

**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. 19-WSTE-443 - 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.**

April 26, 2019

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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. 13<sup>th</sup> 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 both Mid-Kansas Electric Company, LLC (“Mid-Kansas”) and Sunflower Electric Power Corporation (“Sunflower”).

**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. No.

**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”) over Western’s 34.5kV sub-transmission system (Mid-Kansas division) as contained in Ms. Elena Larson’s Direct Prefiled Testimony.

2. Confirm that Western will notify its customers as required in Section C of the Commission-approved 34.5kV FBR Protocols (“Protocols”).<sup>1</sup>

3. Attest to the Equity Test requirement noted in Section H of the Protocols.

4. Provide insight as to the information required by Item No. 11 listed in Section F of the Protocols.

**Q. What is Western’s opinion concerning the proposed 2019 34.5kV FBR rate of \$1.13/kW?**

A. Western 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 to Western’s 34.5kV FBR Protocols as approved by the Commission. Accordingly, Western believes this rate, as detailed in Ms. Larson’s Prefiled Direct Testimony and included in the proposed LADS tariff, is just and reasonable, as it is based on the cost of service (“COS”) and follows the Commission-prescribed methodology.

**Q. Please elaborate on how the Customer Notification requirement, detailed in Section C of the Protocols, will be fulfilled.**

A. Upon filing of the Application and all of the exhibits in the instant Docket (and once the actual Docket Number is known to the Cooperative), all customers taking wholesale LADS from 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.

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<sup>1</sup> 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”).

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 2018 Test Year?**

A. Yes. Table 1 on the following page evidences that for 2018, Western's Distribution Equity Ratio (for the Mid-Kansas division), calculated to be at a 0.77 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, its Generation and Transmission ("G&T") provider.

<b>Table 1. Western 2018 Distribution Equity Ratio (MKEC division only)</b>		
Excluding Investment in Associated Organizations		
Total Margins & Equity		\$ 5,628,409.06
Equity in Assoc. Org Pat Cap		\$ 5,375,915.11
		\$ 252,493.95
Total Assets & Other Debits		\$ 38,027,463.83
Equity in Assoc. Org Pat Cap		\$ 5,375,915.11
		\$ 32,651,548.72
<b>Distribution Equity Ratio</b>	$\frac{\$ 252,493.95}{\$32,651,548.72} =$	<b>0.77%</b>
<b>Detail of Equity in Assoc. Org Pat Cap</b>		
United Ag Service, Inc.		\$ 1,954.91
MKEC		\$ 5,373,960.20
		\$ 5,375,915.11

**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 2017 calendar year filed last year in the Docket No 18-WSTE-473-TAR, in which the Commission approved Western’s 34.5kV FBR third Annual Update Application, identifies no items with over a 10 percent increase. See the following summary in Table 2, where most of the expenses show a decrease. The decrease in Transmission Net Plant and Transmission Labor Allocators,

used to apportion most of the total costs to the 34.5kV FBR, are the main reason for these reductions.<sup>2</sup>

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

COS Item Description	2018 FBR Approved Revenue Requirement	2019 FBR Filed Revenue Requirement	DIFF \$	DIFF %
<b><u>Operating Expenses</u></b>				
Transmission O&M	\$ 271,261	\$ 238,714	\$ (32,547)	-12%
Administration & General	\$ 31,430	\$ 23,297	\$ (8,133)	-26%
Depreciation and Amortization				
Transmission	\$ 258,210	\$ 262,469	\$ 4,259	2%
General Plant	\$ 4,148	\$ 3,193	\$ (954)	-23%
Property Tax	\$ -	\$ -	\$ -	
Other Taxes	\$ -	\$ -	\$ -	
L.T. Interest	\$ 207,580	\$ 183,979	\$ (23,601)	-11%
Interest Charged to Construction - Credit	\$ -	\$ -	\$ -	
Interest-Other	\$ -	\$ -	\$ -	
Other Deductions	\$ -	\$ -	\$ -	
<b><u>Margin Requirement Components</u></b>				
Principal Payments	\$ 286,408	\$ 251,772	\$ (34,636)	-12%
L.T. Interest	\$ 207,580	\$ 183,979	\$ (23,601)	-11%

**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.

<sup>2</sup> Transmission O&M and Transmission Depreciation are direct-assigned to the 345kV FBR in their entirety.

VERIFICATION

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 25th day of April, 2019.

*Melissa Sherfick*  
Notary Public

My Appointment Expires: 3-14-2020

