

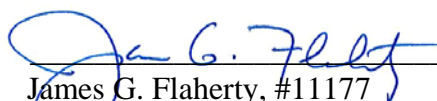
BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

In the Matter of Empire District Electric)
Company's Compliance with the Commission's)
Order in Docket No. 13-GIME-391-GIE.) Docket No. 13-EDPE-465-CPL

**2016 RES COMPLIANCE REPORT OF
THE EMPIRE DISTRICT ELECTRIC COMPANY**

The Empire District Electric Company ("Empire") pursuant to K.A.R. 82-16-2, hereby files its annual Renewable Energy Standards Act ("RES") report attached hereto as Exhibit A.

A portion of Empire's 2016 report contains sensitive commercial information that is not available to the general public and, therefore, is being filed under seal in accordance with the provisions of K.S.A. 66-1220a and K.A.R. 82-1-221a. The Citizens' Utility Ratepayer Board has been provided a non-confidential version of the report.



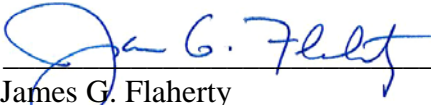
James G. Flaherty, #11177
ANDERSON & BYRD, LLP
216 S. Hickory, P. O. Box 17
Ottawa, Kansas 66067
(785) 242-1234, telephone
(785) 242-1279, facsimile
jflaherty@andersonbyrd.com

Attorneys for The Empire District Electric Company

VERIFICATION

STATE OF KANSAS, COUNTY OF FRANKLIN, ss:

James G. Flaherty, of lawful age, being duly sworn upon oath, deposes and says that he is attorney for The Empire District Electric Company above named, that he has read the above and foregoing Compliance Report, and the statements contained therein are true.



James G. Flaherty

SUBSCRIBED AND SWORN to before me this 19th day of May, 2017.





Notary Public

Appointment/Commission Expires:

CERTIFICATE OF SERVICE

I hereby certify that a copy of the above and foregoing was sent via U.S. Mail, postage prepaid, hand-delivery, or electronically, this 19th day of May, 2017, addressed to:

David W. Nickel
d.nickel@curb.kansas.gov

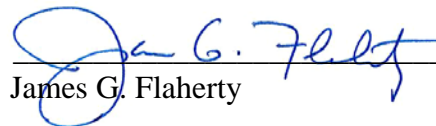
Thomas J. Connors
tj.connors@curb.kansas.gov

Todd E. Love
t.love@curb.kansas.gov

Della Smith
d.smith@curb.kansas.gov

Shonda Smith
sd.smith@curb.kansas.gov

Andrew J. French
a.french@kcc.ks.gov


James G. Flaherty

EMPIRE DISTRICT ELECTRIC COMPANY

2016 RENEWABLE ENERGY GOAL REPORT

Prepared in Compliance with K.A.R. 82-16

May 2017



TABLE OF CONTENTS

| | |
|--|----------|
| SECTION I: INTRODUCTION | 3 |
| SECTION II: REPORT..... | 3 |
| 2.1 SECTION (82) (16) 2 (B) (1): ANNUAL RENEWABLE ENERGY RESOURCES | 3 |
| 2.2 SECTION (82) (16) 2 (B) (2): RENEWABLE ENERGY RESOURCETO MEET THE GOAL | 4 |
| 2.3 SECTION (82) (16) 2 (B) (3): PLANNED KANSAS VOLUNTARY GOAL COMPLIANCE..... | 5 |
| 2.4 SECTION (82) (16) 2 (B) (4): KANSAS RETAIL ONE-HOUR PEAK DEMAND | 5 |
| 2.5 SECTION (82) (16) 2 (B) (5): RENEWABLE ENERGY CAPACITY QUALIFYING AS PEAK DEMAND | 6 |
| 2.6 SECTION (82) (16) 2 (B) (6): RENEWABLE ENERGY CAPACITY FROM KANSAS FACILITY CONSTRUCTED AFTER 1/1/2000 | 6 |
| 2.7 SECTION (82) (16) 2 (B) (7): TOTAL RETAIL ENERGY SALES FOR KANSAS | 6 |
| 2.8 SECTION (82) (16) 4 (A) (B): RETAIL REVENUE REQUIREMENT..... | 7 |

2016 RENEWABLE ENERGY GOAL REPORT

SECTION I: Introduction

Pursuant to the State of Kansas Corporation Commission's renewable energy goals Article 16.-Electric Utility Renewable Energy Goals 82-16-2, The Empire District Electric Company (Empire), a Kansas corporation, is filing a Renewable Energy Goal Report for 2016.

The following sections provide information required to indicate compliance with the voluntary rule:

SECTION II: REPORT

2.1 SECTION (82) (16) 2 (B) (1): ANNUAL RENEWABLE ENERGY RESOURCES

Empire began to develop its wind renewable energy portfolio in December of 2004, when it entered into a 20-year contract to purchase wind energy generated at the Elk River Windfarm (now owned by Avangrid Renewables, LLC). The first energy was generated at the 150 megawatt (MW) Elk River Windfarm located in Butler County, Kansas on October 17, 2005.

On June 19, 2007, Empire enhanced its renewable energy portfolio when it entered into a 20-year purchased power agreement with Cloud County Wind Farm, LLC. EDP Renewables North America, LLC is an indirect parent company of Cloud County Wind Farm, LLC. Pursuant to the terms of the agreement, Empire purchases all of the output from the 105-megawatt Phase 1 Meridian Way Wind Farm located in Cloud County, Kansas. Renewable Energy Credits (RECs) were not utilized from this facility for compliance with the voluntary Kansas goal.

In addition, the Ozark Beach Hydroelectric Project, owned by Empire has produced renewable hydropower for many years in southwest Missouri. RECs from this facility will be utilized for the 2016 Kansas voluntary goal.

Empire has generated renewable energy through these long-term PPA's and owned generation at Ozark Beach to aide in creating a balanced energy mix before and up to December 31, 2016. No new renewable wind or hydro generation has been put into service during this year.

In 2015 Empire began to offer solar rebates for customer generated solar systems. The Solar Renewable Energy Credits (SRECs) created by these systems are owned by Empire for a period of time and a portion of the SRECs were retired to comply with the 2016 Missouri requirement.

Although Empire owns or purchases renewable energy in several forms, only RECs from the Elk River Wind Farm and the Ozark Beach facility were used for compliance with the voluntary Kansas goal. Below is a table that captures the monthly capacity factor, monthly availability factor, and the monthly and annual amounts of energy generated at these facilities.

Table 1: Resources used to attain the Kansas Goal

| 2016 | Monthly Capacity Factor (%) | | Monthly Availability Factor (%) | | Amount of Energy Generated (MWh) | |
|----------------------|-----------------------------|-----------|---------------------------------|-----------|----------------------------------|-----------|
| | Ozark Beach | Elk River | Ozark Beach | Elk River | Ozark Beach | Elk River |
| January | 0.58 | 37.0 | 8.58 | 97.4 | 69 | 41,279 |
| February | 42.87 | 52.0 | 98.67 | 97.8 | 4,774 | 54,239 |
| March | 83.11 | 50.2 | 99.89 | 98.3 | 9,880 | 56,065 |
| April | 38.84 | 43.1 | 100 | 97.3 | 4,474 | 46,520 |
| May | 45.37 | 33.8 | 99.96 | 97.8 | 5,401 | 37,684 |
| June | 42.87 | 30.0 | 99.96 | 98.6 | 4,939 | 32,429 |
| July | 56.41 | 32.9 | 100 | 98.2 | 6,715 | 36,739 |
| August | 57.52 | 23.8 | 100 | 99.0 | 6,847 | 26,588 |
| September | 23.91 | 34.7 | 99.7 | 98.1 | 2,754 | 37,519 |
| October | 12.6 | 45.9 | 99.86 | 97.5 | 1,500 | 51,248 |
| November | 30.96 | 42.6 | 99.87 | 96.2 | 3,572 | 45,957 |
| December | 36.7 | 37.1 | 99.98 | 94.8 | 4,369 | 41,419 |
| ANNUAL AVERAGE | 39.34 | 38.6 | 92.09 | 97.6 | | |
| Average of Resources | 38.97 | | | | | |
| TOTAL | | | | | 55,294 | 507,686 |

2.2 SECTION (82) (16) 2 (B) (2): RENEWABLE ENERGY RESOURCES TO MEET THE GOAL

Empire continuously explores the least cost balanced mix of energy resources for all customers through the Missouri Integrated Resource Plan (IRP) process. Empire will continue to purchase wind power through long-term PPA contract agreements with Elk River and Meridian Way. Ozark Beach will continue to generate renewable energy under the ownership of Empire. Elk River Windfarm and Ozark Beach hydro RECs are registered with the North American Renewable Registry and retired for both Missouri and Kansas compliance.

2.3 SECTION (82) (16) 2 (B) (3): PLANNED KANSAS VOLUNTARY GOAL COMPLIANCE

In the future, Empire will evaluate maintaining voluntary compliance with the Kansas goal. If Empire plans to comply with the voluntary goal, compliance will be through the contract with Elk River Wind farm and generation of the Ozark Beach facility. Empire expects no impact to revenue requirements and no limitations will result from the one percent revenue requirement cap that would limit Empire's ability to meet the voluntary goal.

Empire also has a renewable requirement in Missouri. The Missouri standard is one which requires a certain amount of energy to come from renewable resources whereas the Kansas requirement is a capacity goal. In order to maintain certainty that Empire is not double-counting RECs, Empire retired RECs from the North American Renewable Registry (NARR) to meet the Missouri requirement and the Kansas goal. In total, 38,947 RECs generated in 2016 were retired from the registry for Kansas voluntary compliance. ATTACHMENT 1 describes the calculation for the determination of REC retirement.

2.4 SECTION (82) (16) 2 (B) (4): KANSAS RETAIL ONE-HOUR PEAK DEMAND

Below is a table showing the Kansas retail one-hour peak demand for each of the previous three calendar years and the average for these years:

Table 2: Kansas Retail One-Hour Peak Demand

| Kansas Retail Peak (megawatts) | |
|---------------------------------------|------|
| June, 2013 | 55.3 |
| August, 2014 | 57.9 |
| July, 2015 | 57.7 |
| 3 Year Average | 57.0 |

Data reported in the Annual Report of the Empire District Electric Company reflects a peak demand – kW – for Kansas of; 50,650 (2013); and 50,641 (2014); and 47,633 (2015). These numbers reflect the Wholesale plus Retail 12 month *average*, whereas the RESA requires the reporting of the Kansas Retail Peak.

2.5 SECTION (82) (16) 2 (B) (5): RENEWABLE ENERGY CAPACITY QUALIFYING AS PEAK DEMAND

The table below reflects the amount of renewable energy capacity that could qualify as a portion of the year's peak demand as calculated pursuant to paragraph (b) (4). However, Empire also has a renewable energy standard in Missouri and will retire the appropriate amount of RECs for that standard as well. Again, the purpose of retiring RECs for the Kansas goal is to ensure Empire is not double-counting any of its RECs or capacity.

Table 3: Renewable Energy Capacity Qualifying as Peak Demand

| | |
|---|------|
| Kansas Renewable Goal | |
| Kansas Retail Peak, prior 3-year Average (MW) | 57.0 |
| Renewable Requirement (Percentage of Peak) | 20% |
| Empire Requirement (MW) | 11 |
| Empire Eligible Resources (MW) | |
| Elk River* | 150 |
| Meridian Way** | 105 |
| Ozark Beach* | 16 |
| Total | 271 |

*The Elk River and Ozark Beach resources will be used for the Kansas goal

**Meridian Way will not be used for the Kansas goal.

2.6 SECTION (82) (16) 2 (B) (6): RENEWABLE ENERGY CAPACITY FROM KANSAS FACILITY CONSTRUCTED AFTER 1/1/2000

The renewable energy capacity from the Elk River and Meridian Way facilities noted in Table 3 were constructed in Kansas after January 1, 2000. Ozark Beach became operational in 1913.

2.7 SECTION (82) (16) 2 (B) (7): TOTAL RETAIL ENERGY SALES FOR KANSAS

Empire's total Kansas retail energy sales for 2016 totaled 223,113,107 kWh.

2.8 SECTION (82) (16) 4 (a) (b): RETAIL REVENUE REQUIREMENT

Empire Documentation supporting the calculation for each capacity resource used to attain the renewable energy goal is shown in ATTACHMENT 2 with supporting documents...

ATTACHMENT 1**2016**

| | |
|---|---------|
| Capacity (MW) (average of the peaks 3 years prior to the data year) | 57.0 |
| 20 % Requirement | 0.2 |
| Required Capacity | 11.4 |
| Hours | 8760 |
| Capacity Factor (Average of resources used for compliance) | 0.39 |
| REC Equivalents | 38,947 |
| Elk River RECs Retired from the NARR | 35,504 |
| Ozark Beach RECs Retired from the NARR | 3,443 |
| Elk River Generation | 507,686 |
| Ozark Beach Generation | 55,294 |

Determination of Percentage Increase to Total Retail Revenue (K.A.R. 82-16-4(D)(2))

- (A) The cumulative retail revenue requirement for all renewable capacity resources added during the year and renewable resources that were not added but were required to meet the portfolio requirement shall be the numerator.
- (B) The cumulative retail revenue requirement for all nonrenewable capacity resources added during the year shall be added to the total retail revenues authorized by the commission in the utility's last rate case. The total retail revenues resulting from a utility's last rate case shall consist of all commission-authorized revenues used to determine base rates as well as all retail revenues recovered through any riders, surcharges, and other mechanisms. The cumulative amount of the retail revenues associated with nonrenewable capacity resources added during the year and the total retail revenues authorized by the commission in the utility's last rate case shall be the denominator.

Empire Retail Revenue Requirement Calculation (Note 1)

$$\frac{\$0}{\$24,467,493} \frac{\text{Renewable added}}{\text{Sum of non-renewable added + Commission authorized retail revenue + Rider}}$$

| | | |
|--------|--|--------------|
| Step 1 | Cumulative retail revenue requirement for all renewable capacity resources added during the year = | \$0 |
| Step 2 | Cumulative retail revenue requirement for all non-renewable capacity resources added during the year = | \$0 |
| Step 3 | Total Retail revenues authorized by the Commission in the last rate case = | \$18,053,930 |
| Step 4 | Riders | |
| | Energy Cost Adjustment (ECA) = | \$5,159,990 |
| | Asbury Environmental Cost Recovery Rider (AECR) = | \$782,479 |
| | Ad Valorem Tax Surcharge Rider (AVTS) = | \$471,094 |
| | | |
| | Total | \$24,467,493 |

Note 1: See attached supporting documentation



The Empire District Electric Company
Department of Controller

12 Month Revenue Summary by Rate
As of December 31, 2016

Prepared by: Samantha Williamson
January 17, 2017

CONFIDENTIAL

**Empire District Electric Company
11-EPDE-856-RTS
Settlement for Rate Design**

Exhibit A

| | EXISTING RATE REVENUE | PROPOSED REVENUE INC. | TOTAL REVENUE | PERCENT INCREASE |
|---|--------------------------|--------------------------|-------------------|---------------------|
| Residential General Service - RG | 5,078,680 | 369,212 | 5,447,892 | 7.27% |
| Residential Water Heating - RG Water Heater | 816,095 | 69,794 | 885,889 | 8.55% |
| Residential Total Electric - RH | 2,091,716 | 192,358 | 2,284,074 | 9.20% |
| Commercial - CB | 1,771,024 | 136,038 | 1,907,062 | 7.68% |
| Commercial - SH | 235,095 | 22,639 | 257,734 | 9.63% |
| General Power - GP | 3,147,425 | 242,869 | 3,390,294 | 7.91% |
| Total Electric Building - TEB | 548,283 | | 589,478 | 7.91% |
| Power Transmission - PT | 1,615,178 | | 1,742,891 | 7.91% |
| Municipal Street Lighting - SPL | 91,991 | | 99,265 | 7.91% |
| Private Lighting Service - PL | 396,373 | | 427,714 | 7.91% |
| Special Lighting Service - LS | 18,813 | | 20,301 | 7.91% |
| Total | 15,808,673 | | 17,058,593 | 7.91% |

| | |
|----------------------------|----------------------|
| Additions | |
| Total Sales Revenue | \$ 17,058,593 |
| Other Revenue | 995,337 |
| ECA (FAC) | 5,159,990 |
| Asbury Environmental Rider | 782,479 |
| Ad Valorem Rider | 471,094 |
| Total | \$ 24,467,493 |

**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) Docket No. 15-EPDE-233-TAR
Approval of its Asbury Environmental Cost)
Recovery ("AECR") Rider.)

ORDER GRANTING APPLICATION SUBJECT TO REFUND

This matter comes before the State Corporation Commission of the State of Kansas (Commission) for consideration and decision. Having reviewed the pleadings and record, the Commission makes the following findings:

I. BACKGROUND

1. On December 5, 2014, The Empire District Electric Company (Empire) filed an Application with the Commission requesting the Commission issue an order approving Empire's proposed Asbury Environmental Cost Recovery (AECR) Rider, and for such other relief as the Commission deemed appropriate.¹

2. On December 9, 2014, the Citizens' Utility Ratepayer Board (CURB) filed its Petition to Intervene, citing its statutory authority to represent residential and small commercial ratepayers.² CURB explained that the rates paid by and the services received by residential and small commercial customers may be substantially affected by this proceeding.³ The Commission approved CURB's Petition to Intervene on January 20, 2015.⁴

¹ See Application, p. 14 (Dec. 5, 2014) (Application).

² See Petition to Intervene and Motion for Protective and Discovery Order, ¶¶ 3-4 (Dec. 9, 2014).

³ *Id.*, ¶ 5.

⁴ Order Granting CURB's Petition to Intervene (Jan. 20, 2015).

3. On March 16, 2015, the Staff of the Commission (Staff) filed its Report and Recommendation in this docket⁵ recommending the Commission approve Empire's revised AECR Rider in the amount of \$782,479 annually (an increase of \$.00334 per kWh)⁶ subject to certain conditions.⁷

4. On March 19, 2015, Empire filed a Response to Staff's Report and Recommendation stating that it concurred with the recommendation contained within, and further requested the Commission issue an order approving Empire's Application subject to the recommendations made by Staff in its Report and Recommendation.⁸

II. ANALYSIS

5. In June of 2014, Empire met with Staff and CURB to outline Empire's plan to recover costs associated with the Asbury environmental retrofit using an environmental cost recovery rider, i.e. the AECR Rider.⁹

6. The AECR Rider which Empire is requesting seeks to recover these environmental retrofit costs on an interim basis.¹⁰ Empire's proposal for the use of the AECR Rider mechanism is motivated in part by the potential to avoid costs associated with two general rate cases occurring within a short period of time.¹¹ Empire's proposed use of the AECR Rider

⁵ Notice of Filing of Staff's Report and Recommendation (Mar. 16, 2015) (Report and Recommendation).

⁶ Report and Recommendation, p. 1.

⁷ *Id.*, pp. 5.

⁸ Response to Staff Report and Recommendation (Mar. 19, 2015).

⁹ Report and Recommendation, p. 2.

¹⁰ *Id.*, p. 1.

¹¹ *Id.* If no AECR were proposed, Empire would theoretically be forced to recover its costs for the Asbury environmental retrofit in a general rate case occurring in 2015, and then would also have to file a second general rate case once a separate generation facility (e.g. Riverton) is placed in service in June of 2016. *See* Report and Recommendation, pp. 1-2.

would terminate upon the conclusion of Empire's next general rate case,¹² and as conditioned in Staff's Report and Recommendation, described in greater detail below.

7. During the initial discussions in 2014, Staff and CURB agreed not to oppose Empire's AECR Rider if Empire could meet certain conditions.¹³ Accordingly, Empire would:

a. Produce financial information that shows Empire's current Kansas rates are not producing "excess Kansas jurisdictional earnings";

b. Provide information supporting Empire's decision to move forward with the new environmental investment at its Asbury facility, and that such decision was the best alternative to meet its customer's electrical requirements;

c. Provide information that supports the use of the environmental rider as a lower regulatory cost alternative than the filing of two general rate cases in Kansas less than 18 months apart;

d. Restrict the use of the environmental rider to the recovery of the cost associated with the new environmental investment at Asbury, and agree to use a rate of return to calculate the rider that was in line with current authorized rates of return; and

e. The use of the environmental rider would terminate with the conclusion of Empire's next general rate case in Kansas, currently scheduled to be filed in 2016, to include Empire's investment in a new generating facility located in Riverton, Kansas.¹⁴

8. Staff conducted an exhaustive analysis of Empire's Application and supporting documentation to determine if Empire's Application satisfied Staff and CURB's initial concerns.¹⁵ After review of the information submitted by Empire related to the conditions

¹² Report and Recommendation, p. 2.

¹³ *Id.* See also Application, p. 2.

¹⁴ Application, pp. 2-3. See also Report and Recommendation, p. 2.

¹⁵ See Report and Recommendation, pp. 2-4.

described above, and upon additional dialogue with Empire and CURB, Staff filed its Report and Recommendation recommending approval of the Application subject to certain conditions.¹⁶

9. Since Empire initially filed this Application, the environmental retrofit of the Asbury plant has been completed and placed into service.¹⁷ Because of this, Staff was able to use actual cost data in the calculation of the AECR Rider.¹⁸ This resulted in a recommendation for the AECR Rider which is below what Empire had initially requested in its Application (\$859,674, or \$.00367 per kWh¹⁹ to \$782,479, or \$.00334 per kWh).²⁰ Staff further proposed additional clarifications to the AECR Rider tariff which would: (1) clarify the timing of Empire's 2016 general rate case, (2) update and establish a fixed AECR Rider charge throughout the effective period of the AECR Rider, and (3) specify the interim and subject-to-refund nature of the proposed AECR Rider.²¹

10. Throughout the development of Empire's AECR Rider, CURB expressed concerns that Empire's customers had not been officially notified about the proposed rider.²² As a result, Empire prepared a customer notice document that was presented to CURB and Staff for review.²³ The parties agreed to a public comment period running through May 15, 2015.²⁴

11. Staff's Report and Recommendation was shared with both CURB and Empire, and Staff reports Empire does not contest the findings or recommendations it contained.²⁵

¹⁶ *Id.*, p. 5.

¹⁷ *Id.*, p. 4.

¹⁸ *Id.*

¹⁹ Application, p. 12; Report and Recommendation, p. 1.

²⁰ Report and Recommendation, p. 4.

²¹ *Id.*

²² *Id.*

²³ *Id.*

²⁴ *See generally, Id.*

²⁵ *Id.*

12. CURB, though stressing its Board's policy is to oppose to such surcharges in general, and without waiving any other objections which may be raised in other pending or future cases before the Commission, recognized the unique facts related to this particular proposal. As such, CURB will not contest the findings or recommendations of Staff.²⁶

13. Upon extensive review of the Application and thorough dialogue with Empire and CURB, Staff prepared its Report and Recommendation recommending this Commission approve Empire's requested AECR Rider in the amount of \$782,479,²⁷ an increase of \$.00334 per kWh,²⁸ with the following conditions:

- a. Empire shall file a general rate proceeding before the Commission no later than September 30, 2016;
- b. Empire's AECR Rider is to be implemented on an interim basis, subject to refund;
- c. The AECR Rider will terminate with the rates effective date of the Commission's Order in Empire's 2016 general rate case;
- d. Prior to the AECR Rider becoming effective, Empire shall file a revised AECR Rider tariff containing Staff's recommended changes, as attached to Staff's Report and Recommendation; and
- e. The customer notice as attached to Staff's Report and Recommendation, and as agreed to by Empire and CURB, shall be sent to each of Empire's Kansas customers, and a public comment period will be open until May 15, 2015.²⁹

²⁶ *Id.*, pp. 4-5.

²⁷ *See* Report and Recommendation, pp. 4-5.

²⁸ The detailed discussion provided by Staff on page four of its Report and Recommendation, in addition to the proposed tariff for the AECR Rider attached to Staff's Report and Recommendation, provide support for the proposed surcharge to the hundredth-thousandth decimal place.

²⁹ *See* Report and Recommendation, p. 5.

14. Empire has agreed to defer the effective date of the AECR Rider until June 1, 2015, thereby allowing the public comment period to fully close and be reviewed prior to the rider becoming effective.

III. FINDINGS AND CONCLUSIONS

15. The Commission is given full power, authority, and jurisdiction to supervise and control electric public utilities, as defined in K.S.A. 66-101a, doing business in Kansas, and is empowered to do all things necessary and convenient for the exercise of such power, authority and jurisdiction.³⁰

16. Pursuant to K.S.A. 66-117, no common carrier or public utility over which the Commission has control shall make effective any changed rate, joint rate, toll, charge or classification or schedule of charges, or any rule or regulation or practice pertaining to the service or rates of such public utility or common carrier except by filing an Application with the Commission.³¹

17. Staff's Report and Recommendation filed in this docket on March 16, 2015, is hereby adopted and incorporated by reference.

18. Staff's recommendation that Empire's AECR Rider be approved subject to certain conditions establishes a rider that is just and reasonable, and approval of such is in the public interest.

19. The Commission finds that the AECR Rider is a reasonable mechanism for funding the extraordinary costs necessary to meet the Environmental Protection Agency's newly enacted air quality standards.

³⁰ K.S.A. 66-101, 66-101a, 66-104.

³¹ K.S.A. 66-117(a).

20. The Commission finds the process of recovering these specific and unique costs through Empire's AECR Rider reduces regulatory expense which would otherwise have been incurred and recovered from ratepayers.³²

21. For the reasons outlined in Staff's Report and Recommendation, and as described in this Order, the Commission accordingly finds Empire's Application as modified by Staff's Report and Recommendation should be approved.

22. Specifically, the Commission approves Empire's AECR Rider in the amount of \$782,479 annually, an increase of \$.00334 per kWh, with the following conditions:

- a. Empire shall file a general rate proceeding before the Commission no later than September 30, 2016;
 - b. Empire's AECR Rider is to be implemented on an interim basis, subject to refund;
 - c. The AECR Rider will terminate with the rates effective date of the Commission's Order in Empire's 2016 general rate case;
 - d. Prior to the AECR Rider becoming effective, Empire shall file a revised AECR Rider Tariff containing Staff's recommended changes, as attached to Staff's Report and Recommendation.
 - e. The Customer notice as attached to Staff's Report and Recommendation and agreed to by Empire and CURB shall be sent to each of Empire's Kansas customers, and a public comment period will be open until May 15, 2015.
23. The effective date of Empire's AECR Rider shall be June 1, 2015.

³² "By allowing Empire's Requested AECR, the Company avoids filing back-to-back rate proceedings the cost of which is born by Empire's customers." Report and Recommendation, p. 3.

THEREFORE, THE COMMISSION ORDERS THAT:

A. Empire's AECR Rider is approved as described and subject to the conditions found in paragraph 22 of this Order.

B. The effective date of Empire's AECR Rider shall be June 1, 2015.

C. Empire shall send notice of the proposed AECR Rider to its Kansas customers using the notice the parties agreed to, which is attached to Staff's Report and Recommendation.

D. The Commission reserves the right to order further pleadings or testimony from the parties if public comments received in this docket prompt the need for further investigation.

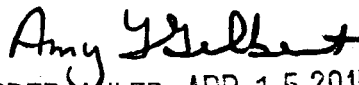
E. The parties have 15 days, plus three days if service of this Order is by mail, to petition the Commission for reconsideration.³³

F. The Commission retains jurisdiction over the subject matter and parties for the purpose of entering such further orders as it deems necessary.

BY THE COMMISSION IT IS SO ORDERED.

Albrecht, Chair; Emler, Commissioner; Apple, Commissioner

Dated: APR 14 2015


ORDER MAILED APR 15 2015
Amy L. Gilbert
Secretary

RV/jv

³³ K.S.A. 66-118b; K.S.A. 77-529(a)(1).

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 | | |
| NIKI CHRISTOPHER, ATTORNEY CITIZENS' UTILITY RATEPAYER BOARD 1500 SW ARROWHEAD RD TOPEKA, KS 66604 ***Hand Delivered*** | | |
| DELLA SMITH CITIZENS' UTILITY RATEPAYER BOARD 1500 SW ARROWHEAD RD TOPEKA, KS 66604 ***Hand Delivered*** | | |
| SHONDA SMITH CITIZENS' UTILITY RATEPAYER BOARD 1500 SW ARROWHEAD RD TOPEKA, KS 66604 ***Hand Delivered*** | | |
| DAVID SPRINGE, CONSUMER COUNSEL CITIZENS' UTILITY RATEPAYER BOARD 1500 SW ARROWHEAD RD TOPEKA, KS 66604 ***Hand Delivered*** | | |
| ANGELA CLOVEN EMPIRE DISTRICT ELECTRIC COMPANY PO BOX 127 602 S JOPLIN AVENUE JOPLIN, MO 64802-0127 | | |
| AMBER SMITH, LITIGATION COUNSEL KANSAS CORPORATION COMMISSION 1500 SW ARROWHEAD RD TOPEKA, KS 66604-4027 ***Hand Delivered*** | | |

ORDER MAILED APR 15 2015

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.

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

| NAME AND ADDRESS | NO. CERT. COPIES | NO. PLAIN COPIES |
|---|------------------------|------------------------|
| JAY VAN BLARICUM, ASSISTANT GENERAL 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*** | | |

ORDER MAILED APR 15 2015

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.

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 Ad) Docket No. 16-EPDE-344-TAR
Valorem Tax Surcharge Rider Tariff)
Adjustment for 2016.)

ORDER APPROVING AD VALOREM TAX SURCHARGE

NOW, the above-captioned matter comes before the State Corporation Commission of the State of Kansas (Commission) for consideration and decision. Having reviewed its files and record and being duly advised in the premises, the Commission makes the following findings:

I. Background

A. Procedural History

1. On January 21, 2016, The Empire District Electric Company (Empire) filed a request for approval of its Ad Valorem Tax Surcharge (AVTS). Empire's Application requests an AVTS amount of \$471,094, the amount of Empire's Ad Valorem taxes above the amount currently in base rates.

2. On February 8, 2016, the Commission Staff (Staff) submitted its Report and Recommendation (R&R) of even date analyzing and recommending approval of Empire's 2016 AVTS.¹ Staff's R&R is attached hereto and made a part hereof by reference. In its R&R, Staff states that it reviewed Empire's tax statements and is in agreement with the total amount of 2015 Ad Valorem tax expense claimed by Empire in its Application. Staff further states that it reviewed the supporting documentation regarding calculation of the AVTS and revenues

¹ R&R, page 3.

collected during the year 2015 finding it to be accurate. Concluding, Staff finds that Empire's AVTS surcharge is properly calculated to increase Ad Valorem taxes included in Empire's base rates and recommends Commission approval of Empire's 2016 AVTS request of \$471,094, which translates to a surcharge on customer bills of \$0.00201/kWh. Assuming Empire's residential customers use 1,148 KWh per month, this will increase an average residential bill by \$2.31 per month.² Staff reiterates that this increase represents the incremental portion of Empire's Ad Valorem taxes above the amount currently being recovered through the company's base rates and will be recovered through Empire's Ad Valorem Tax Surcharge Rider.³

3. Staff also recommends approval of Empire's AVTS be subject to the following conditions:

1. Staff will ensure that the annual true-up of amounts collected versus actual amount of increase or reduction in Ad Valorem taxes will be reflected in the subsequent year Ad Valorem Tax Surcharge calculation.
2. Per K.S.A. 66-117(f), Staff recommends that Empire file its Ad Valorem Tax Surcharge annual true-up in January of each calendar year.

B. Jurisdiction & Legal Standards

4. With regard to jurisdiction, K.S.A. 66-117(f) provides, in pertinent part:

Whenever, after the effective date of this act, an electric public utility, a natural gas public utility or a combination thereof, files tariffs reflecting a surcharge on the utility's bills for utility service designed to collect the annual increase in expense charged on its books and records for ad valorem taxes, such utility shall report annually to the state corporation commission the changes in expense charged for ad valorem taxes.

5. K.S.A. 66-117(f) also provides the legal standard by which the Commission should review tariffs such as Empire's property tax surcharge:

Upon a showing that the surcharge is applied to bills in a reasonable manner and is calculated to substantially collect the increase in ad valorem tax expense

² Id., page 1.

³ Ibid., page 2.

charged on the books and records of the utility, or reduce any existing surcharge based upon a decrease in ad valorem tax expense incurred on the books and records of the utility, the commission shall approve such tariffs within 30 days of the filing.

II. Findings and Conclusions

6. Upon review of the record as a whole, the Commission agrees with Staff's recommendation to approve Empire's AVTS in the amount of \$471,094, subject to Staff's recommended conditions. The Commission further finds Empire's surcharge will be applied to bills in a reasonable manner and is calculated to substantially collect the increase in Ad Valorem tax expense charged on the books and records of Empire.

IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:

A. Empire's Ad Valorem Tax Surcharge is approved in the amount of \$471,094, subject to the conditions listed in paragraph 3 above.

B. The parties have fifteen (15) days, plus three (3) days if service of this Order is by mail, in which to petition the Commission for reconsideration of any issue or issues decided herein.⁴

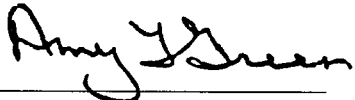
C. The Commission retains jurisdiction over the subject matter and parties for the purpose of issuing such further order, or orders, as it may deem necessary.

BY THE COMMISSION IT IS SO ORDERED.

Emler, Chairman; Albrecht, Commissioner; Apple, Commissioner

Dated: **FEB 11 2016**

oan



Amy L. Green
Secretary to the Commission

Order Mailed Date

FEB 12 2016

⁴ K.S.A. 66-118b; K.S.A. 214 Supp. 77-529(a)(1).

**REPORT AND RECOMMENDATION
UTILITIES DIVISION**

TO: Chairman Jay Emler
Commissioner Shari Feist Albrecht
Commissioner Pat Apple

FROM: Katie Figgs, Auditor
Justin Grady, Chief of Accounting and Financial Analysis
Jeff McClanahan, Director of Utilities

DATE: February 8, 2016

SUBJECT: Docket Number 16-EPDE-344-TAR: In the Matter of the Application of
The Empire District Electric Company Seeking Approval for a Property
Tax Surcharge Adjustment for 2016, per K.S.A. 66-117(f).

EXECUTIVE SUMMARY:

Staff recommends Commission approval of Empire District Electric Company's (Empire) 2016 Ad Valorem Tax Surcharge Rider. This surcharge would be in effect during the calendar year of 2016 and is in addition to the Ad Valorem tax that was included in base rates from Empire's most recent rate case. Empire's proposed Ad Valorem Tax Surcharge Rider factor would increase an average residential bill by \$2.31 per month.¹ Pursuant to K.S.A. 66-117(f), a Commission Order is due within 30-days of the filing, in this case by February 20, 2016.

BACKGROUND:

Empire filed an Ad Valorem Tax Surcharge request for its Kansas electric operations on January 21, 2016, with the Kansas Corporation Commission (Commission). Empire is requesting a surcharge amount of \$471,094 consisting of:

1. The difference between its 2015 total Ad Valorem tax assessments and the amount included in base rates during Empire's 2010 base rate case²; and
2. A true-up provision comparing the amount of Ad Valorem Tax Surcharge revenue collected versus that intended to be collected during the year 2015.

¹ This is based on an average usage of 1,148 kWh per month, per residential customer as provided by Empire.

² Docket No. 10-EPDE-314-RTS.

The amount of Ad Valorem tax expense included in Empire's base rates was approved by the Commission in Docket No. 10-EPDE-314-RTS.³

ANALYSIS:

The Commission derives its authority to review Ad Valorem tariffs from K.S.A. 66-117(f), which states in part:

"Whenever, after the effective date of this act, an electric public utility, a natural gas public utility or a combination thereof, files tariffs reflecting a surcharge on the utility's bills for utility service designed to collect the annual increase in expense charged on its books and records for ad valorem taxes, such utility shall report annually to the state corporation commission the changes in expense charged for ad valorem taxes...Upon a showing that the surcharge is applied to bills in a reasonable manner and is calculated to substantially collect the increase in ad valorem tax expense charged on the books and records of the utility, or reduce any existing surcharge based upon a decrease in ad valorem tax expense incurred on the books and records of the utility, the [C]ommission shall approve such tariffs within 30 days of the filing."

Empire's Ad Valorem Tax Surcharge was filed in accordance with K.S.A. 66-117(f) which provides for a utility to collect (refund) differences in its ad valorem taxes above (under) amounts currently included in base rates.

Empire provided Staff with its Ad Valorem tax invoices for the counties included in the Application. Staff reviewed the tax statements and is in agreement with the total amount of 2015 Ad Valorem tax expense claimed by Empire in its Application. In addition, Staff reviewed the supporting documentation regarding the calculation of the Ad Valorem Tax Surcharge and the revenues collected during the year 2015 and found it to be accurate. Staff concludes that Empire's 2015 Ad Valorem tax surcharge is properly calculated to increase Ad Valorem taxes included in Empire's base rates.

Staff recommends that the Commission approve Empire's 2016 Ad Valorem Tax Surcharge request of \$471,094. This translates to a surcharge of \$0.00201/kWh. It should be noted that this increase is the incremental portion of Empire's Ad Valorem taxes above the amount currently being recovered through base rates. Staff's recommendation will be recovered through Empire's Ad Valorem Tax Surcharge Rider Tariff.

RECOMMENDATION:

Staff recommends the Commission approve Empire's Ad Valorem Tax Surcharge of \$471,094 with the following conditions:

³ See Page 19, Paragraph 44 of the Commission Order in Docket No. 10-EPDE-314-RTS.

1. Staff will ensure that the annual true-up of amounts collected versus actual amount of increase or reduction in Ad Valorem taxes will be reflected in the subsequent year Ad Valorem Tax Surcharge calculation.
2. Per K.S.A. 66-117(f), Staff recommends that Empire file its Ad Valorem Tax Surcharge annual true-up in January of each calendar year.

CERTIFICATE OF SERVICE

16-EPDE-344-TAR

I, the undersigned, certify that the true copy of the attached Order has been served to the following parties by means of first class mail/hand delivered on **FEB 11 2016**.

JAMES G. FLAHERTY, ATTORNEY
ANDERSON & BYRD, L.L.P.
216 S HICKORY
PO BOX 17
OTTAWA, KS 66067
Fax: 785-242-1279
jflaherty@andersonbyrd.com

OTTO NEWTON, LITIGATION COUNSEL
OTTO NEWTON
1500 SW ARROWHEAD ROAD
TOPEKA, KS 66604
Fax: 785-271-3167
o.newton@kcc.ks.gov
Hand Delivered

BRYAN OWENS, ASSISTANT DIRECTOR OF PLANNING &
REGULATORY
EMPIRE DISTRICT INDUSTRIES, INC.
602 JOPLIN
PO BOX 127
JOPLIN, MO 64802-0127
Fax: 417-625-5169
bowens@empiredistrict.com

Order Mailed Date

FEB 12 2016

/S/ DeeAnn Shupe
DeeAnn Shupe