

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

Before Commissioners: Shari Feist Albrecht, Chair
 Jay Scott Emler
 Pat Apple

In the Matter of the Application of The)
Empire District Electric Company for)
Approval of Amendments to its Stock Unit)
Plan for Directors and Authority to Issue up) Docket No. 15-EPDE-063-SEC
to an Additional 500,000 Shares of its)
Common Stock, \$1.00 Par Value, Reserved)
for Issuance Pursuant to Empire's Stock Unit)
Plan for Directors)

ORDER APPROVING APPLICATION FOR ISSUANCE OF SECURITIES

The above-captioned matter comes before the State Corporation Commission of the State of Kansas (Commission) for consideration and determination. Having examined its files and records and being fully advised in the premises, the Commission finds and concludes as follows:

I. BACKGROUND

1. On August 8, 2014, Empire District Electric Company (Empire) filed an Application pursuant to K.S.A. 66-125 requesting the Commission: (1) issue an Order approving amendments to Empire's Stock Unit Plan for Directors, (2) authorize Empire to issue and sell up to an additional 500,000 shares of Common Stock pursuant to its Stock Unit Plan for Directors, and (3) allow Empire to take such action as reasonably necessary to carry out this transaction.¹

2. Commission Staff (Staff) has submitted a Report and Recommendation (R&R) analyzing and recommending approval of Empire's Application.²

¹ See Application, p. 3 (Aug. 8, 2014).

² Staff Report and Recommendation (Oct. 3, 2014). Specifically, Staff recommends "the Commission grant Empire a Certificate and Authority to issue additional shares as requested in the Application." *Id* at p. 3.

3. Staff's R&R dated October 3, 2014, is attached hereto as "Attachment A" and is hereby adopted and incorporated by reference.

4. Staff recommends the Commission grant Empire's Application to issue and sell up to an additional 500,000 shares of Common Stock pursuant to its Stock Unit Plan for Directors.³

5. Staff further recommends the Commission explicitly affirm that "granting Empire authority to issue these securities does not guarantee any specific regulatory treatment of related costs or inclusion of related plant and equipment in rate base. . ."⁴

II. FINDINGS AND CONCLUSIONS

6. Upon review of the record as a whole, the Commission concludes that Staff's findings and recommendations are reasonable and hereby adopts the same.

7. K.S.A. 66-125 does not provide the Commission with authority over benefit plans such as Empire's Stock Unit Plan for Directors. Therefore, the Commission takes no action regarding Empire's request for Commission approval of amendments to said plan.

8. Notwithstanding Empire's proposed amendments which the Commission takes no action on, the Commission finds that Empire's Application satisfies the statutory requirements outlined in K.S.A. 66-125, and therefore should be approved.

IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:

A. Empire's Application for Authority to issue and sell up to an additional 500,000 shares of Common Stock pursuant to its Stock Unit Plan for Directors is approved.

³ See Staff Report and Recommendation, p. 3.

⁴ *Id.*

B. Granting Empire authority to issue these securities does not guarantee any specific regulatory treatment of related costs or inclusion of related plant and equipment in rate base.

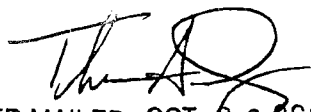
C. Parties have 15 days, plus three days if service is by mail, from the date of service of this Order in which to petition the Commission for reconsideration.⁵

D. The Commission retains jurisdiction over the subject matter and parties for the purpose of entering such further order, or orders, as it may deem necessary and proper.

BY THE COMMISSION IT IS SO ORDERED.

Albrecht, Chair; Emler, Commissioner; Apple, Commissioner

Dated: OCT 28 2014


ORDER MAILED OCT 28 2014
Thomas A. Day
Acting Executive Director

REV

⁵ K.S.A. 2013 Supp. §§ 66-1,118b; 77-529(a)(1).

Utilities Division
1500 SW Arrowhead Road
Topeka, KS 66604-4027



ATTACHMENT A

Phone: 785-271-3220
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<http://kcc.ks.gov/>

Shari Feist Albrecht, Chair
Jay Scott Emler, Commissioner
Pat Apple, Commissioner

Sam Brownback, Governor

REPORT AND RECOMMENDATION UTILITIES DIVISION

TO: Chair Shari Feist Albrecht
Commissioner Jay Scott Emler
Commissioner Pat Apple

FROM: Adam Gatewood, Managing Financial Analyst
Justin Grady, Chief of Accounting & Financial Analysis
Jeff McClanahan, Direct of Utilities Division

DATE: October 3, 2014

SUBJECT: 15-EPDE-063-SEC
In the Matter of the Application of The Empire District Electric Company for Approval of Amendments to its Stock Unit Plan for Directors and Authority to Issue up to an Additional 500,000 Shares of its Common Stock, \$1.00 Par Value, Reserved for Issuance Pursuant to Empire's Stock Unit Plan for Directors

EXECUTIVE SUMMARY:

Staff recommends the Commission grant Empire District Electric Company (Empire) a Certificate and Authority to issue the additional shares of common stock requested in this Docket.

BACKGROUND:

Empire requests Authority from the Commission to issue 500,000 additional shares of common stock for the sole purpose of meeting it's the needs of its *Stock Unit Plan for Directors (SUP)*. The shares will be issued to Directors of Empire as compensation for their work as Director.¹ Empire filed for a Certificate and Authority to issue these securities under K.S.A. 66-125.

Issuance of securities; certificate of commission required, when;
proceedings; motor carriers exempted. (a) Any investor-owned

¹ Per Exhibit A of the Application "Stock Unit Plan for Directors of Empire District Electric Company" - page 1, Purpose: The Empire District Electric Company (the "Company") has adopted this Stock Unit Plan for Directors of The Empire District Electric Company (the "Plan") in order to enhance the Company's ability to attract and retain competent and experienced persons to serve as Directors and to recognize the service of Directors of the Company by providing a stock-based compensation program for Directors that will foster a strong incentive to put forth maximum effort for the continued growth and success of the Company.

electric public utility incorporated in the state of Kansas may issue stocks, certificates, bonds, notes or other evidences of indebtedness, payable at periods of more than 12 months after the date thereof, when necessary for the acquisition of property, for the purpose of carrying out its corporate powers, the construction, completion, extension or improvements of its facilities, for the improvements or maintenance of its service, for the discharge or lawful refunding of its obligations, or for such other purposes as may be authorized by law. Prior to any such issuance, there shall be secured from the commission a certificate stating the amount, character, purposes and terms on which such stocks, certificates, bonds, notes or other evidences of indebtedness are proposed to be issued, as set out in the application for such certificate. In lieu of securing a certificate from the commission, if the issuance requires a registration statement to be filed with the securities and exchange commission or such utility obtains an authorization or approval of such issuance from another state or federal agency, the public utility may file with the state corporation commission a copy of the information filed with the securities and exchange commission or such other agency... (K.S.A. 66-125)

ANALYSIS:

To obtain a Certificate from the Commission, K.S.A. 66-125 requires Empire to provide the Commission with specific information on the proposed securities. While it is not possible to provide precise information regarding all aspects of the securities, that information may not be known until the point in time when the securities are issued. In the case of debt securities, the interest rate will not be known until shortly before closing the transaction. In the case of common stock, the shares are issued from time to time at the prevailing market price at the time they are issued, thus the precise market price cannot be known in advance. Staff believes that the requirements of the statute are met with a combination of the information contained in this Application coupled with Staff's ability to review the transactions and related costs during rate cases. Staff is also cognizant of the fact that the 500,000 shares issued under the SUP represent only slightly more than a 1% increase in shares outstanding for Empire, thus these additional shares will cause a negligible change in Empire's financial ratios.

Empire's Application discusses several changes it proposes to make to the SUP and asks the Commission to approve those changes. In Staff opinion, K.S.A. 66-125 does not provide the Commission with any oversight of these types of plans; therefore, it is not necessary for the Commission to act on this aspect of Empire's Application.

It has always been Staff's position that granting Authority to issue new securities pursuant to K.S.A. 66-125 does not guarantee any specific regulatory treatment of the capital costs or the related assets financed with that capital. To ensure that all parties

understand the limited scope of K.S.A. 66-125, Staff requests the Commission's Order explicitly state that granting Empire authority to issue these securities does not guarantee any specific regulatory treatment of related costs or inclusion of related plant and equipment in rate base; those issues will be addressed in subsequent rate cases.

RECOMMENDATION:

Staff recommends the Commission grant Empire a Certificate and Authority to issue additional shares as requested in the Application.

PLEASE FORWARD THE ATTACHED DOCUMENT (S) ISSUED IN THE ABOVE-REFERENCED DOCKET
TO THE FOLLOWING:

NAME AND ADDRESS	NO. CERT. COPIES	NO. PLAIN COPIES
JAMES G. FLAHERTY, ATTORNEY ANDERSON & BYRD, L.L.P. 216 S HICKORY PO BOX 17 OTTAWA, KS 66067		
ANDREW FRENCH, LITIGATION COUNSEL KANSAS CORPORATION COMMISSION 1500 SW ARROWHEAD RD TOPEKA, KS 66604-4027 ***Hand Delivered***		
ROBERT VINCENT, LITIGATION ATTORNEY KANSAS CORPORATION COMMISSION 1500 SW ARROWHEAD RD TOPEKA, KS 66604-4027 ***Hand Delivered***		
BRADLEY P. BEECHER, PRESIDENT THE EMPIRE DISTRICT ELECTRIC COMPANY 602 S JOPLIN AVENUE JOPLIN, MO 64801		

ORDER MAILED **OCT 29 2014**

The Docket Room hereby certified that on this _____ day of _____, 20_____, it caused a true and correct copy of the attached ORDER to be deposited in the United States Mail, postage prepaid, and addressed to the above persons.