

BEFORE THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS

DIRECT TESTIMONY  
OF  
L. Dow Morris

DOCKET NO. 12-MKEE-410-RTS

**PART I – QUALIFICATIONS**

1

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

3 A. My name is L. Dow Morris. My business address is Lane-Scott Electric Cooperative, Inc.,  
4 P.O. Box 758, Dighton, Kansas, 67839.

5 **Q. By whom are you employed and what is your position?**

6 A. I am employed by Lane-Scott Electric Cooperative, Inc. (“Lane-Scott”) as Interim General  
7 Manager. I was appointed to that position in March of 2012. Prior to that time, I worked for  
8 Lane-Scott in the position of Assistant Manager. I held that position since March of 2006.

9 **Q. Please describe the business activities of Lane-Scott.**

10 A. Lane-Scott is a Rural Electric Distribution Cooperative providing electrical power to 5,900  
11 meters in the Kansas counties of Lane, Scott, Gove, Ness, Finney, Logan, Hodgeman and  
12 Rush. I have attached as Exhibit LDM-1 a map showing the Lane-Scott service territory.

13 **Q. Please describe your responsibilities with Lane-Scott.**

14 A. As Interim General Manager, I am responsible for the overall management of the business. I  
15 also continue to carry my responsibilities as Assistant Manager.

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

17 A. I received a Bachelor’s of Accounting in 1981 from Illinois State University

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

1 A. I have worked for electric cooperatives for over 26 years. As stated above, I have been with  
2 Lane-Scott since March of 2006. Prior to Lane-Scott, I worked for two cooperatives in  
3 Illinois.

4 **Q. Have you previously presented testimony before the Kansas Corporation Commission**  
5 **(“KCC” or “Commission”) relative to rate change applications?**

6 A. No, I have not.

7

8 **PART II - SUMMARY OF DIRECT TESTIMONY**

9 **Q. What is the purpose of your testimony in this docket?**

10 A. My testimony will provide background and information regarding the financial issues  
11 related to the acquisition of the Aquila territory now served by Lane-Scott under a service  
12 contract with Mid-Kansas Electric Company, LLC (“Mid-Kansas”).<sup>1</sup> I will also address  
13 Lane-Scott’s capital investment plans.

14

15 **PART III – FINANCIAL ISSUES RELATED TO THE ACQUISITION**

16 **Q. Please explain how the books of Lane-Scott are kept relative to its service territory**  
17 **existing prior to the Aquila acquisition and the territory acquired from Aquila.**

18 A. Lane-Scott keeps separate financial records for the two territories. The service territory  
19 existing prior to the acquisition is known as Lane-Scott Electric Cooperative and is usually  
20 referred to as the native system. The new territory is referred to as the Mid-Kansas system  
21 or the Lane-Scott Division. I will distinguish between the two divisions accordingly in this  
22 testimony.

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<sup>1</sup> For more detail on Mid-Kansas, the Aquila acquisition, and the operating procedures and structures of the acquired territories, please refer to the Direct Testimony of Mr. Stuart Lowry filed in this docket concurrent with the filing of the Application.

1 **Q. At the time of the acquisition of the Aquila properties in 2007, what was the book value**  
2 **of the assets assigned to the Lane-Scott Division?**

3 A. The net book value of the assets acquired from Aquila and assigned to the Lane-Scott  
4 Division was \$5,413,703.51.

5 **Q. What was the purchase price for the portion of the Aquila assets assigned to the Lane-**  
6 **Scott Division?**

7 A. The portion of the purchase price related to the assets assigned to the Lane-Scott Division  
8 was \$2,937,807.51.

9 **Q. What value for these assets was placed upon the books of the Lane-Scott Division?**

10 A. \$5,413,703.51.

11 **Q. How was the purchase of the Lane-Scott Division assets financed?**

12 A. Lane-Scott Electric Cooperative financed the purchase by borrowing \$2,475,896 from the  
13 National Rural Utility Cooperative Finance Corporation (“NRUCFC”) under a variable rate  
14 long-term note.

15 **Q. What were the repayment terms of this debt?**

16 A. There were no stated terms for repayment. Beginning in June of 2007, Lane-Scott paid  
17 approximately \$50,000 per month on the obligation until the debt was retired in June of  
18 2011.

19 **PART IV – CAPITAL INVESTMENT PLANS**

20 **Q. Was quality of service a problem in the Aquila territory when Aquila was operating**  
21 **the assets now assigned to the Lane-Scott Division?**

1 A. The territory acquired by Lane Scott included a number of small towns, involving only  
2 about 300 miles of distribution line. However, the acquired assets included two substations  
3 that we discovered were undersized.





4 **Q. Has Lane-Scott worked to address these problems since taking over the territory?**

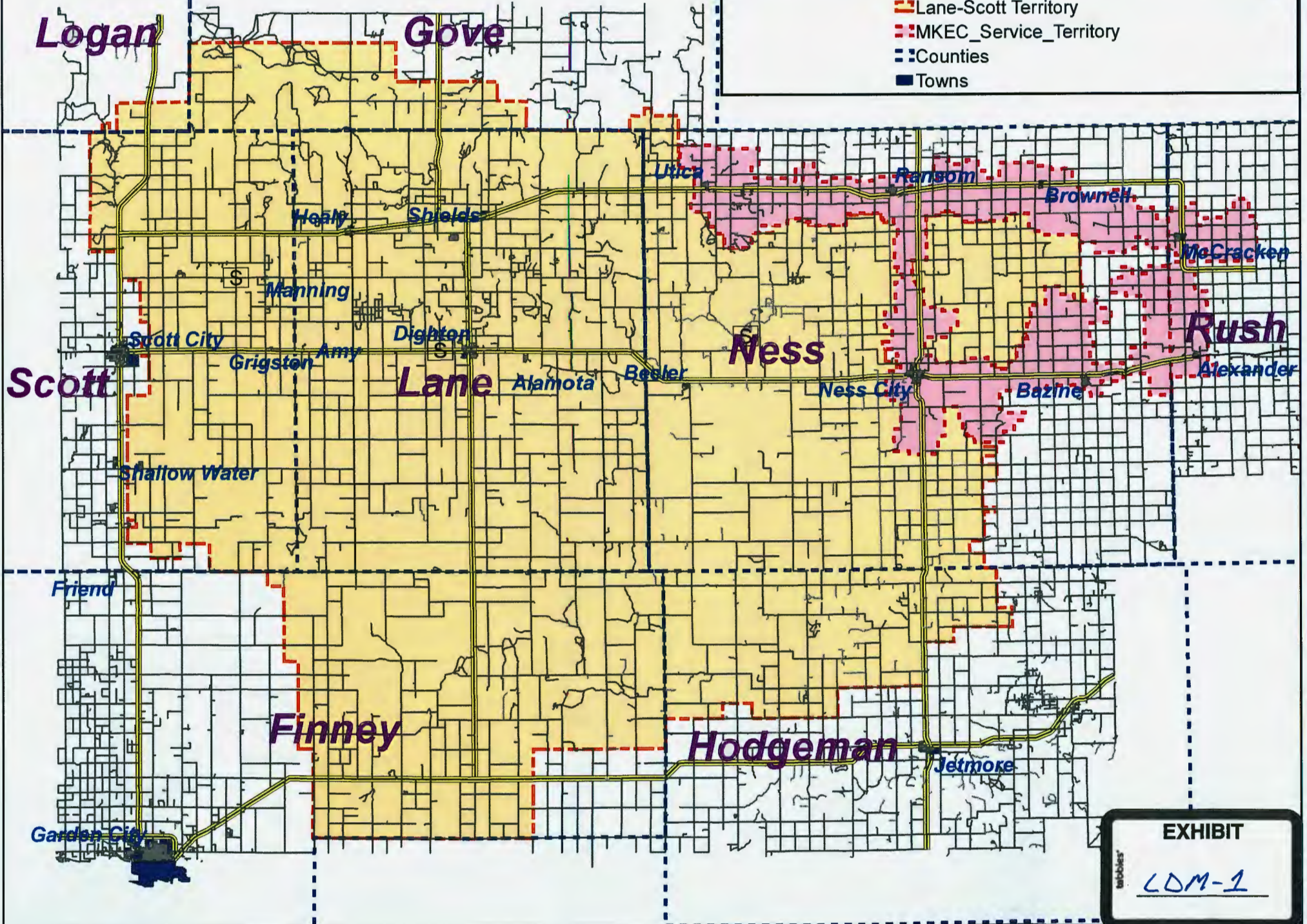
5 A. Yes. Our capital work plan for 2013-16 includes the rebuild of these two substations at a  
6 cost of approximately \$5 million. These projects will improve the continued reliability of  
7 the system for the former Aquila customers.

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

9 A. Yes.

# Lane-Scott & MKEC territory

-  Lane-Scott Territory
-  MKEC\_Service\_Territory
-  Counties
-  Towns



EXHIBIT

LOM-1

tabbles

**VERIFICATION**

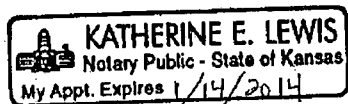
STATE OF Kansas )  
 ) ss.  
COUNTY OF Lane )

VERIFICATION

L. Dow Morris, being duly sworn upon his oath deposes and says that he is Interim General Manager of Lane-Scott Electric Cooperative, Inc., that he has read and is familiar with the foregoing Direct Testimony, and that the statements contained therein are true and correct to the best of his knowledge, information and belief.

L. Dow Morris  
L. Dow Morris  
Interim General Manager  
Lane-Scott Electric Cooperative, Inc.

Subscribed and sworn to before me this 1<sup>st</sup> day of August, 2012.



Katherine E Lewis  
Notary Public

My Appointment Expires:

1/14/2014