

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

Before Commissioners: Dwight D. Keen, Chair
 Susan K. Duffy
 Andrew J. French

In the Matter of the Application of Evergy)
Kansas Metro Filing its Property Tax) Docket No. 22-EKME-274-TAR
Surcharge.)

ORDER APPROVING PROPERTY TAX SURCHARGE RIDER

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 record, and being duly advised in the premises, the Commission finds and concludes as follows:

I. BACKGROUND

1. On December 30, 2021, Evergy Metro, Inc. d/b/a Evergy Kansas Metro (Evergy Metro), submitted a request for approval of its 2022 property tax surcharge.¹
2. Evergy Metro requested a surcharge in the amount of a charge \$7,470,469 which is an increase of \$2,505,508 from last year's surcharge rider amount.²
3. The proposed surcharge would be in effect during the period of February 2022 through January 2023 and is an increase from the property tax expense that was included in base rates during the calendar year 2021.³
4. Evergy Metro's proposed property tax surcharge rider factor would increase their bill by \$1.24 monthly or \$14.87 annually.

¹ Application of Evergy Metro. (Dec. 30, 2021) (Application).

² Staff's Report and Recommendation at 2 (Jan. 14, 2022).

³ *Id.*

5. On January 14, 2022, after examining Evergy Metro's request, Staff submitted its Report and Recommendation (Staff's R&R), which recommended approval of the revised 2022 property tax surcharge rider, and is attached hereto and incorporated by reference.⁴

II. LEGAL STANDARD

6. K.S.A. 66-117(f) grants the Commission the authority to review Ad Valorem tariffs.

7. Whenever a natural gas public utility files tariffs reflecting a surcharge on the utility's bills for utility service designed to collect the annual increase in expenses 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

8. Upon a showing 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.⁶

9. Any over or under collection of the actual ad valorem tax increase charged to expense on the books of the utility shall be either credited or collected through the surcharge in subsequent periods.⁷

⁴ *Id.*

⁵ *See* K.S.A. 66-117(f).

⁶ *Id.*

⁷ *Id.*

III. ANALYSIS

10. Staff reviewed Evergy Metro's 2021 Ad Valorem tax statements in support of the amount of Ad Valorem tax expense as claimed in its Application.⁸ As a result of the review, Staff agrees with the total amount of 2021 Ad Valorem tax expense claimed by Evergy Metro's in its Application.⁹

11. The \$7,470,469 total translates into a surcharge of \$0.00117 per kWh and reflects an increase in the amount of property taxes incurred during the calendar year 2021 but not collected in base rates during that year. The proposed surcharge will be collected via Evergy Metro's property tax surcharge tariff.¹⁰

12. Staff recommended approval of Evergy Metro's revised property tax surcharge rider amount of \$7,470,469, or an increase of \$2,505,508 from last year's surcharge, with the following conditions:

- a. Staff will ensure that the annual true-up of amounts collected versus the actual amount of increase or reduction in property taxes will be reflected in the subsequent year property tax surcharge calculation; and
- b. Staff recommends that Evergy Metro file its property tax surcharge rider annual true-up in December of each calendar year.¹¹

III. FINDINGS AND CONCLUSIONS

13. Upon review of Staff's R&R and the record as a whole, the Commission finds and concludes the surcharge as calculated by Evergy Metro and reviewed by Staff substantially collects the Ad Valorem tax expense charged on the books of Evergy Metro. Accordingly, the Commission

⁸ Staff's R&R at 2.

⁹ *Id.*

¹⁰ Staff's R&R at 1.

¹¹ *Id.* at 2.

finds and concludes substantial competent evidence exists to approve Evergy Metro's request in the instant proceeding as conditioned in Staff's R&R.

14. Moreover, the Commission finds and concludes Evergy Metro's request to update its Property Tax Surcharge should be approved. Evergy Metro shall be permitted to recover its Ad Valorem tax surcharge of \$7,470,469. Evergy Metro may implement this surcharge subject to the conditions contained within Staff's R&R and as detailed in paragraph 12 of this Order.

15. The Commission finds and concludes Evergy Metro's request to update its Ad Valorem Tax Surcharge Rider should be approved. Evergy Metro shall be permitted to recover its Ad Valorem tax expense of \$7,470,469. Evergy Metro shall be permitted to collect revenues necessary to account for the Ad Valorem tax expense via a surcharge subject to the conditions contained within Staff's Report and Recommendation. An increase in residential customers' bills in the amount of approximately \$1.24 monthly or \$14.87 annually will result in revenues sufficient to substantially collect the Ad Valorem tax expense charged to Evergy Metro and will therefore result in just and reasonable rates. The Commission finds and concludes Evergy Metro's surcharge will be applied to bill in a reasonable manner.

IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:

A. Evergy Metro's Application to recover \$7,470,469 via its Ad Valorem Tax Surcharge Rider is approved, subject to Staff's conditions.

B. Evergy Metro shall be permitted to recover revenues necessary to account for the Ad Valorem tax expense via a surcharge in the amount of \$0.00117 per kWh, subject to the following conditions outlined by Staff:

- a. Staff will ensure that the annual true-up of amounts collected versus the actual amount of increase or reduction in property taxes will be reflected in the subsequent year property tax surcharge calculation; and
- b. Staff recommends that Evergy Metro file its property tax surcharge rider annual true-up in December of each calendar year.

C. Any party may file and serve a petition for reconsideration pursuant to the requirements and time limits established by K.S.A. 77-529(a)(1).¹²

BY THE COMMISSION IT IS SO ORDERED.

Keen, Chair; Duffy, Commissioner; French, Commissioner

Dated: 01/25/2022



Lynn M. Retz
Executive Director

AAL

¹² K.S.A. 66-118b; K.S.A. 77-503(c); K.S.A. 77-531(b).

**REPORT AND RECOMMENDATION
UTILITIES DIVISION**

TO: Chair Dwight D. Keen
Commissioner Susan K. Duffy
Commissioner Andrew J. French

FROM: Kristina Luke Fry, Managing Auditor
Chad Unrein, Senior Managing Auditor
Justin Grady, Chief of Revenue Requirements, Cost of Service and Finance
Jeff McClanahan, Director of Utilities

DATE: January 14, 2022

SUBJECT: Docket No. 22-EKME-274-TAR – In the Matter of the Application of Evergy Kansas Metro Filing its Property Tax Surcharge.

EXECUTIVE SUMMARY:

Staff recommends approval of Evergy Kansas Metro's (Evergy) 2022 Ad Valorem Tax Surcharge Rider (AVTS) as filed. This surcharge would be in effect during the period of February 2022 through January 2023 and is in addition to the Ad Valorem tax that was included in base rates during the calendar year of 2021.¹ If approved, Evergy would recover \$7,470,469 through the AVTS, which is an increase of \$2,505,508 from the 2021 AVTS of \$4,964,961. Evergy's proposed AVTS would result in a Kansas residential customer charge of \$1.24 per month, or \$14.87 annually.²

BACKGROUND:

On December 30, 2021, Evergy filed its 2022 Ad Valorem Tax Surcharge request with the Kansas Corporation Commission (Commission). The surcharge request was filed in accordance with K.S.A. 66-117(f), which provides for a utility to collect increases (or refund decreases) in its Ad Valorem taxes above (below) amounts currently embedded in base rates. The statute also requires a Commission Order within 30 days of filing date, which, in this Docket, is by January 30, 2022.

ANALYSIS:

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

¹ The current base rates were established in December 2018 in Evergy Metro's (Formerly KCP&L) most recent rate case (Docket No. 18-KCPE-480-RTS (18-480 Docket)).

² This is an increase from 2021 Ad Valorem monthly charge of \$0.41 or annual charge of \$4.96. This is based on an average monthly usage of 1,059 kWh per residential customer as provided by Evergy.

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. For purposes of this section, such amounts charged to expense on the books and records of the utility may be estimated once the total property tax payment is known. If found necessary by the commission or the utility, the utility shall file tariffs which reflect the change as a revision to the 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.

Staff Analysis

Evergy provided Staff with copies of its 2021 Ad Valorem tax statements to support its AVTS calculation. Staff agreed the amounts in the Ad Valorem tax statements to the Ad Valorem Tax Surcharge total for 2021 shown in Evergy's filing. In addition, Staff was provided supporting general ledger detail regarding other aspects of Evergy's Property Tax Surcharge calculation. Staff reviewed the supporting general ledger detail that was provided and matched amounts to Evergy's filing.

Based on Staff's analysis, Evergy should be allowed to collect \$7,470,469 through its 2022 Ad Valorem Tax Surcharge Rider. This amount is composed of the portion of the 2021 Ad Valorem tax not included in base rates of \$7,363,431 and \$107,039 that Evergy under-recovered during 2020, resulting in a rate of \$0.00117 per kWh. Staff's recommendation will be collected through Evergy's AVTS.

RECOMMENDATION:

Staff Recommends the Commission approve Evergy's filed Ad Valorem Tax Surcharge total of \$7,470,469 with the following conditions:

1. Staff will ensure that the annual true up of amounts collected versus the actual amount of increase or reduction in Ad Valorem taxes will be reflected in the subsequent year Ad Valorem Tax Surcharge calculation.
2. K.S.A. 66-117(f) requires the annual true-up of this surcharge once established. Accordingly, Evergy shall file its Ad Valorem Tax Surcharge Rider annual true-up in December of each calendar year.

CERTIFICATE OF SERVICE

22-EKME-274-TAR

I, the undersigned, certify that a true copy of the attached Order has been served to the following by means of electronic service on 01/25/2022.

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