

BEFORE THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS

In the Matter of the Application of The Empire )  
District Electric Company for Approval of its )  
Asbury Environmental and Riverton Cost Recovery ) Docket No. 17-EPDE-280-TAR  
("AERR") Rider to Replace the Existing Asbury )  
Environmental Cost Recovery ("AECR") Rider )

**APPLICATION**

The Empire District Electric Company ("Empire") files the following application with the Kansas Corporation Commission ("Commission") pursuant to K.S.A. 66-117 and paragraph 26 of the Unanimous Settlement Agreement filed in Docket No. 16-EPDE-410-ACQ ("410 Docket") ("Agreement"), which was approved by the Commission by its order issued in that docket on December 22, 2016. Empire requests approval of its proposed Asbury Environmental and Riverton Cost Recovery ("AERR") Rider. The proposed AERR Rider will replace Empire's current Asbury Environmental Cost Recovery ("AECR") Rider, which was approved by the Commission in Docket No. 15-EPDE-233-TAR. In support of its application, Empire states as follows:

1. Empire is a corporation duly organized and existing under the laws of the State of Kansas and is engaged in doing business in said state and has heretofore duly qualified to do and is also doing business in the states of Missouri, Arkansas and Oklahoma. Empire owns and operates an electric utility system located in contiguous portions of the above-mentioned four states, which is used to serve approximately 170,000 total electric customers. Empire is the holder of certificate from the State of Kansas confirming its right to conduct business as an electric utility pursuant to K.S.A. 66-101, *et seq.*, and by reason thereof has the duty and responsibility to provide and maintain an adequate supply of electricity for its existing and prospective customers located within its defined service territory in Cherokee and Labette Counties, Kansas. Empire provides electric service to approximately 10,000 customers in southeastern Kansas.

2. Under paragraph 26 of the Agreement approved in the 410 Docket, Empire agreed that it would seek an Order from the Commission to amend its AECR Rider to include the revenue requirement associated with the new Riverton 12 combined cycle natural gas fired generating unit ("Riverton 12") consisting of return on investment, taxes and depreciation expense associated with Riverton 12. Empire further agreed that it would make such a request as soon as possible following the close of the transaction approved by the Commission in the 410 Docket. Staff and CURB agreed that they would not categorically oppose Empire's request to amend its AECR Rider to include Riverton 12 provided that said request met certain conditions set forth in paragraph 3 below.

3. The conditions that Staff and CURB asked Empire to meet were as follows:

(1) The revised rider should be referred to as the AERR Rider.

(2) The revised rider should update Gross Plant and Accumulated Depreciations associated with the AERR revenue requirement to the most recent data possible.

(3) The AERR will use the least cost capital structure determined by comparing the actual capital structure of Empire and the actual capital structure of any other entity which it receives financing from (including but not limited to, the consolidated Algonquin capital structure).

(4) The AERR will use a return on equity of 9.3%.

(5) The AERR will be implemented on an interim basis, subject to true-up and eventual refund or recovery in Empire's next base rate case, with the agreement that Staff and CURB reserved their rights to challenge the reasonableness of any of the costs collected under the AERR in Empire's next general rate case.

4. Attached to this application and incorporated herein by reference is the testimony and exhibits of Mr. Blake A. Mertens, Empire's Vice President, Energy Supply and Delivery Operations, and Mr. Bryan S. Owens, Empire's Assistant Director of Planning and Regulatory. Mr.

Mertens' testimony provides background information relating to Empire's decision to construct Riverton 12. Mr. Owens' testimony explains in detail how the proposed AERR Rider will work and how it meets each of the above-mentioned conditions that Staff and CURB asked Empire to meet in developing the AERR Rider.

5. Mr. Mertens' testimony quantifies and describes the investment Empire has made in the Riverton 12 as well as the process utilized by Empire to select the contractor responsible for engineering, procurement and construction of the unit. Mr. Mertens explains how the project was below budget. Mr. Mertens' testimony also identifies the in-service criteria established for Riverton 12 and how that criteria was met and the plant placed in service on May 1, 2016.

6. As shown in Mr. Owens' Schedule BSO-1, the proposed AERR Rider is designed to continue to recover the Kansas jurisdictional portion of the annual carrying costs (rate of return, income taxes and depreciation) associated with Empire investment in the Air Quality Control System ("AQCS") at its Asbury power plant and the annual carrying costs associated with Empire's investment in Riverton 12. As proposed, the AERR Rider charge would only be in effect from the date of its approval by the Commission to the conclusion of Empire's next general rate case. It would also only apply to the environmental retrofit costs at Asbury and investment in Riverton 12. The AERR Rider will be updated once every twelve months so that the annual carrying costs and the charge used to recover these costs will reflect Empire's current investment in the AQCS at Asbury and the Riverton 12 plant and an update of the annual carrying costs associated with these facilities. In addition, the AERR Rider includes a "true-up" mechanism so that any over/under recovery of the AQCS at Asbury and the Riverton 12 plant carrying costs authorized by the Commission is accounted for and passed on to Empire's Kansas retail customers.

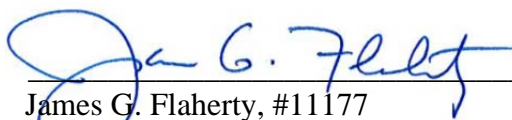
7. Mr. Owens' testimony explains how Empire determined the costs associated with Riverton 12 and how those costs along with the remaining costs to be recovered relating to the

AQCS at Asbury impact Empire's annual Kansas revenue requirement, the rate per kilowatt-hour ("kWh") that will be reflected in the AERR Rider, and the impact the rider will have on a typical residential customer using just over 1000 kWh per month. The annual revenue requirement is \$1,867,702. The rate per kWh, determined by dividing the annual revenue requirement of \$1,867,702 by normalized Kansas sales of 218,064,176 kWh, is expected to be \$0.00856 per kWh. The monthly impact to a typical residential customer using approximately 1,054 kWh per month will be \$5.50.

8. Mr. Owens also describes how the annual carrying cost rate was developed and how it conformed to the conditions required by Staff and CURB in the 410 Docket. Attached to Mr. Owens' testimony is a schedule that shows the components of the capital structure used to determine the carrying costs, the cost of Empire's long-term debt, and the 9.3% ROE that Empire agreed to use in conformance with the conditions required by Staff and CURB in the 410 Docket.

9. A copy of the proposed AERR Rider tariff is attached to Mr. Owens' testimony and is incorporated herein by reference.

WHEREFORE, The Empire District Electric Company requests that the Kansas Corporation Commission issue an Order approving its proposed AERR Rider tariff, which shall replace Empire's current AECR Rider tariff and for such other and further relief as this Commission deems appropriate.



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James G. Flaherty, #11177

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Attorneys for The Empire District Electric Company

**VERIFICATION**

STATE OF KANSAS            )  
  )ss:  
COUNTY OF FRANKLIN    )

James G. Flaherty, of lawful age, being first duly sworn on oath, states:

That he is the attorney for The Empire District Electric Company, named in the foregoing Application, and is duly authorized to make this affidavit; that he has read the foregoing Application, and knows the contents thereof; and that the facts set forth therein are true and correct.

  
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James G. Flaherty

SUBSCRIBED AND SWORN to before me this 6<sup>th</sup> day of January, 2017.



  
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Notary Public

Appointment/Commission Expires: