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BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

In the Matter of the Joint Application of)
Mid-Kansas Electric Company, LLC,)
Lane-Scott Electric Cooperative, Inc.,)
Prairie Land Electric Cooperative, Inc.,)
Southern Pioneer Electric Company,)
Victory Electric Cooperative Association, Inc.,)
Western Cooperative Electric Association, Inc., and)
Wheatland Electric Cooperative, Inc., Joint Applicants,)
for an Order approving the transfer of Certificates of)
Convenience with respect to all of Mid-Kansas' retail)
electric services and for other related relief.)

by
State Corporation Commission
of Kansas

Docket No. 13-MKEE-447-MIS

DIRECT TESTIMONY
OF
DOW MORRIS

LANE-SCOTT ELECTRIC COOPERATIVE, INC.

JANUARY 7, 2013

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

2 A. My name is Dow Morris.

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

4 A. I am employed by Lane-Scott Electric Cooperative, Inc. ("Lane-Scott"). My
5 business address is 410 South High Street, Dighton, Kansas.

6 **Q. Would you summarize your educational background?**

7 A. I graduated from Illinois State in 1981 with a degree in accounting.

8 **Q. Please summarize your work experience.**

9 A. I have worked for an electric cooperative for the past 26 years primarily in the
10 accounting, finance and management areas. I currently serve as Assistant
11 General Manager for Lane-Scott.

12 **Q. Are you also an officer of Mid-Kansas Electric Company, LLC?**

13 A. No. However, I served as an alternate on the Board of Directors of Mid-Kansas
14 Electric Company, LLC ("Mid-Kansas") from March, 2012 through November,
15 2012.

16 **Q. What is the purpose of your testimony?**

17 A. The purpose of my testimony is to provide background information on Lane-Scott
18 and support for relief sought in the Joint Application filed by Mid-Kansas and its
19 Members¹, including Lane-Scott.

¹ The six Kansas entities, collectively referred to as Members of Mid-Kansas, and their headquarters are as follows: Lane-Scott Electric Cooperative, Inc., Dighton, Kansas; Southern Pioneer Electric Company, a subsidiary of Pioneer Electric Cooperative, Inc., Ulysses, Kansas; Prairie Land Electric Cooperative, Inc., Norton, Kansas; Victory Electric Cooperative Association, Inc., Dodge City, Kansas; Western Cooperative Electric Association, Inc., WaKeeney, Kansas; Wheatland Electric Cooperative, Inc., Scott City, Kansas.

1 **1. HISTORICAL INFORMATION ON LANE-SCOTT**

2 **Q. Please provide an overview of your testimony.**

3 A. My testimony will primarily focus on a brief overview of Lane-Scott and
4 determination of the process for exemption from regulation.

5 **Q. Please provide a brief overview of Lane-Scott.**

6 A. Lane-Scott is an electric cooperative formed under the Kansas Electric
7 Cooperative Act. It was formed for the purpose of supplying electric energy and
8 promoting and extending the use of such energy in rural areas of western
9 Kansas. Lane-Scott was formed in 1941. Lane-Scott, therefore, has been
10 providing electric retail service in the western Kansas for over 61 years.

11 **Q. Would you provide a summary of the service area and the nature of service**
12 **Lane-Scott provided before the acquisition on Aquila-WPK by Mid-Kansas?**

13 A. Prior to the acquisition, Lane-Scott provided electric retail services in seven
14 counties, with approximately 2,800 meters. Its service territory runs from Ness
15 and Hodgeman counties on the eastern end to the Scott and Finney counties on
16 the western end. Lane-Scott also served various cities within its certificated
17 territory. Although it did not operate generation or transmission lines, it operated
18 and maintained approximately 1,700 miles of distribution lines.

19 **Q. Would you provide a summary of the area served and scope by Lane-Scott**
20 **after the acquisition of the Aquila-WPK by Mid-Kansas?**

21 A. After the acquisition, pursuant to a service contract with Mid-Kansas, Lane-Scott
22 increased the number of total meters to approximately 5,700 and continues to

1 serve approximately that number of meters in the Lane-Scott division. Through
2 the acquisition, the service territory was extended easterly to approximately the
3 western one-half of Rush County from the eastern edge of the original Lane-
4 Scott service territory. With the acquisition of Aquila-WPK, the number of meters
5 served is approximately 5,700.

6 **Q. Prior to the acquisition, was Lane-Scott a deregulated cooperative?**

7 A. Yes. In 1994, the member customers of Lane-Scott voted to deregulate. Of the
8 member customers voting, 81% approved the deregulation of Lane-Scott. Since
9 that date, Lane-Scott has operated as a deregulated cooperative. The
10 deregulation of the cooperative has allowed the member owners to govern
11 themselves with far less expense than Lane-Scott could otherwise have done
12 had it continued to be regulated.

13 **Q. Why did the six Members of Mid-Kansas elect to pursue the acquisition of**
14 **Aquila-WPK?**

15 A. As was true with other members, Lane-Scott saw the acquisition as an
16 opportunity to increase its service territory and serve more residential customers.
17 Lane-Scott was next door to Aquila-WPK's service territory. The expansion into
18 this territory could be done at far less of a cost to Lane-Scott than any other utility
19 as we were already serving in the general area. It allowed Lane-Scott to increase
20 the number of customers it serves and spread costs across a larger body of
21 customers. There were a number of synergies associated with the acquisition, all
22 of which resulted in cost savings to both Lane-Scott's existing customers and
23 those customers acquired in the acquisition.

1 **Q. Do you believe the synergies that you anticipated have been realized?**

2 A. Yes. We firmly believe the acquisition has been good for both the existing and
3 acquired customers. There have been cost savings as anticipated, and the
4 increases in cost have been slowed as a result of the synergies and ability to
5 spread costs across a larger segment of customers. Also, the diversity in
6 customers has been beneficial as economic conditions change throughout west
7 central Kansas. The territory acquired by Mid-Kansas was more residential in
8 nature than the customer base served by Lane-Scott in its certificated territory.
9 The diversity has helped in stabilizing load.

10 **Q. Do you believe Lane-Scott is capable of succeeding to a portion of Mid-**
11 **Kansas' certificated service territory as contemplated in the application?**

12 A. Yes. Lane-Scott has been serving the customers in the Lane-Scott division since
13 the acquisition in 2007. We have great confidence in our ability to service the
14 customers and provide quality electric services and believe it would be in the
15 best interest of the public to do so.

16 **Q. Is Lane-Scott asking the Commission to approve the transfer of the**
17 **territory Lane-Scott is currently serving pursuant to its service contract**
18 **with Mid-Kansas?**

19 A. Yes.

20 **2. DETERMINATION OF PROCESS FOR EXEMPTION FROM REGULATION**

21 **Q. The application requests the determination of the process the Members are**
22 **to follow upon transfer of a Certificate to exempt themselves from**

1 **regulation under K.S.A. 66-104d. Would you explain why the applicants are**
2 **seeking approval of this process?**

3 A. Lane-Scott was deregulated prior to the acquisition and is currently deregulated.
4 Our member owners overwhelmingly supported the election to exempt
5 themselves from regulation. Of the members voting, 81% approved the election
6 to deregulate. Because the member owners exempted themselves from
7 regulation, they have enjoyed the benefits of reduced regulatory costs. Plus the
8 owners are much better at determining their needs and the rate needed to
9 provide affordable and reliable service to themselves. Lane-Scott's Board of
10 Directors has done a very good job of controlling rates, which we think has been
11 validated by the member owners' satisfaction with being deregulated.

12 **Q. You recall that in the acquisition docket, the Members stipulated the steps**
13 **for deregulation upon transfer of the Certificate of Convenience. Why are**
14 **the applicants now seeking a modification to that procedure?**

15 A. The stipulation provided that the Aquila-WPK customers were to be given full
16 cooperative membership rights. Lane-Scott, upon the acquisition, granted all of
17 the former Aquila-WPK customers full cooperative membership rights, including
18 the right to vote and the right to patronage. Therefore, we have already met part
19 of the requirement of the stipulation. The remainder of the stipulation requires a
20 vote by the Aquila-WPK customers to determine whether they should exempt
21 themselves from regulation. The vote is limited to only those customers in the
22 former Aquila-WPK certificated territory being transferred to Lane-Scott. Although
23 we are optimistic such a vote would be in favor of exemption, a vote disapproving

1 deregulation would raise serious questions as to the impact on the customers
2 currently deregulated. As Mr. Lowry has stated, the statute does not contemplate
3 a partial deregulation of the cooperative's members. As to its member owners,
4 the cooperative is either regulated or not regulated. Our Board of Directors does
5 not believe it would be fair or equitable to force our member owners that are
6 currently satisfied with the deregulated status of Lane-Scott to become regulated
7 based upon a vote of a portion of its customers. Plus, as Mr. Lowry has pointed
8 out, the statute does not allow another vote for a period of two years. Disapproval
9 would subject Lane-Scott's current customers to regulation for a two-year period
10 before another vote could be taken during which Lane-Scott would incur costs of
11 regulatory oversight.

12 **Q. Does Lane-Scott have a recommended solution?**

13 A. Yes. We seek the modification to the Order issued in the 524 Docket to provide
14 that to the extent any Member cooperative is exempt from regulation at the time
15 of the transfer of the Certificate, the Member cooperative would remain
16 unregulated subject to customers of not less than 10% of the members of the
17 cooperative petitioning for a re-vote on deregulation. Certainly, this would be
18 consistent with past transfer of service territory between various cooperatives. In
19 those instances, transferred customers come in to the new cooperative subject to
20 the current regulatory status of the cooperative to which they have been
21 transferred. Additionally, Lane-Scott believes the ability of the former Aquila-WPK
22 customers to petition for a vote provides adequate relief, is fair to the currently
23 deregulated customers, and falls within the spirit of the stipulation.

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

2 **A. Yes.**

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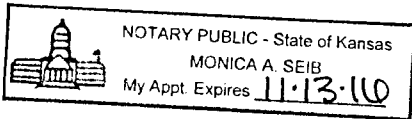
VERIFICATION

STATE OF KANSAS)
COUNTY OF Ellis) ss:

Dow Morris, of lawful age, being first duly sworn, deposes and says that he is the Dow Morris referred to in the foregoing document entitled "Direct Testimony of Dow Morris" 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.

Dow Morris
Dow Morris

SUBSCRIBED AND SWORN to before me this 21st day of December, 2012.



Monica A. Seib
Notary Public

My appointment expires: 11.13.10