

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

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

In the Matter of the Application of Kansas City)
Power & Light Company Seeking Approval)
for a Property Tax Surcharge Adjustment for) Docket No. 18-KCPE-258-TAR
2018, Per K.S.A. 66-117(f).)

ORDER APPROVING AD VALOREM TAX SURCHARGE TARIFF UPDATE

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 and conclusions:

I. BACKGROUND

1. On December 15, 2017, Kansas City Power & Light Company (KCP&L) filed an Application for approval of its updated Property Tax Surcharge to be effective February 1, 2018.¹

2. On January 4, 2018, the Commission granted the Citizens' Utility Ratepayer Board's Petition to Intervene.²

3. Staff has prepared a Report and Recommendation (R&R) analyzing and recommending approval of KCP&L's 2018 property tax surcharge with conditions. Staff's R&R dated January 8, 2018, is attached hereto as "Attachment A" and is hereby adopted by the Commission and incorporated by reference into this Order.

II. DISCUSSION

4. KCP&L is requesting a surcharge amount of \$6,291,465 consisting of the

¹ Kansas City Power & Light Company Property Tax Surcharge Adjustment for 2018 (Dec. 15, 2017).

² See Order Granting the Citizens' Utility Ratepayer Board's Petition to Intervene, Protective and Discovery, pp. 11-12 (Jan 4, 2018).

difference between its 2017 total Ad Valorem tax assessments and the amount included in base rates from KCP&L's last base rate case (Docket No. 15-KCPE-116-RTS) and a true-up provision comparing the amount of Ad Valorem Tax Surcharge revenue collected versus that intended to be collected during the year 2017.³ The amount of Ad Valorem tax expense included in KCP&L's base rates was approved by the Commission in Docket No. 15-KCPE-116-RTS.⁴

5. KCP&L provided Staff with photocopies of its 2017 Ad Valorem tax statements.⁵ Staff reviewed the tax statements and agreed with the total amount of 2017 Ad Valorem tax expense claimed by KCP&L in its Application.⁶ Additionally, Staff requested supporting documentation regarding the calculation of the Ad Valorem surcharge and the revenues collected during the year 2017.⁷ KCP&L provided the information which Staff found to be accurate.⁸

6. Staff recommended the Commission approve KCP&L's 2018 Ad Valorem Tax Surcharge request of \$6,291,465.⁹ Staff noted this translates into a surcharge of \$0.00098/kWh.¹⁰ Staff further noted this surcharge is the incremental portion of KCP&L's Ad Valorem taxes above the amount currently being recovered through base rates.¹¹ Staff's recommendation will be recovered through KCP&L's Property Tax Surcharge Rider (schedule PTS).¹²

7. Ultimately, Staff recommended the Commission approve KCP&L's Ad Valorem Tax Surcharge of \$6,291,465 with the following conditions:

³ See Staff's Report and Recommendation, pp. 1-2 (Jan. 8, 2018) (Staff R&R).

⁴ See *Order on KCP&L's Application for Rate Change*, Docket No. 15-KCPE-116-RTS, p. 9, ¶ 16. (Sept. 10, 2015).

⁵ See Staff R&R at p. 2.

⁶ See *id.*

⁷ See *id.*

⁸ See *id.*

⁹ See *id.*

¹⁰ See *id.*

¹¹ See *id.*

¹² See *id.*

- a. 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; and
- b. Per K.S.A. 66-117(f), Staff recommends that KCP&L file its Ad Valorem Tax Surcharge annual true-up in December of each calendar year.¹³

III. FINDINGS AND CONCLUSIONS

8. 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.

9. KCP&L submitted its present request in December 2017. Accordingly, the Commission finds and concludes KCP&L has properly submitted its annual report to the Commission regarding changes in expense charged for Ad Valorem taxes as required by K.S.A. 66-117(f).

10. K.S.A. 66-117(f) also provides the legal standard by which the Commission should review tariffs such as KCP&L'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 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.

11. Upon review of Staff's R&R and the record as a whole, the Commission finds and concludes the surcharge, as calculated by KCP&L and reviewed by Staff, will permit KCP&L to

¹³ See Staff R&R, p. 2.

substantially collect Ad Valorem tax expense charged on the books of KCP&L. Accordingly, the Commission finds and concludes substantial competent evidence exists to approve KCP&L's request in the instant proceeding, as conditioned in Staff's R&R.

12. Accordingly, the Commission finds and concludes KCP&L's request to update its Property Tax Surcharge Rider (schedule PTS) should be approved. KCP&L shall be permitted to revise its Property Tax Surcharge Rider (schedule PTS) to the amount of \$6,291,465. KCP&L shall be permitted to collect revenues necessary to cover its Ad Valorem tax expense via a surcharge in the amount of \$0.00098 per kWh, subject to the conditions contained within Staff's R&R and as detailed in paragraph 7 of this Order. The Commission finds and concludes a surcharge in the amount of \$0.00098 per kWh will result in revenues sufficient to substantially collect Ad Valorem tax charged to KCP&L, and will therefore result in just and reasonable rates. The Commission finds and concludes KCP&L's surcharge will be applied to bills in a reasonable manner.

IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:

A. KCP&L shall be permitted to revise its Property Tax Surcharge Rider (i.e. schedule PTS) to the amount of \$6,291,465.

B. KCP&L shall be permitted to recover revenues necessary to account for Ad Valorem tax expense via a surcharge in the amount of \$0.00098 per kWh, subject to the conditions contained within Staff's R&R and as detailed in paragraph 7 of this Order.

C. Parties have 15 days, plus three days if service is by mail, from the date of service of this Order to petition the Commission for reconsideration or request a hearing, as provided in K.S.A. 77-542.¹⁴

D. The Commission retains jurisdiction over the subject matter and parties for the

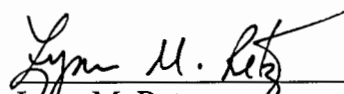
¹⁴ See also K.S.A. 66-118b; K.S.A. 77-529(a)(1).

purpose of issuing such further order, or orders, as it may deem necessary.

BY THE COMMISSION IT IS SO ORDERED.

Apple, Chairman; Albrecht, Commissioner; Emler, Commissioner

Dated: JAN 11 2018



Lynn M. Retz
Secretary to the Commission

REV

EMAILED

JAN 11 2018

ATTACHMENT "A"

**REPORT AND RECOMMENDATION
UTILITIES DIVISION**

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

FROM: Andria Jackson, Managing Auditor
Justin Grady, Chief of Accounting and Financial Analysis
Jeff McClanahan, Director

DATE: January 8, 2018

SUBJECT: Docket No. 18-KCPE-258-TAR – In the Matter of the Application of Kansas City Power & Light Company Seeking Approval for a Property Tax Surcharge Adjustment for 2018, Per K.S.A. 66-117(f).

EXECUTIVE SUMMARY:

Staff requests Commission approval of Kansas City Power & Light Company's (KCP&L) 2018 Ad Valorem Tax Surcharge Rider. This surcharge would be in effect during the calendar year of 2018 and is in addition to the Ad Valorem tax that was included in base rates from KCP&L's most recent rate case. KCP&L's proposed Ad Valorem Tax Surcharge Rider factor would increase an average residential bill by \$0.56 per month, or \$6.72 annually.¹ Pursuant to K.S.A. 66-117(f), a Commission Order is due within 30 days of the filing, which in this case is by January 14, 2018.

BACKGROUND:

KCP&L filed an Ad Valorem Tax Surcharge request for its Kansas electric operations on December 15, 2017, with the Kansas Corporation Commission (Commission). KCP&L is requesting a surcharge amount of \$6,291,465 consisting of:

1. The difference between its 2017 total Ad Valorem tax assessments and the amount included in base rates during KCP&L's last 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 2017.

¹ This is based on an average monthly usage of 1,090 kWh per residential customer as provided by KCPL.

² Docket No. 15-KCPE-116-RTS.

The amount of Ad Valorem tax expense included in KCP&L's base rates was approved by the Commission in Docket No. 15-KCPE-116-RTS.³

ANALYSIS:

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

KCP&L'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.

Staff's Analysis:

On January 4, 2018, KCP&L provided Staff with photocopies of the 2017 Ad Valorem tax statements. Staff has reviewed the tax statements and is in agreement with the total amount of 2017 Ad Valorem tax expense claimed by KCP&L in its Application. In addition, Staff requested supporting documentation regarding the calculation of the Ad Valorem Tax Surcharge and the revenues collected during the year 2017. The information was provided, reviewed, and found to be accurate.

Staff recommends that the Commission approve KCP&L's 2018 Ad Valorem Tax Surcharge request of \$6,291,465. This translates to a surcharge of \$0.00098/kWh. It should be noted that this increase is the incremental portion of KCP&L's Ad Valorem taxes above the amount currently being recovered through base rates. Staff's recommendation will be recovered through KCP&L's Ad Valorem Tax Surcharge Rider Tariff.

RECOMMENDATION:

Approve KCP&L's Ad Valorem Tax Surcharge of \$6,291,465 with 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 KCP&L file its Ad Valorem Tax Surcharge annual true-up in December of each calendar year.

³ See *Order on KCP&L's Application for Rate Change*, Docket No. 15-KCPE-116-RTS, p. 9, ¶ 16. (Sept. 10, 2015).

CERTIFICATE OF SERVICE

18-KCPE-258-TAR

I, the undersigned, certify that the true copy of the attached Order has been served to the following parties by means of

Electronic Service on JAN 11 2018.

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/S/ DeeAnn Shupe

DeeAnn Shupe

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JAN 11 2018