

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

In the Matter of the Joint Application of	)	
Sunflower Electric Power Corporation, Prairie Land	)	
Electric Cooperative, Inc., The Victory Electric	)	
Cooperative Association, Inc., and Western	)	Docket No. 21-SEPE-049-TAR
Cooperative Electric Association, Inc., for Approval of	)	
Continuation of 34.5 kV Formula-Based Rates and	)	
Updated 34.5 kV Loss Factors.	)	

**PREFILED DIRECT TESTIMONY OF**

**THOMAS RUTH**

**ON BEHALF OF**

**WESTERN COOPERATIVE ELECTRIC ASSOCIATION, INC.**

**July 29, 2020**

Direct Testimony of Thomas Ruth

1    **Q:     Please state your name.**

2    A:     My name is Thomas Ruth.

3    **Q:     By whom are you employed and what is your business address?**

4    A:     I am employed by Western Cooperative Electric Association, Inc.  
5           ("Western") as its General Manager. My business address is 635 South  
6           13th Street, WaKeeney, Kansas. As the General Manager of Western, I  
7           also serve on the Board of Directors of Sunflower Electric Power  
8           Corporation ("Sunflower").

9    **Q:     Would you summarize your educational background?**

10   A:     I graduated from the University of Missouri-Rolla in 1995 with a Bachelor  
11           of Science degree in Engineering Management. I am a professional  
12           electrical engineer, registered in Colorado.

13   **Q:     Please summarize your work experience.**

14   A:     I have forty-four years of experience in utility industry, including electrical  
15           power and communications, and have served as Western's General  
16           Manager since 2018.

17   **Q:     Have you previously presented testimony before the Commission?**

18   A:     Yes, I have provided testimony in Docket Nos. 19-WSTE-443-TAR and  
19           20-WSTE-440-TAR.

20   **Q:     What is the purpose of your testimony today?**

21   A:     The purpose of my testimony is to provide a background of Western and  
22           confirm Western's support for (i) continuation of its 34.5 kV formula-based  
23           rate ("34.5 kV FBR") with the requested limited modification and minor

1 clarifications, and (ii) updating its Local Access Delivery Service (“LADS”)  
2 tariff loss factor.

3 **Q. Are you sponsoring any exhibits?**

4 A. Yes, I am sponsoring the following exhibits:

- 5 • Exhibit TR-1 - redlined and clean copy of Western’s LADS Tariff with the  
6 proposed updated loss factor requested in this proceeding.

7 **Q: Please provide a brief overview of Western.**

8 A: Western is an electric cooperative formed in 1945 under the Kansas  
9 Electric Cooperative Act K.S.A. 17-4601 *et seq.* for the purpose of  
10 supplying electric energy to eight counties in Northwest Kansas: Ellis,  
11 Gove, Graham, Ness, Rooks, Rush, Trego, and Sheridan. With the Mid-  
12 Kansas Electric Company, LLC (subsequently known as Mid-Kansas  
13 Electric Company, Inc.) (“Mid-Kansas”) purchase of Aquila, Inc., d/b/a  
14 Aquila Networks - WPK in April 2007, Western expanded its service into  
15 five more counties: Osborne, Russell, Barton, Lincoln, and Ellsworth.  
16 Today, Western collectively serves 12,252 meters, maintains 3,995 miles  
17 of line, and employs 58 full-time employees in its service areas. Western  
18 has been providing electric retail service in northwest Kansas for 75 years.

19 **Q: What is Western’s opinion concerning continuation of its 34.5 kV**  
20 **formula-based rate (“34.5 kV FBR”) with limited modification and**  
21 **minor clarifications?**

22 A: Western supports continuing its 34.5 kV FBR with limited modification and  
23 minor clarifications, as detailed in the Joint Application and Prefiled Direct

1           Testimony of Elena E. Larson submitted in support of this Joint  
2           Application.

3   **Q:   What are the reasons for Western's support of continuing its 34.5 kV**  
4   **FBR with limited modification and minor clarifications?**

5   A:   In Western's opinion, the 34.5 kV FBR has reduced the costs and  
6       regulatory lag of a traditional rate case while ensuring the Commission  
7       and interested parties are afforded a comprehensive and systematic  
8       review of the resultant rates (which, by the inherent design of the 34.5 kV  
9       FBR, remain cost-based). Prefiled Direct Testimony of Elena E. Larson  
10      further highlights the advantages that a formula-based rate approach  
11      offers to the Commission, affected utilities, and customers as compared to  
12      a traditional rate application.

13   **Q.   In your capacity as General Manager, have you been directly**  
14   **involved in Western's annual update filings for its 34.5 kV FBR?**

15   A.   Yes, I have been directly involved in the 2019 and 2020 annual updates,  
16       filing testimony in each.

17   **Q:   Has Western experienced the advantages that proponents of**  
18   **formula-based rates suggest will occur?**

19   A:   Yes. By implementing its 34.5 kV FBR, Western has experienced the  
20       ability to recover appropriate costs each year while eliminating the  
21       regulatory lag and financial burdens of a rate case.

22   **Q.   In your opinion, have the annual updates each year provided a**  
23   **streamlined and efficient process to determine an annual LAC?**

1 A. Yes. Although I have not been involved in every annual update filing,  
2 those that I have been involved with have been processed very efficiently.  
3 Some years, the parties have not even had to meet for the technical  
4 conference contemplated by the 34.5 kV Protocols because there are no  
5 additional questions from Commission Staff or customers. It is my  
6 understanding that no annual update filing for Western has ever resulted  
7 in the need for an evidentiary hearing, and the rate applied for in each of  
8 Western's annual update filings has been approved.

9 **Q: What is the basic approach utilized in Western's proposed 34.5 kV**  
10 **FBR?**

11 A: Western's 34.5 kV FBR calculates the annual revenue requirement based  
12 upon pertinent operating expenses and margin requirements. Ultimately,  
13 at each year's annual update filing, it calculates the LAC for the following  
14 year.

15 **Q: What type and level of margin requirement is Western requesting be**  
16 **used as the basis for the return requirement incorporated into its**  
17 **34.5 kV FBR?**

18 A: Western requests that a greater of a 1.8 Operating Times Interest Earned  
19 Ratio ("OTIER") or a 1.8 Modified Debt Service Coverage Ratio ("MDSC")  
20 be used as the margin requirement for determining the return requirement.  
21 That is the same margin requirement approved in the initial inception of  
22 Western's 34.5 kV FBR.

1   **Q:    Why are those still appropriate levels and types of financial ratios for**  
2       **determination of Western’s margin requirement?**

3   A:    A 1.8 OTIER/MDSC allows for a sufficient level of positive operating  
4        margins to facilitate the improvement of capital structure to ensure safe  
5        and reliable service, as well as help deal with unexpected contingencies.  
6        Further, the “greater of” approach—with a secondary 1.8 MDSC metric—  
7        allows flexibility in choosing the most appropriate driver or the margin  
8        requirement driver as debt matures. Western believes that margin  
9        requirement has led to a just and reasonable LAC in the last five years.

10   **Q:    Do you support the Prefiled Direct Testimony of Elena E. Larson with**  
11       **respect to all aspects of the margin requirements and levels thereof**  
12       **that are used to determine the revenue requirement in Western’s 34.5**  
13       **kV FBR?**

14   A:    Yes. I will defer to her testimony and analysis with respect to her  
15        conclusions. Generally, however, I support her analysis and the margin  
16        requirements she explains, which are the exact margin requirements I  
17        previously mentioned.

18   **Q.    What is the modification to the 34.5 kV FBR that Western is**  
19       **requesting?**

20   A.    For the last five years, the 34.5 kV FBR has calculated the LAC in each  
21        annual update filing using historical costs, plus some limited budgeted  
22        projections. Each annual update filing includes a true-up of the previous  
23        year’s limited budgeted projections to the actual costs of those projections.

1 Western requests a modification of the 34.5 kV FBR to remove the limited  
2 budgeted projections from the formula so that the 34.5 kV FBR calculates  
3 the LAC based solely on known historical costs at each annual update  
4 filing. By using only known historical costs in the formula, the true-up no  
5 longer serves a purpose and can be removed from the 34.5 kV FBR.  
6 Although it is a modification, I believe it is a simplification of the 34.5 kV  
7 FBR.

8 **Q. Why do you believe removal of limited budgeted projections and the**  
9 **corresponding annual-true up simplifies the 34.5 kV FBR?**

10 A. Generally speaking, it is one less item for all parties to calculate and  
11 address each year in the annual update filing, and its removal does not  
12 harm customers. Limited budgeted projections in a formula rate help  
13 achieve an overall objective of reduced regulatory lag. Nevertheless, with  
14 projections comes a true-up to actual costs for those projected items.  
15 Western's experience has been that the time and effort associated with  
16 calculating and reviewing the true-up each year outweigh the benefits of  
17 that conceptual structure. The parties spend a lot of time preparing and  
18 reviewing the true-up. However, the overall concept does not provide  
19 enough benefit to all parties to continue to employ it.

20 **Q. If you remove the concept of limited budgeted projections with a**  
21 **true-up from the 34.5 kV FBR, will customers be harmed?**

22 A. In my opinion, no. By removing the aforementioned, the only costs input to  
23 the formula each year are known historical costs. There is no possibility

1           for a cost in the formula to change from the year it was inserted to the  
2           following year, so there is no need for a true-up. Because only known  
3           historical costs are used, customers can be assured that the resultant LAC  
4           each year is entirely cost-based.

5   **Q.    If the 34.5 kV FBR has worked well, as you previously indicated, why**  
6           **is Western suggesting a modification to the 34.5 kV FBR?**

7   A.    Western's 34.5 kV FBR has worked well, and I would like to reiterate that  
8           here. However, Western believes that the modifications requested will  
9           make the 34.5 kV more efficient. The parties will not have to spend time  
10          on a true-up, but customers are not harmed by its removal because only  
11          known historical costs are used. Western believes this modification is to  
12          the benefit of Western, Commission Staff, and customers.

13   **Q.    What is Western's opinion concerning the updated LADS Tariff loss**  
14          **factor applied for in this Joint Application?**

15   A.    Western supports the updated loss factor for its LADS Tariff, as detailed in  
16          the Joint Application and the Prefiled Direct Testimony of Erik Sonju  
17          submitted in support of this Joint Application. I have attached to my  
18          testimony Exhibit TR-1, which shows the updated LADS Tariff with the  
19          proposed loss factor requested in this proceeding.<sup>1</sup>

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<sup>1</sup> For clarity, Western has a pending request to update the LADS Tariff in Docket No. 20-WSTE-440-TAR, and the requested update from that docket is not included in this exhibit because it has not yet been approved. If approved, it is likely such update will occur prior to the end of this docket. In that event, if the proposed loss factors requested in this docket are approved, the LADS Tariff to be updated as a result will include approved changes from Docket No. 20-WSTE-440-TAR.



1   **Q.     What are the reasons for Western's support of updating its LADS**  
2         **Tariff loss factor?**

3   A.     Topology of a system, as well as the load on a system, can change over  
4         time. Generally, those changes can have effects on many aspects of a  
5         system, but specifically, on the losses associated with that system. My  
6         understanding is that the current loss factor in Western's LADS Tariff was  
7         determined in Docket No. 09-MKEE-969-RTS. Periodically, losses should  
8         be reviewed and updated, and Western believes now is a good time to do  
9         so for its 34.5 kV facilities.

10   **Q:    Does this conclude your testimony?**

11   A:     Yes, it does.

Direct Testimony of Thomas Ruth

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 29<sup>th</sup> day of July, 2020.

Christina Lowry  
Notary Public

My Appointment Expires:



WESTERN COOPERATIVE ELECTRIC ASSOCIATION, INC.

(Name of Issuing Utility)

Schedule: 1921-LAC

Replacing Schedule 189-LAC Sheet 1

Which was filed September 194, 20198

## MID-KANSAS SERVICE AREA

(Territory to which schedule is applicable)

No supplement or separate understanding  
shall modify the tariff as shown hereon.

Sheet 1 of 2 Sheets

LOCAL ACCESS DELIVERY SERVICEAVAILABLE

Entire Mid-Kansas Service Area.

APPLICABLE

For delivery to wholesale (sales for resale) customers over Western's 34.5 kV (or other available lower primary voltage) subtransmission/distribution system.

CHARACTER OF SERVICE

Alternating current, 60 cycle, three phase, 34.5 kV or other available lower primary voltage.

MONTHLY RATE

Demand Charge @ \$1.13 per kW.

MONTHLY BILLING DEMAND

When service is provided in association with network service, Monthly Billing Demand shall be defined as the Customer's kilowatt contribution to the Local Access Delivery System maximum hourly demand coincident with Western's monthly Local Access Delivery System peak in the billing month as measured at the low side of the delivery point (the "Actual CP Demand"). Generation that is located behind the meter of a designated network load shall be metered and the amount of generation serving the Customer's network load at the time of Western's monthly Local Access Delivery System peak shall be added to the Customer's Actual CP Demand to determine the Monthly Billing Demand. For other local access service (including, but not limited to, point-to-point transmission service requiring local access service and service reservations), Monthly Billing Demand shall be the greater of the Customer's service request or actual maximum monthly demand.

LOSSES

Real Power Losses are associated with all Local Access Delivery service. The Local Access Delivery customer is responsible for replacing losses associated with all transmission service as calculated by MKEC or paying MKEC for the Real Power Losses at MKEC's wholesale rate. The applicable Real Power Loss factor for the entire Mid-Kansas Service Area is as follows:

LOSS FACTOR

4.742.50 percent as measured at delivery point.

DELAYED PAYMENT

As per schedule DPC.

Issued September 19 2019  
Month Day YearEffective October 1 2019  
Month Day YearBy \_\_\_\_\_ General Manager  
Signature Title

# THE STATE CORPORATION COMMISSION OF KANSAS

Exhibit TR-1  
Index No. 24

WESTERN COOPERATIVE ELECTRIC ASSOCIATION, INC.

(Name of Issuing Utility)

Schedule: 1921-LAC

Replacing Schedule 189-LAC Sheet 2

Which was filed on September 194, 20198

MID-KANSAS SERVICE AREA

(Territory to which schedule is applicable)

No supplement or separate understanding  
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Sheet 2 of 2 Sheets

## TERMS AND CONDITIONS

Service will be rendered under Cooperative's Rules and Regulations as filed with the Kansas Corporation Commission.

Issued September 19 2019  
Month Day Year

Effective October 1 2019  
Month Day Year

By General Manager  
Signature Title

WESTERN COOPERATIVE ELECTRIC ASSOCIATION, INC.

Schedule: 21-LAC

(Name of Issuing Utility)

Replacing Schedule 19-LAC Sheet 1

MID-KANSAS SERVICE AREA

Which was filed September 19, 2019

(Territory to which schedule is applicable)

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LOSSES

Real Power Losses are associated with all Local Access Delivery service. The Local Access Delivery customer is responsible for replacing losses associated with all transmission service as calculated by MKEC or paying MKEC for the Real Power Losses at MKEC's wholesale rate. The applicable Real Power Loss factor for the entire Mid-Kansas Service Area is as follows:

LOSS FACTOR

2.50 percent as measured at delivery point.

DELAYED PAYMENT

As per schedule DPC.

Issued \_\_\_\_\_  
Month Day YearEffective \_\_\_\_\_  
Month Day YearBy \_\_\_\_\_ General Manager  
Signature Title

# THE STATE CORPORATION COMMISSION OF KANSAS

Exhibit TR-1  
Index No. 24

WESTERN COOPERATIVE ELECTRIC ASSOCIATION, INC.

Schedule: 21-LAC

(Name of Issuing Utility)

Replacing Schedule 19-LAC Sheet 2  
Which was filed on September 19, 2019

MID-KANSAS SERVICE AREA

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Sheet 2 of 2 Sheets

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Signature Title