **Q. Has Western (Mid-Kansas division) calculated its Distribution Equity Ratio for the 2023**
9 **Test Year?**

10 A. Yes. The following Table 1 evidences that for 2022, Western’s Distribution Equity Ratio (for
11 the Mid-Kansas division), calculated to be at 4.53 percent, was well below the prescribed 36.31
12 percent threshold.⁴ Per the 34.5kV FBR Protocols, this ratio is to be calculated exclusive of
13 equity in or from associated organizations. Note that the majority of such excludable equity,
14 as evidenced in Table 1, is represented by Western’s investment in Mid-Kansas.

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25 ⁴ Equity ratio after removing \$821,491.27 in deferred debit associated w/ Storm Uri is 4.62%, still below the
authorized cap.

Table 1. Western 2022 Distribution Equity Ratio (MKEC division only)			
Excluding Investment in Associated Organizations			
Total Margins & Equity			\$ 10,357,500.00
Less Equity in Assoc. Org Pat Cap			\$ 8,383,281.00
			<u>\$ 1,974,219.00</u>
Total Assets & Other Debits			\$ 51,981,588.00
Less Equity in Assoc. Org Pat Cap			\$ 8,383,281.00
			<u>\$ 43,598,307.00</u>
Distribution Equity Ratio	$\frac{\$ 1,974,219.00}{\$ 43,598,307.00}$	=	4.53%
Detail of Equity in Assoc. Org Pat Cap			
United Ag Service, Inc.			\$ 2,418.00
MKEC			\$ 8,380,863.00
			<u>\$ 8,383,281.00</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 22-WSTE-497-TAR Docket under the final year of Western’s initial 34.5kV FBR plan, the following 2022 COS items were identified as showing over a 10 percent increase: Interest Charged to Construction, Other Deductions, and Principal Payments. See the following summary in Table 2.⁵

Table 2. Western (Mid-Kansas Division) COS Item Comparison						
COS Item Description	2022 FBR Approved Revenue Requirement		2023 FBR Revenue Requirement		Diff \$	Diff %
Operating Expenses						
Transmission O&M	\$	216,695	\$	175,835	\$ (40,860)	-19%
Administration & General	\$	28,753	\$	20,824	\$ (7,929)	-28%
Depreciation & Amortization					\$ -	
Transmission	\$	284,501	\$	283,185	\$ (1,316)	0%
General Plant	\$	3,334	\$	2,455	\$ (880)	-26%
Property Tax	\$	-	\$	-	\$ -	
Other Taxes	\$	-	\$	-	\$ -	
L.T. Interest	\$	186,868	\$	179,653	\$ (7,215)	-4%
Interest Charged to Construction	\$	20,785	\$	37,500	\$ 16,715	80%
Interest - Other	\$	-	\$	-	\$ -	
Other Deductions	\$	-	\$	1,612	\$ 1,612	100%
Margin Requirement Components						
Principal Payments	\$	248,786	\$	276,496	\$ 27,710	11%
L.T. Interest	\$	186,868	\$	179,653	\$ (7,215)	-4%

⁵ Values displayed are rounded to the nearest dollar/percent. Other Deductions is 100 percent increase but not shown due to division by \$0.

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

A. Western is booking their Intercompany loan separately on this line in the Operating Income statement instead of including in the Long-Term Interest Expense. The change in the amount allocated to the 34.5kV FBR compared to last year reflects the increase in the total amount recorded in the General Ledger account 427.300 for the interest due to the outstanding payable / receivable between the Mid-Kansas and Native divisions. In other words, the amount borrowed by the Mid-Kansas division from the Native division increased in 2022 compared to 2021, which generated more interest expense being recorded.

Q. Please explain the drivers behind the change in Other Deductions.

A. Although this constitutes 100% change, the amount is very small, only \$1,612. This item represents short-term interest paid on the Line of Credit

Q. Please explain the drivers behind the change in Principal Payments.

A. The increase to principal payments is due to the FFB notes having delayed principal payments. We made very little in principal payments on those notes in 2021 but principal payments became due in most case for the full calendar year of 2022, as detailed in Exhibit 8 submitted with this Application.

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

A. I would like to close by noting that increases in costs due to operational changes affect Western's wholesale and retail customers alike. Decisions made with regards to staffing, debt financing, and the overall operations of Western are always made with the customers' best interest in mind. Every effort is taken to find cost saving measures whenever possible in order to lessen the impact to our customers. .

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

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

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

7 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 1st day of May, 2023.

Christina Lowry
Notary Public

My Appointment Expires:



CERTIFICATE OF SERVICE

I, the undersigned, hereby certify that a true and correct copy of the foregoing pleading was electronically served this 1st day of May 2023 to:

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