

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

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

In the Matter of the Application of The)
Empire District Electric Company for) Docket No. 15-EPDE-228-ACA
Approval of its Annual Energy Cost)
Adjustment ("ACA") Filing.)

ORDER APPROVING ANNUAL ENERGY COST ADJUSTMENT

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

I. Background

1. On December 3, 2014, The Empire District Electric Company (Empire) filed its Application for approval of its Annual Energy Cost Adjustment (ACA) for the ACA period ending October 31, 2014.

2. On March 29, 2016, Commission Staff (Staff) filed a Report and Recommendation (R&R) analyzing and recommending approval of Empire's 2014 ACA factor of \$0.00145 per kWh.¹

3. To analyze Empire's Application, Staff states that it performed an audit consisting of the following analyses:

- Testing the accuracy of the monthly Settlement Computations;
- Ensuring the actual cost adjustment computed by the utility reflects the actual over/under recoveries and the actual sales to Kansas jurisdictional customers;

¹ Staff Report & Recommendation, March 29, 2016, p. 1. (Staff R&R, p. 1.)

- Ascertaining that the actual Fuel and Purchased Power costs recovered through the ECA are actual costs supported by vendor invoices and general ledger entries;
- Verifying that the ECA factor used to calculate the customer's bill agrees with the calculation that the Company files with the Commission; and
- Ensuring the ACA balance reflects the elimination of the gains/losses associated with financial instruments used to hedge the cost of natural gas and the sale of excess natural gas during the twelve-month ACA period ending October 31, 2014.²

Staff states that, during this portion of the audit, “no material irregularities were found in the information provided.”³

4. Staff continued its review with an in-depth analysis of Empire's participation in the Southwest Power Pool (SPP) Integrated Marketplace (IM) during the year 2014. Staff notes, “Because revenues and expenses from the IM are recorded in FERC accounts allowed to be recovered under Empire's ECA tariff, Staff expanded the scope of our typical ACA audit in order to include a review of Empire's participation in the SPP IM during the year 2014.”⁴

5. In reviewing Empire's participation in the SPP IM, Staff's objectives were as follows:

1. Determine whether Empire has robust control procedures in place to validate the accuracy of the billing statements it receives from SPP.
2. Determine whether Empire is diligently managing the risks associated with the IM and taking the steps necessary to maximize the possibility for success in the IM.
3. Determine whether Empire is utilizing the appropriate allocation factors to fairly and consistently apportion the costs/revenues of the IM between jurisdictions.

² Staff R&R, p. 3.

³ Staff R&R, p. 3.

⁴ Staff R&R, p. 2.

4. For the months being audited in this year's ACA audit, determine whether Empire has accurately accounted for Kansas' actual share of IM costs/revenues pursuant to the provisions of the current ECA tariff.
5. Determine whether Empire's participation in the IM is providing benefits to Empire's Kansas ratepayers.⁵

As a result of its review, Staff was able to answer in the affirmative to questions 1, 2, 4, and 5 above.⁶ With regard to question 3, Staff notes that "Empire does not allocate costs to native load and off-system sales. The overall amount of market revenues provided mainly from energy and ancillary services are used to offset the generation costs of the units."⁷ Staff further states that it will continue to monitor Empire's performance and participation in the IM and will provide periodic updates to the Commission regarding this issue as often as is desired.⁸

6. In summary, Staff recommends the Commission approve Empire's Application. More specifically, Staff recommends the Commission authorize the use of Empire's 2014 ACA factor of \$0.00145 per kWh, reflecting an under collection of \$340,635 of fuel and purchased power costs from retail customers during the ACA period ending October 31, 2014.⁹

II. Findings and Conclusions

7. Upon review of the record as a whole, the Commission concludes Staff's findings and recommendations are reasonable and hereby adopts the same. The Commission authorizes Empire to use its 2014 ACA factor of \$0.00145 per kWh.

⁵ Staff R&R, pp. 3-4.

⁶ Staff R&R, pp. 4-8.

⁷ Staff R&R, p. 6.

⁸ Staff R&R, p. 8.

⁹ Staff R&R, pp. 1, 8.

IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:

A. The Empire District Electric Company is authorized to use its 2014 ACA factor of \$0.00145 per kWh.

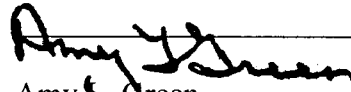
B. Parties have 15 days, plus three days if service is by mail, from the date of service of this Order in which to petition the Commission for reconsideration.¹⁰

C. 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.

Emler, Chair; Albrecht, Commissioner; Apple, Commissioner

Dated: APR 26 2016


Amy L. Green
Secretary to the Commission

AF

Order Mailed Date

APR 27 2016

¹⁰ K.S.A. 66-118b; K.S.A. 77-529(a)(1).

CERTIFICATE OF SERVICE

15-EPDE-228-ACA

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 **APR 26 2016**.

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/S/ DeeAnn Shupe
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Order Mailed Date

APR 27 2016