

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

In the Matter of Southern Pioneer Electric)
Company Filing its Annual True Up Property) Docket No. 25-SPEE-252-TAR
Tax Surcharge for 2025 Rates)

**NOTICE OF FILING OF STAFF'S REVISED
REPORT AND RECOMMENDATION**

COMES NOW, the Staff of the State Corporation Commission of the State of Kansas (“Staff” and “Commission,” respectively), and files an Amended Report and Recommendation (“R&R”) regarding Staff’s review of Southern Pioneer Electric Company’s (“Southern Pioneer”) 2025 Property Tax Surcharge Update.

Staff inadvertently excluded supporting exhibits from its initial filing on January 8, 2025. The instant filing corrects this error and supplements Staff’s January 8, 2025, R&R with its supporting workpapers.

WHEREFORE, Staff submits its Report and Recommendation for Commission review and consideration and for such other relief as the Commission deems just and reasonable.

Respectfully submitted,
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**REPORT AND RECOMMENDATION
UTILITIES DIVISION**

TO: Chairperson Andrew J. French
Commissioner Dwight D. Keen
Commissioner Annie Kuether

FROM: Tim Rehagen, Senior Auditor
Chad Unrein, Chief of Accounting and Financial Analysis
Justin Grady, Deputy Director
Jeff McClanahan, Director of Utilities

DATE: January 8, 2025

SUBJECT: Docket No. 25-SPEE-252-TAR — In the Matter of Southern Pioneer Electric Company Filing its Annual True Up Property Tax Surcharge for 2025 Rates.

EXECUTIVE SUMMARY:

Staff recommends approval of Southern Pioneer Electric Company's (Southern Pioneer) revised 2025 Property Tax Surcharge Rider. This surcharge would be in effect from February 2025 through January 2026 and is in addition to the property tax expense that is included in Southern Pioneer's base rates.¹ Based on an average residential customer usage of 765 kWh per month, Southern Pioneer's proposed Property Tax Surcharge Rider results in an approximate monthly decrease of \$0.0675 per month, or \$0.81 per year for the average residential customer. Pursuant to K.S.A. 66-117(f), a Commission Order is due in this matter by January 21, 2025.

BACKGROUND:

On December 22, 2024, Southern Pioneer filed its 2025 Property Tax Surcharge request with the Kansas Corporation Commission (Commission). 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

¹ The current base rates were established in Docket No. 24-SPEE-415-TAR (24-415 Docket). See pages 11-12 of the Direct Testimony of Robert Glass on Behalf of KCC (April 2, 2024) filed in the 24-415 Docket for an explanation of the property tax expense re-basing.

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.

Southern Pioneer is requesting a surcharge amount of (\$452,303) in its initial Application based upon:²

1. The difference between its 2024 total property tax assessments of \$2,401,083 and the \$2,761,014 of property tax expense included in Southern Pioneer's base rates;³ and
2. A true-up provision comparing the amount of Property Tax Surcharge revenue collected versus that intended to be collected during the year 2024, which resulted in an over-recovery of \$92,373.

ANALYSIS:

Staff performed an audit of Southern Pioneer's 2024 property tax statements, which were provided electronically. As part of the audit, Southern Pioneer provided Staff with an update to December 2024 kWh sales and billed property taxes for all three of its customer classes found in Exhibits 3, 4 and 5 of the Application. These items were estimated at the time of the filing date. Staff concurs with the total amount of updated property tax expense claimed by Southern Pioneer, which incorporates the actual kWh sales and billed property taxes for December of 2024. The 2024 property tax statements totaled \$2,401,083. This total was allocated to the three separate customer classes: \$2,014,855 was allocated to retail customers; \$143,523 to sub-transmission retail (STR) customers; and \$242,705 to local access charge (LAC) customers. The prorated amount of property tax expense included in base rates totaled \$2,760,986. This amount has also been allocated to the three separate customer classes: \$2,563,807 was allocated to retail customers; \$39,325 to STR customers and \$157,853 to LAC customers. The differences between each of these totals will be collected (or refunded) via Southern Pioneer's surcharge rider in 2025.

In total for the 2024 calendar year, Southern Pioneer over-recovered its 2023 property taxes by \$92,373. The total property tax true-up resulted from an over-recovery of \$57,741 for retail customers, an over-recovery of \$35,757 from retail STR customers, and an under-recovery of \$5,556 from third-party LAC customers. After incorporating the revised 2023 property tax true-up, the total amount to be recovered through the 2025 Property Tax Surcharge Rider amounts to (\$447,845) and is allocated among the customer classes as follows: (\$606,694) to retail customers; \$68,440 to STR customers; and \$90,408 to LAC customers.⁴

² See Exhibit 1 of the Application for a detailed breakdown of the Property Tax Surcharge Adjustment.

³ Because the rates approved in the 24-415 Docket did not go into effect until September 2024, it was necessary to calculate a proration of Southern Pioneer's previous property tax expense base amount prior to the 24-415 Docket (from Docket No. 20-SPEE-169-RTS) and the base amount established in the 24-415 Docket. See Exhibit 6 of the Application for Southern Pioneer's calculation of this proration.

⁴ See Staff Exhibits 1 through 6 for the updated version of the property tax surcharge calculations based on actual December 2024 data.

RECOMMENDATION:

Staff recommends the Commission approve Southern Pioneer's revised Property Tax Surcharge of (\$447,845), which equates to a surcharge of (\$0.001944)/kWh for retail customers; \$0.000155/kWh for STR customers; and \$0.38162/kW for LAC customers, with the following conditions:

1. Southern Pioneer shall file updated tariffs reflecting the proposed surcharge before implementing the surcharge. Staff shall review Southern Pioneer's surcharge rider to ensure that the surcharge is applied in a reasonable manner and is calculated to substantially collect the decrease in property taxes.
2. 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's Property Tax Surcharge calculation.
3. Staff requests that Southern Pioneer file its Property Tax Surcharge Rider annual true-up in December of each calendar year.

**Southern Pioneer Electric Company
Revised 2025 Property Tax Surcharge**

Summary and Surcharge Calculation

<u>Total Amount To be Recovered in 2025</u>			Footnote
Property Tax Levied in 2024 -- See Exhibit 2		\$ 2,401,083	
Less: BOTA Property Tax Adjustment recognized in 2024		<u>\$ -</u>	2
Difference		\$ 2,401,083	
Portion of Difference Due From Retail	0.8391	\$ 2,014,855	3
Add: Property Tax Surcharge Under / (Over) Recovery from Prior Period - see Exhibit 3		\$ (57,741)	
Property Tax Included in Base Rates ¹		<u>\$ (2,563,807)</u>	
Total Amount To Be Recovered From Retail		<u>\$ (606,694)</u>	
Portion of Difference Due From STR	0.0598	\$ 143,523	3
Add: Property Tax Surcharge Under / (Over) Recovery from Prior Period - see Exhibit 4		\$ (35,757)	
Property Tax Included in Base Rates ¹		<u>\$ (39,325)</u>	
Total Amount To Be Recovered from STR		<u>\$ 68,440</u>	
Portion of Difference Due From 3rd Party LAC	0.1011	\$ 242,705	3
Add: Property Tax Surcharge Under / (Over) Recovery from Prior Period - see Exhibit 5		\$ 5,556	
Property Tax Included in Base Rates ¹		<u>\$ (157,853)</u>	
Total Amount To Be Recovered from LAC		<u>\$ 90,408</u>	
<u>2024 Year Sales</u>			
2024 kWh Retail Sales - see Exhibit 3		312,050,372 kWh	
2024 kWh STR - see Exhibit 4		441,319,922 kWh	
2024 kW 3rd Party LAC - see Exhibit 5		236,908 kW	
<u>2025 Proposed Per Unit Surcharge Calculations</u>			
Retail per kWh Surcharge		\$ (0.001944) /kWh	
STR per kWh Surcharge		\$ 0.000155 /kWh	
3rd Party LAC per kW Surcharge		\$ 0.38162 /kW	

¹ See EX6 for proration of Retail base for this year.

² Not applicable this year, as any BOTA adjustments were not in the form of a refund but rather an adjusted tax assessments already captured in the invoices.

³ See Appendix A Page 4

**Southern Pioneer Electric Company
Revised 2025 Property Tax Surcharge**

Recovery Tracking - Retail

Mo/Yr	Sales kWh ¹	Property Tax Surcharge Amount Billed in 2024 ¹	Property Tax Shifted to Base Rates in 2024 ²	Total	Property Tax Surcharge Unit Rate per 23-SPEE- 522-TAR and 24- SPEE-462-TAR	Accumulated Under/(Over) Recovery ³	Property Tax Surcharge Calculated Amount
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
			\$ 0.000198			\$ (563,369)	
Jan-24	25,520,882	\$ 5,046	\$ -	\$ 5,046	\$ 0.000198	\$ (568,415)	\$ 5,053
Feb-24	24,305,941	\$ (45,103)	\$ -	\$ (45,103)	\$ (0.001856)	\$ (523,313)	\$ (45,112)
Mar-24	20,204,518	\$ (37,491)	\$ -	\$ (37,491)	\$ (0.001856)	\$ (485,822)	\$ (37,500)
Apr-24	21,111,093	\$ (39,173)	\$ -	\$ (39,173)	\$ (0.001856)	\$ (446,649)	\$ (39,182)
May-24	21,365,356	\$ (39,644)	\$ -	\$ (39,644)	\$ (0.001856)	\$ (407,005)	\$ (39,654)
Jun-24	26,672,390	\$ (49,494)	\$ -	\$ (49,494)	\$ (0.001856)	\$ (357,511)	\$ (49,504)
Jul-24	32,855,347	\$ (60,968)	\$ -	\$ (60,968)	\$ (0.001856)	\$ (296,543)	\$ (60,980)
Aug-24	34,861,231	\$ (64,691)	\$ -	\$ (64,691)	\$ (0.001856)	\$ (231,852)	\$ (64,702)
Sep-24	32,890,764	\$ (61,034)	\$ 6,512	\$ (54,521)	\$ (0.001856)	\$ (177,331)	\$ (61,045)
Oct-24	26,727,787	\$ (49,411)	\$ 5,292	\$ (44,119)	\$ (0.001856)	\$ (133,212)	\$ (49,607)
Nov-24	22,409,076	\$ (41,578)	\$ 4,437	\$ (37,141)	\$ (0.001856)	\$ (96,071)	\$ (41,591)
Dec-24	23,125,987	\$ (42,908)	\$ 4,579	\$ (38,329)	\$ (0.001856)	\$ (57,741)	\$ (42,922)
Total	312,050,372	\$ (526,448)	\$ 20,820	\$ (505,628)		\$ (57,741)	(526,746) -0.1%

¹ See WP1.

² The Retail Property Tax Surcharge was rebased as approved in Docket 24-SPEE-415-TAR.

The amount that was rebased was \$0.000198 per kWh and additional details are provided on page 11 of the testimony provided by Staff Robert H. Glass, Ph.D. in Support of Settlement Agreement, filed 4/2/2024 in Docket 24-SPEE-415-TAR.

³ Compared to the annual Retail total surcharge as approved in 24-SPEE-462-TAR. For detail, see Staff R&R attached to the 01-18-24 Order in that Docket.

**Southern Pioneer Electric Company
Revised 2025 Property Tax Surcharge**

Recovery Tracking - STR

Mo/Yr	Sales kWh ¹	Property Tax Surcharge Amount Billed in 2024 ¹	Property Tax Shifted to Base Rates in 2024 ²	Total	Property Tax Surcharge Unit Rate per 23-SPEE-522-TAR and 24-SPEE-462-TAR	Accumulated Under/(Over) Recovery ³	Property Tax Surcharge Calculated Amount
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
			\$ 0.000278			\$ 103,583	
Jan-24	39,741,233	\$ 11,048	\$ -	\$ 11,048	\$ 0.000278	\$ 92,535	\$ 11,048
Feb-24	39,773,530	\$ 9,029	\$ -	\$ 9,029	\$ 0.000227	\$ 83,506	\$ 9,029
Mar-24	36,269,355	\$ 8,233	\$ -	\$ 8,233	\$ 0.000227	\$ 75,273	\$ 8,233
Apr-24	37,227,165	\$ 8,451	\$ -	\$ 8,451	\$ 0.000227	\$ 66,822	\$ 8,451
May-24	37,039,630	\$ 8,408	\$ -	\$ 8,408	\$ 0.000227	\$ 58,415	\$ 8,408
Jun-24	38,972,088	\$ 8,847	\$ -	\$ 8,847	\$ 0.000227	\$ 49,568	\$ 8,847
Jul-24	37,897,714	\$ 8,603	\$ -	\$ 8,603	\$ 0.000227	\$ 40,965	\$ 8,603
Aug-24	40,823,459	\$ 9,267	\$ -	\$ 9,267	\$ 0.000227	\$ 31,698	\$ 9,267
Sep-24	40,346,306	\$ 9,159	\$ 11,216	\$ 20,375	\$ 0.000227	\$ 11,323	\$ 9,159
Oct-24	27,325,420	\$ 6,203	\$ 7,596	\$ 13,799	\$ 0.000227	\$ (2,476)	\$ 6,203
Nov-24	29,196,986	\$ 6,627	\$ 8,117	\$ 14,744	\$ 0.000227	\$ (17,220)	\$ 6,628
Dec-24	36,707,036	\$ 8,332	\$ 10,205	\$ 18,537	\$ 0.000227	\$ (35,757)	\$ 8,332
Total	441,319,922	\$ 102,206	\$ 37,134	\$ 139,340		\$ (35,757)	\$ 102,206 0.0%

¹ See WP1.

² The STR Property Tax Surcharge was rebased as approved in Docket 24-SPEE-415-TAR. The amount that was rebased was \$0.000278 per kWh and additional details are provided on page 11 of the testimony provided by Staff Robert H. Glass, Ph.D. in Support of Settlement Agreement, filed 4/2/2024 in Docket 24-SPEE-415-TAR.

³ Compared to the annual Retail total surcharge as approved in 24-SPEE-462-TAR. For detail, see Staff R&R attached to the 01-18-24 Order in that Docket.

**Southern Pioneer Electric Company
Revised 2025 Property Tax Surcharge**

Recovery Tracking - LAC

Mo/Yr	Billed Demand KW¹	Property Tax Surcharge Amount Billed in 2024¹	Property Tax Surcharge Unit Rate per 23-SPEE-522-TAR and 24-SPEE-462-TAR	Accumulated Under/(Over) Recovery²	Property Tax Surcharge Calculated Amount
(a)	(b)	(c)	(f)	(g)	(f)
				\$ 162,953	
Jan-24	15,193	\$ 14,051	\$ 0.924800	\$ 148,902	\$ 14,050
Feb-24	19,602	\$ 12,672	\$ 0.646520	\$ 136,230	\$ 12,673
Mar-24	13,756	\$ 8,894	\$ 0.646520	\$ 127,336	\$ 8,894
Apr-24	22,251	\$ 14,386	\$ 0.646520	\$ 112,950	\$ 14,386
May-24	15,190	\$ 9,821	\$ 0.646520	\$ 103,129	\$ 9,821
Jun-24	17,184	\$ 11,110	\$ 0.646520	\$ 92,019	\$ 11,110
Jul-24	22,987	\$ 14,862	\$ 0.646520	\$ 77,157	\$ 14,862
Aug-24	25,517	\$ 16,497	\$ 0.646520	\$ 60,660	\$ 16,497
Sep-24	24,975	\$ 16,147	\$ 0.646520	\$ 44,512	\$ 16,147
Oct-24	27,525	\$ 17,796	\$ 0.646520	\$ 26,716	\$ 17,795
Nov-24	18,925	\$ 12,236	\$ 0.646520	\$ 14,480	\$ 12,235
Dec-24	13,803	\$ 8,924	\$ 0.646520	\$ 5,556	\$ 8,924
Total	236,908	\$157,397		\$ 5,556	\$ 157,394 0.0%

¹ See WP1.

² Compared to the annual Retail total surcharge as approved in 24-SPEE-462-TAR.
For detail, see Staff R&R attached to the 01-18-24 Order in that Docket.

**Southern Pioneer Electric Company
Revised 2025 Property Tax Surcharge**

Proration of Southern Pioneer's Property Tax Expense Base Amounts

A	B	20-SPEE-169-RTS			E	F	G	24-SPEE-415-RTS			J	Total Proration	
		C	D					H	I	K		L	
Customer Class	Total Current Base Amount	Property Tax Surcharge Customer Class Allocators	(B * C) ¹	Proration Percentage ²	Proration of Current Base Amount	Customer Class	Rebased Amount ³	Proration Percentage ²	Proration of Rebased Amount (H * I)	Customer Class	Total Prorated Base Property Tax Expense (F + J)		
Retail	\$ 2,674,991	93.3%	\$ 2,494,825	66.3%	\$ 1,654,128	Retail	\$ 2,699,535	33.7%	\$ 909,680	Retail	\$ 2,563,807		
STR	\$ 2,674,991	0.8%	\$ 22,313	69.7%	\$ 15,559	STR	\$ 78,520	30.3%	\$ 23,766	STR	\$ 39,325		
LAC	\$ 2,674,991	5.9%	\$ 157,853	64.0%	\$ 101,065	LAC	\$ 157,853	36.0%	\$ 56,788	LAC	\$ 157,853		
											<u>\$ 2,760,986</u>		

¹ These allocated base amounts were established in Southern Pioneer's rate case filing (Docket No. 20-SPEE-169-TAR). See Staff Exhibit TSR-2

² In alignment with the prior rate case (20-SPEE-169-RTS) and rebasing of property taxes done in 24-SPEE-415-RTS, the prior base and new base are hereby prorated by energy sales in this filing. The new base went into effect August of 2024 for September billing and the energy used in the proration is shown in Exhibit 3. Future filings will use the rebased amounts shown in column H.

³ See Appendix A, Page 2 for the calculation of the rebased amounts. The proposed rebate amounts for LAC customers will remain unchanged, this is in alignment with docket 24-SPEE-688-RTS.

**Southern Pioneer Electric Company
 Revised 2025 Property Tax Surcharge**

2024 Property Tax Surcharge Monthly Collection - Input Data from Southern Pioneer

RATES

	RETAIL PTS RATE	LAC PTS RATE	STR PTS RATE
Jan-24 still prior year's rates-->	0.000198	0.924800	0.000278
Feb-24 new rates Eff. 2/1/24	-0.001856	0.646520	0.000227

Usage and PTS

	Non-STR		LAC KW	LAC Property Tax	STR kWh	STR Property Tax
	Retail kWh	Retail Property Tax				
Jan-24	25,520,882	\$ 5,046.22	15,193	\$ 14,051.41	39,741,233	\$ 11,048.06
Feb-24	24,305,941	\$ (45,102.61)	19,602	\$ 12,672.43	39,773,530	\$ 9,028.58
Mar-24	20,204,518	\$ (37,490.72)	13,756	\$ 8,893.53	36,269,355	\$ 8,233.12
Apr-24	21,111,093	\$ (39,173.14)	22,251	\$ 14,386.36	37,227,165	\$ 8,450.56
May-24	21,365,356	\$ (39,644.12)	15,190	\$ 9,820.64	37,039,630	\$ 8,407.98
Jun-24	26,672,390	\$ (49,493.54)	17,184	\$ 11,110.01	38,972,088	\$ 8,846.66
Jul-24	32,855,347	\$ (60,967.92)	22,987	\$ 14,862.20	37,897,714	\$ 8,602.79
Aug-24	34,861,231	\$ (64,691.12)	25,517	\$ 16,497.25	40,823,459	\$ 9,266.92
Sep-24	32,890,764	\$ (61,033.50)	24,975	\$ 16,147.48	40,346,306	\$ 9,158.61
Oct-24	26,727,787	\$ (49,411.44)	27,525	\$ 17,796.11	27,325,420	\$ 6,202.88
Nov-24	22,409,076	\$ (41,577.84)	18,925	\$ 12,236.05	29,196,986	\$ 6,627.34
Dec-24	23,125,987	\$ (42,908.30)	13,803	\$ 8,923.91	36,707,036	\$ 8,332.50
	312,050,372	\$ (526,448.03)	236,908	\$ 157,397.38	441,319,922	\$ 102,206.00

CERTIFICATE OF SERVICE

25-SPEE-252-TAR

I, the undersigned, certify that a true and correct copy of the above and foregoing Notice of Filing of Staff's Exhibits was served via electronic service this 14th day of January, 2025, to the following:

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