

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

Before Commissioners: Shari Feist Albrecht, Chair
Jay Scott Emler
Dwight D. Keen

In the Matter of the Application of Kansas City)
Power & Light Company Seeking the)
Commission's Approval of the 2019 Property Tax) Docket No. 19-KCPE-243-TAR
Surcharge Tariff)

ORDER APPROVING AD VALOREM TAX SURCHARGE UPDATE

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

I. BACKGROUND

1. On December 21, 2018, Kansas City Power & Light Company (KCP&L) submitted an Application for approval of its updated Ad Valorem Tax Surcharge Rider.¹
2. On January 10, 2019, after examining KCP&L's request, Staff submitted its Report and Recommendation, which recommended approval of KCP&L's 2019 Ad Valorem Tax Surcharge Rider.² Staff's Report and Recommendation is attached hereto and hereby adopted by the Commission and incorporated into this Order by reference.

II. DISCUSSION

3. KCP&L requested a surcharge amount of \$8,838,545, consisting of the difference between KCP&L's 2018 Ad Valorem tax assessments and the amount included in base rates during KCP&L's last base rate case (15-KCPE-116-RTS and 18-KCPE-480-RTS), along with a

¹ Kansas City Power & Light Company Property Tax Surcharge Adjustment for 2019 (Dec. 21, 2018).

² Staff's Report and Recommendation (Jan. 10, 2019).

true-up provision comparing the amount of Ad Valorem Tax Surcharge revenue collected versus that intended to be collected during the year 2018.³

4. KCP&L provided Staff with photocopies of its 2018 Ad Valorem tax statements. Staff reviewed those tax statements and agreed with the total amount of 2018 Ad Valorem tax expense claimed by KCP&L in its Application.⁴ Additionally, Staff requested supporting documentation regarding the calculation of the Ad Valorem Tax Surcharge and the revenues collected during the year 2018; KCP&L provided the information, and Staff found it to be accurate.⁵

5. Accordingly, Staff recommended the approval of KCP&L's Ad Valorem Tax Surcharge request of \$8,838,545, 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 Ad Valorem taxes will be reflected in the subsequent year Ad Valorem surcharge calculation; and
- b. K.S.A. 66-117(f) requires the annual true-up of this surcharge once established. Accordingly, KCP&L shall file its Ad Valorem Tax Surcharge Rider annual true-up in December of each calendar year.⁶

III. FINDINGS AND CONCLUSION

6. 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.”

³ Id.

⁴ Id. pg. 2.

⁵ Id.

⁶ Id. pg. 3.

7. KCP&L submitted its present request in December 2018, 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. 66-116(f).

8. K.S.A. 66-117(f) also provides the legal standard by which the Commission should review tariffs such as KCP&L's ad valorem 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 an 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 filing.”

9. Upon review of Staff's Report and Recommendation and the record as a whole, the Commission finds and concludes the surcharge, as calculated by KCP&L and reviewed by Staff, will allow KCP&L to substantially collect Ad Valorem tax expense charged on the books of KCP&L. Furthermore, the Commission finds and concludes substantial competent evidence exists to approve KCP&L's request in the instant proceeding, as conditioned in Staff's Report and Recommendation.

10. Accordingly, the Commission finds and concludes KCP&L's request to update its Ad Valorem Tax Surcharge should be approved. KCP&L shall be permitted to revise its Ad Valorem tax expense to the amount of \$8,838,545. KCP&L shall be permitted to collect revenues necessary to cover its Ad Valorem tax expense via a surcharge in the amount of \$0.00138 per kWh, subject to the conditions contained within Staff's Report and Recommendation and as detailed in paragraph 5 of this Order. Moreover, the Commission finds and concludes a surcharge in the amount of \$0.00138 per kWh will result in revenues sufficient to substantially collect Ad Valorem tax expense 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 Ad Valorem Tax Surcharge to amount of \$8,838,545.

B. KCP&L shall be permitted to recover revenues necessary to account for Ad Valorem tax expense via a surcharge in the amount of \$0.00138 per kWh, subject to the conditions contained within Staff's Report and Recommendation and as detailed in paragraph 5 of this Order.


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).⁷

D. The Commission retains jurisdiction over the subject matter and the parties for the purpose of entering such further orders as it may deem necessary and proper.

BY THE COMMISSION IT IS SO ORDERED.

Albrecht, Chairman, Emler, Commissioner, Keen, Commissioner

Dated: 01/17/2019 _____



Lynn M. Retz
Secretary to the Commission

PZA

⁷ K.S.A. 66-118b; K.S.A. 77-503(c); K.S.A. 77-531(b).

STATE OF KANSAS



CORPORATION COMMISSION
UTILITIES DIVISION
1500 SW ARROWHEAD ROAD
TOPEKA, KS 66604-4027

PHONE: 785-271-3220
FAX: 785-271-3357
<http://kcc.ks.gov/>

GOVERNOR JEFF COLYER, M.D.

SHARI FEIST ALBRECHT, CHAIR | JAY SCOTT EMLER, COMMISSIONER | DWIGHT D. KEEN, COMMISSIONER

REPORT AND RECOMMENDATION UTILITIES DIVISION

TO: Chair Shari Feist Albrecht
Commissioner Jay Scott Emler
Commissioner Dwight D. Keen

FROM: Kristina Luke Fry, Managing Auditor
Justin Grady, Chief of Accounting and Financial Analysis
Jeff McClanahan, Director of Utilities

DATE: January 10, 2019

SUBJECT: Docket No. 19-KCPE-243-TAR: In the Matter of the Application of Kansas City Power & Light Company Seeking Commission Approval of the 2019 Property Tax Surcharge Tariff.

EXECUTIVE SUMMARY:

Staff requests Commission approval of Kansas City Power & Light Company's (KCP&L) 2019 Ad Valorem Tax Surcharge Rider. This surcharge would be in effect during the calendar year of 2019 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 \$0.44 per month, or \$5.23 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 20, 2019.

BACKGROUND:

KCP&L filed an Ad Valorem Tax Surcharge request for its Kansas electric operations on December 21, 2018, with the Kansas Corporation Commission (Commission). KCP&L is requesting a surcharge amount of \$8,838,545 consisting of:

1. The difference between its 2018 total Ad Valorem tax assessments and the amount included in base rates during KCP&L's last base rate case;² 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 2018.

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

² Docket Nos. 15-KCPE-116-RTS and 18-KCPE-480-RTS.

The amount of Ad Valorem tax expense included in KCP&L's base rates was approved by the Commission in Docket Nos. 15-KCPE-116-RTS and 18-KCPE-480-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.

On January 7, 2019, KCP&L provided Staff with photocopies of the 2018 Ad Valorem tax statements. Staff has reviewed the tax statements and is in agreement with the total amount of 2018 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 2018. The information was provided, reviewed, and found to be accurate.

Staff recommends that the Commission approve KCP&L's 2019 Ad Valorem Tax Surcharge request of \$8,838,545, or an increase of \$2,547,080 from the amount of \$6,291,465 approved by the Commission for the 2018 Ad Valorem Tax Surcharge. This translates to a surcharge of \$0.00138/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 \$8,838,545 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) and *Order Approving Unanimous Settlement Agreement*, Docket No. 18-KCPE-480-RTS, p. 4, ¶ 12. (Dec. 13, 2018).

CERTIFICATE OF SERVICE

19-KCPE-243-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 01/18/201.

LISA STARKEBAUM, MANAGER, REGULATORY AFFAIRS
KANSAS CITY POWER & LIGHT COMPANY
ONE KANSAS CITY PL, 1200 MAIN ST 19TH FLOOR (64105
PO BOX 418679
KANSAS CITY, MO 64141-9679
Fax: 816-556-2110
lisa.starkebaum@kcpl.com

PHOENIX ANSHUTZ, LITIGATION COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
Fax: 785-271-3354
p.anshutz@kcc.ks.gov

/S/ DeeAnn Shupe
DeeAnn Shupe