

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

In the Matter of the Application of Evergy)
Metro, Inc. Filing its 2024 Property Tax) Docket No. 25-EKME-258-TAR
Surcharge.)

NOTICE OF FILING OF STAFF'S REPORT AND RECOMMENDATION

COMES NOW, the Staff of the State Corporation Commission of the State of Kansas ("Staff" and "Commission," respectively), and files its Report and Recommendation regarding the Application of Evergy Metro, Inc. d/b/a Evergy Kansas Metro ("EKM") proposing its 2025 Property Tax Surcharge Rider ("PTS") calculation pursuant to K.S.A. 66-117(f). Pursuant to its Application, EKM's requested updated PTS rate is \$0.00085/kWh, which is based on the total reported recoverable amount of \$5,557,176. This amount translates into an approximate decrease to residential customer bills by \$1.45 per month or \$17.38 annually.

Staff has evaluated EKM's application including copies of EKM's 2024 property tax statements. Staff confirmed that there were no errors in EKM's property tax workpapers. Staff believes that EKM's requested recovery will be applied to customer bills in a reasonable manner in accordance with K.S.A. 66-117(f). Staff recommends that the Commission approve EKM's PTS request as filed, subject to three conditions outlined in Staff's Report and Recommendation.

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

Respectfully submitted,

/s/ Madisen K. Hane

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Andrew J. French, Chairperson
Dwight D. Keen, Commissioner
Annie Kuether, Commissioner

Laura Kelly, Governor

**REPORT AND RECOMMENDATION
UTILITIES DIVISION**

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

FROM: Andria Jackson, Deputy Chief of Accounting and Financial Analysis
Chad Unrein, Chief of Accounting and Financial Analysis
Justin Grady, Deputy Director
Jeff McClanahan, Director of Utilities

DATE: January 22, 2025

SUBJECT: Docket No. 25-EKME-258-TAR – In the Matter of the Application of Evergy Metro, Inc. Filing its 2024 Property Tax Surcharge.

EXECUTIVE SUMMARY:

Staff recommends approval of the 2025 Property Tax Surcharge Rider (PTS) submitted by Evergy Metro, Inc. d/b/a Evergy Kansas Metro (EKM). This surcharge would be in effect during the period of February 1, 2025, through January 31, 2026, and is in addition to the property tax expense that was included in base rates during the calendar year 2024. If approved, EKM would recover \$5,557,176 through the PTS rate of \$0.00085 per kWh. Based on the prior year PTS rate, and assuming average residential usage of 1,013 kWh per month, EKM's proposed PTS factor would decrease residential customers bill by \$1.45 monthly or \$17.38 annually.

BACKGROUND:

On December 30, 2024, EKM filed its 2025 property tax surcharge request with the Kansas Corporation Commission (Commission). EKM's filing represents an update to the prior PTS approved in Docket No. 24-EKME-468-TAR (24-468 Docket). EKM requested to collect \$5,557,176 through the PTS, consisting of:

1. The difference between its 2024 total property tax assessments and the amount included in base rates from its most recent base rate cases¹; and

¹ The amount of property tax expense included in base rates, and reflected in EKM's PTS calculation, was established in Docket No. 23-EKCE-775-RTS (23-775 Docket). See *Order Approving Unanimous Settlement Agreement, 23-775 Docket*, Attachment 1, p. 22, ¶ 67 (Nov. 21, 2023).

2. A true-up provision comparing the amount of property tax surcharge revenue collected versus that intended to be collected during the year 2024.²

Supplemental to its filed request, EKM enclosed an original and redline copies of its proposed updated PTS tariffs, as well as workpapers supporting the calculation. EKM's property tax surcharge was filed in accordance with K.S.A. 66-117(f), which provides for a utility to collect increases (or refund decreases) in its property taxes above (below) amounts currently embedded in base rates. The statute also requires a Commission Order within 30 days of the filing date, which in this docket is by January 30, 2025.

ANALYSIS:

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 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.

EKM provided Staff with copies of its 2024 property tax statements to support its PTS calculation. Staff agreed the amounts in the property tax statements to the 2024 total amount of \$61.5 million of property tax expenses reflected in EKM's Kansas-jurisdictional filing. In addition, Staff was provided supporting general ledger detail for other parts of the PTS calculation, including property taxes charged to other accounts as well as recovery of revenue reflected in the true-up. Staff found no errors in its review of the PTS calculation or in the supporting documentation provided.

Based on its analysis, Staff believes that EKM's PTS would be applied to bills in a reasonable manner and is calculated to substantially reduce the existing surcharge based upon a decrease in ad valorem tax expense incurred on the books and records of EKM in accordance with K.S.A. 66-117(f). Therefore, Staff recommends EKM be allowed to collect \$5,557,176 through its Property Tax Surcharge Rider, or a decrease of \$9,198,250 from the amount of \$14,755,426 approved by the Commission last year for the 2024 PTS. This translates into a surcharge of \$0.00085 per kWh and reflects the amount of property taxes incurred during the calendar year 2024 but not collected in the \$56.5 million in base rates during that year. The proposed surcharge will be collected via EKM's Property Tax Surcharge Tariff.

² Due to the required timing of its filing, EKM's current PTS request contains estimated recoveries for the months of December 2024 and January 2025, which will be trueed up in next year's PTS filing. Likewise, the requested PTS also contains the true-up of estimated December 2023 and January 2024 recoveries (reflected in last year's PTS filing) to actual December 2023 and January 2024 recoveries. For reference, these amounts are depicted in the workpaper attached to the Application.

RECOMMENDATION:

Staff recommends the Commission approve EKM's Property Tax Surcharge Rider recovery amount of \$5,557,176, or a decrease of \$9,198,250 from last year's surcharge, with the following conditions:

1. EKM shall file updated tariffs with the Commission reflecting the revised surcharge before implementing the surcharge. Staff shall review EKM's surcharge rider to ensure that the surcharge is applied in a reasonable manner and is calculated to substantially collect the increase in ad valorem taxes.
2. Staff will ensure that the annual true-up of amounts collected versus actual amount of increase or reduction in property taxes will be reflected in the subsequent year property tax surcharge calculation; and
3. K.S.A. 66-117(f) requires the annual true-up of this surcharge once established. Accordingly, EKM shall file its Property Tax Surcharge Rider annual true-up in December of each calendar year.

CERTIFICATE OF SERVICE

25-EKME-258-TAR

I, the undersigned, certify that a true copy of the attached Filing has been served to the following by means of electronic service on January 22, 2025.

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CERTIFICATE OF SERVICE

25-EKME-258-TAR

/S/ Kiley McManaman
Kiley McManaman
