

**BEFORE THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS**

In the Matter of the Joint Application of                     )  
Sunflower Electric Power Corporation and                     )  
Mid-Kansas Electric Company, Inc. for an                     )  
Order Approving the Merger of Mid-Kansas                     ) Docket No. 19-SEPE- 054 -MER  
Electric Company, Inc. into Sunflower                     )  
Electric Power Corporation.                     )

**PREFILED DIRECT TESTIMONY OF**

**TOM RUTH**

**GENERAL MANAGER**

**WESTERN COOPERATIVE ELECTRIC ASSOCIATION, INC.**

**ON BEHALF OF**

**SUNFLOWER ELECTRIC POWER CORPORATION**

**and**

**MID-KANSAS ELECTRIC COMPANY, INC.**

**AUGUST 3, 2018**

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

2   A.     My name is Tom Ruth. My business address is 635 S. 13th Street, WaKeeney,  
3         Kansas.

4   **Q.     What is your profession?**

5   A.     I am the general manager of Western Cooperative Electric Association, Inc.  
6         ("Western").

7   **Q.     Please describe your responsibilities with Western.**

8   A.     As the general manager, I work directly for the Board of Trustees of Western,  
9         and am responsible for assisting in establishing policy, implementing strategy,  
10        establishing rates, and overseeing the overall operation of Western to ensure  
11        reliable service at a competitive cost using generally acceptable industry  
12        business practices. I also serve on the Board of Directors of Sunflower Electric  
13        Power Corporation ("Sunflower") and Mid-Kansas Electric Company, Inc. ("Mid-  
14        Kansas"), the wholesale generation and transmission suppliers for Western.

15  **Q.     What is your educational background?**

16  A.     I graduated in 1995 from University of Missouri-Rolla, with a BS Engineering  
17         Management with an electrical power preference. I am a professional engineer,  
18         electrical, registered in Colorado.

19  **Q.     What is your professional background?**

20  A.     I was appointed general manager of Western, effective April 30, 2018. Prior to  
21         that date, I worked for South Central Indiana Rural Electric Member Cooperative  
22         in Martinsville, Indiana, most recently as vice president distribution services.  
23         While at South Central, I was responsible for field operations, engineering,

1 communications, metering, relay testing and maintenance, system operations  
2 center, operations technology and vegetation management.

3 **Q. Have you previously presented testimony before the Kansas Corporation**  
4 **Commission (“Commission”)?**

5 A. No.

6 **Q. What is the purpose of your testimony in this matter?**

7 A. The purpose of my testimony is to provide a background of Western and to  
8 support the approval of the merger of Sunflower and Mid-Kansas.

9 **Q. Please provide a brief overview of Western.**

10 A. Western is an electric cooperative formed in 1945 under the Kansas Electric  
11 Cooperative Act, K.S.A. 17-4601, et seq., for the purpose of supplying electric  
12 energy to eight counties in northwest Kansas: Ellis, Gove, Graham, Ness, Rooks,  
13 Rush, Trego, and Sheridan. With the Mid-Kansas purchase of Aquila, Inc., d/b/a  
14 Aquila Networks - WPK in April 2007, Western has expanded its service into five  
15 more counties: Osborne, Russell, Barton, Lincoln, and Ellsworth. Today, Western  
16 collectively serves 12,180 meters, maintains 3,942 miles of line, and employs 57  
17 full-time employees in its native Sunflower and acquired Mid-Kansas service  
18 areas combined. Western, therefore, has been providing electric retail service in  
19 northwest Kansas for over 73 years.

20 **Q. Is Western regulated by the Commission?**

21 A. Western is self-regulated under K.S.A. § 66-104d and therefore its retail rates are  
22 not regulated by the Commission. However, it is still regulated for purposes of  
23 providing local transmission service.

1   **Q.     Does Western support the merger of Sunflower and Mid-Kansas with**  
2       **Sunflower becoming the surviving corporation?**

3   A.    Yes. Our Board of Directors unanimously approved the Agreement and Plan of  
4        Merger which included the new bylaws for the surviving corporation on January  
5        18, 2018.

6   **Q.     Why does Western support the merger of the two companies?**

7   A.    In 2005, we along with the other Members of Sunflower combined together and  
8        formed Mid-Kansas to acquire Aquila, Inc. ("Aquila-WPK"). After the acquisition  
9        was finally approved in 2007 the distribution assets and functions were  
10       eventually transferred to the Mid-Kansas Members. Although I am new to  
11       Western, after discussing the history with our Board and staff, it is my  
12       understanding that the merger of Sunflower and Mid-Kansas had been  
13       contemplated since the beginning, waiting only for the appropriate time. Merging  
14       the two companies will strengthen both companies, as the merged entity would  
15       have a stronger equity ratio and financial statement allowing the merged entity to  
16       compete better and reduce borrowing costs. The board believed in 2007, and  
17       after recent analysis of the advantages and disadvantages still believes, the  
18       decision to merge is the right decision for Western and our member owners.  
19       Combining the two companies will provide greater rate stabilization and lower  
20       costs.

1 **Q. Why is rate stabilization a key factor in Western's decision to approve the**  
2 **merger?**

3 A. While low rates are always important to retail customers, rates that are stable are  
4 also important because of the advantages they offer in long-term planning.  
5 Significant fluctuation in rates disrupts budgets, pricing of products, crop planting  
6 intentions and a host of other activities. The merged entity will more easily  
7 absorb load loss and other factors that directly affect revenue requirements and  
8 will allow for greater rate stabilization. Additionally, there are currently some  
9 duplication of services and functions that can be eliminated by combining the two  
10 companies which will simplify and further streamline the operations. Sunflower  
11 management has tried to operate Sunflower and Mid-Kansas as a single  
12 company to the extent it can and so the savings left of this nature left to reap will  
13 be small, but it will result in savings in expense and manhours. In summary, the  
14 merged entity will provide the synergies and operational efficiency contemplated  
15 at the time of acquisition.

16 **Q. Are there other benefits from merging the two companies?**

17 A. Yes. Another benefit is the resource-balanced generation portfolio the merged  
18 entity would have at a lower cost than the two separate companies have. Mid-  
19 Kansas is heavy with gas generation, its only coal generation coming via contract  
20 expiring early in 2019. The merged company will allow Sunflower's Holcomb  
21 plant to serve as a hedge against rising gas prices without extending the current  
22 contract or purchasing additional contracts for coal generation. The Sunflower

1 side will benefit from the greater gas generation and a solar power purchase  
2 agreement from Mid-Kansas.

3 **Q. Who are your current electric wholesale providers?**

4 A. Western is an all requirements customer of Mid-Kansas for the delivery points in  
5 the certificated territory acquired from Aquila-WPK in 2007. Western is an all  
6 requirements customer of Sunflower for specified delivery points for what we  
7 consider the native load.

8 **Q. With two wholesale suppliers, how does Western currently price its retail  
9 rates to retail customers?**

10 A. Western maintains two rate divisions. One division is maintained for the so-called  
11 native load served by Sunflower and one rate division is maintained for the load  
12 served by Mid-Kansas.

13 **Q. Will the merger affect the local access delivery services (“LADS”) provided  
14 to wholesale customers taking service on Western’s 34.5 kV system or the  
15 local access charge (“LAC”)?**

16 A. The merger of Sunflower and Mid-Kansas will have no impact on the LADS or  
17 the LAC. Mid-Kansas and Sunflower currently serve as administrator of the Mid-  
18 Kansas Open Access Transmission Tariff under which Western provides and  
19 supports the local access services. The 34.5 kV facilities are owned by Western  
20 and the services are provided by Western. The LAC is based on the formula rate  
21 that is based upon Western’s costs of service to the wholesale sub-transmission  
22 customers. The merger of Sunflower and Mid-Kansas will have no impact on the  
23 LADS or LAC other than the merger will result in a single administrator,

1 Sunflower, rather than two as there are currently. Furthermore, to the extent the  
2 merger would have any impact, any such impact would be necessarily addressed  
3 at the Western level and not at Sunflower or Mid-Kansas. The LADS and LAC  
4 are not impacted by the merger of Sunflower and Mid-Kansas. If there were  
5 required changes, the changes to the LADS or LAC would be addressed in a  
6 Western docket before the Commission.

7 **Q. Does Western believe the merger of the two companies is in the public**  
8 **interest?**

9 A. Yes. In our board's opinion merging the two companies is in the best interest of  
10 our member owners and western Kansas.

11 **Q. Does that conclude your testimony?**

12 A. Yes.

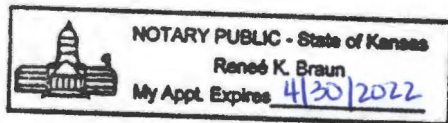
VERIFICATION

STATE OF KANSAS )  
 ) ss:  
COUNTY OF Ellis )

Tom Ruth, being first duly sworn, deposes and says that he is the Tom Ruth referred to in the foregoing document entitled "PREFILED DIRECT TESTIMONY OF TOM 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  
Tom Ruth

SUBSCRIBED AND SWORN to before me this 3rd <sup>August</sup> day of ~~July~~, 2018.



Renee K. Braun  
Notary Public

My Appointment Expires: