

**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 Westar Energy,)
Inc. and Kansas Gas and Electric Company)
Seeking the Commission's Approval of the 2019) Docket No. 19-WSEE-217-TAR
Property Tax Surcharge Tariff)

ORDER APPROVING AD VALOREM TAX SURCHARGE RIDER

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 3, 2018, Westar Energy, Inc. and Kansas Gas and Electric Company, d/b/a Westar Energy (Westar), submitted a request for approval of its updated Property Tax Surcharge tariff.¹

2. Commission Staff (Staff) has prepared a Report and Recommendation (R&R) analyzing and recommend approval of Westar's 2019 Property Tax Surcharge with conditions. Staff's R&R, dated December 14, 2018, is attached hereto and is hereby adopted by the Commission and incorporated into this Order by reference.

II. DISCUSSION

3. Staff recommends approval of Westar's Ad Valorem Tax Surcharge Rider in the amount of \$23,653,619, which is an increase of \$6,264,802 from last year's surcharge.

¹ Tariff Filing of Westar and Kansas Gas and Electric for 2019 Property Tax Surcharge (Dec. 3, 2018).

Assuming a Westar residential customer in Kansas uses 900 kWh per month, this proposed adjustment would increase a residential customer's bill by \$0.29 monthly, or \$3.48 annually.²

4. Westar originally requested a consolidated surcharge of \$23,651,840, which consisted of the difference between its 2018 total Ad Valorem tax assessments and the amount included in base rates established by the Commission in Westar's last general rate proceeding as well as 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

5. Staff performed a review of Westar's 2018 Ad Valorem tax statements in support of Ad Valorem property tax claimed in its request. During this review, Westar provided Staff with an updated surcharge calculation to reflect additional Ad Valorem statements received since Westar initially submitted this instant request.⁴ Further, during Staff's review, Westar provided copies of the actual Ad Valorem statements used in preparing this instant filing. Staff did find minor errors within the instant filing, with those errors being verified and corrected by Westar. With the exception of the aforementioned updates and minor errors, the information provided by Westar mirrored that included in the instant proceeding.

6. Staff recommends approval of Westar's revised 2019 Ad Valorem Tax Surcharge Rider in the amount of \$23,653,619, which is an increase of \$6,264,802 from last year's surcharge.⁵ As detailed by Staff, this translates to a surcharge of \$0.001209 per kWh and reflects an increase in the amount of Ad Valorem taxes that Westar incurred during the calendar year 2018, but not collected in base rates during the year 2018.

² Staff's Report and Recommendation, pg. 1 (Dec. 14, 2018).

³ Id, pg. 2.

⁴ Id.

⁵ Id.

7. Accordingly, Staff recommends approval of Westar's revised Ad Valorem Tax Surcharge rider subject to the following conditions:

- a. Westar shall file an updated tariff with the Commission reflecting the revised surcharge before implementing the surcharge;
- b. Staff will ensure that the annual true-up of amounts collected the actual amount of increase or reduction in Ad Valorem taxes will be reflected in the subsequent year's Ad Valorem surcharge calculation; and
- c. Per K.S.A. 66-117(f), Staff recommends Westar file its Ad Valorem Tax Surcharge annual true-up in December of each calendar year.⁶

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. Westar submitted its present request in December 2018, with further updates provided to Staff in December. Accordingly, the Commission finds and concludes Westar 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) provides the legal standard by which the Commission should review tariffs such as Westar'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 an existing surcharge based upon a decrease in

⁶ Id. pg. 3.

ad valorem tax expense incurred on the books and records of the utility, the commission shall approve such tariffs within 30 days of 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 Westar and revised by Staff substantially collects the increase in Ad Valorem tax expense charged on the books of Westar. Accordingly, the Commission finds and concludes substantial competent evidence exists to approve Westar’s request in the instant proceeding, as amended and conditioned in Staff’s R&R.

12. Accordingly, the Commission concludes that Westar’s request to update its Ad Valorem Tax Surcharge Rider should be approved. Westar shall be permitted to revise its Ad Valorem Tax Surcharge Rider to the amount of \$23,653,619, which is an increase of \$6,264,802. Westar shall be permitted to collect revenues necessary to account for this increase via a surcharge in the amount of \$0.001209 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 above amount will result in revenues sufficient to substantially collect the increase in Ad Valorem tax expense charged to Westar, and will therefore result in just and reasonable rates.

IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:

A. Westar shall be permitted to revise its Ad Valorem Tax Surcharge Rider to the amount of \$23,653,619, an increase of \$6,264,802.

B. Westar shall be permitted to recover revenues necessary to account for this increase via a surcharge in the amount of \$0.001209 per kWh, subject to the conditions contained within Staff’s R&R and detailed in paragraph 7 of this Order. Westar shall submit an

Ad Valorem Tax Surcharge Rider indicating a surcharge of \$0.001209 per kWh prior to collecting the surcharge.

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: 12/20/2018



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
Brad Hutton, Auditor
Justin Grady, Chief of Accounting and Finance
Jeff McClanahan, Director

DATE: December 14, 2018

SUBJECT: Docket No. 19-WSEE-217-TAR: In the Matter of the Application of Westar Energy, Inc. and Kansas Gas and Electric Company Seeking Commission Approval for 2019 Ad Valorem Tax Surcharge Rider Tariff

EXECUTIVE SUMMARY:

Staff requests approval of Staff's revision to Westar's 2018 Ad Valorem Tax Surcharge Rider to the amount of \$23,653,619, which is \$1,779 more than the \$23,651,840 Westar requested in its Application. This represents an increase of \$6,264,802 from the Ad Valorem Tax Surcharge approved by the Commission last year. 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 Westar's most recent rate case. Assuming that a residential customer in Kansas uses 900 kWh per month, Westar's proposed Ad Valorem Tax Surcharge Rider factor would increase their bill by \$0.29 monthly or \$3.48 annually. Staff has discussed this recommendation with Westar and the Company concurs. Pursuant to K.S.A. 66-117(f), a Commission Order is due by January 2, 2019.

BACKGROUND:

Westar Energy, Inc. (Westar North) and Kansas Gas and Electric Company (Westar South) d/b/a Westar Energy (Westar) filed an Ad Valorem tax surcharge request on December 3, 2018, with the Kansas Corporation Commission (Commission). Westar originally requested a consolidated surcharge of \$23,651,840 consisting of:

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

The amount of Ad Valorem tax expense included in Westar's base rates were identified in the Stipulated Settlement Agreements from both of Westar's previous base rate cases.¹

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.”

Westar's Ad Valorem Tax Surcharge was filed in accordance with K.S.A. 66-117(f) which provides for a utility to collect differences in its Ad Valorem taxes under amounts currently included in base rates.

Staff's Analysis:

Staff performed a review of Westar's 2018 Ad Valorem tax statements in support of the amount of Ad Valorem property tax claimed in its Application. During Staff's review of Westar's Ad Valorem tax statements, Westar provided Staff with an updated surcharge calculation to reflect additional Ad Valorem statements received since Westar filed its Application. This change is reflected in the attachment to this report. During Staff's review, Staff was provided copies of the actual Ad Valorem tax statements including those that were estimated in the Application. Staff did find a few minor errors within the Application. These errors were verified and corrected by Westar. With the exception of the aforementioned update and minor errors, Westar's 2018 Ad Valorem tax statements matched those of its Application.

Staff recommends the Commission approve Westar's revised 2019 Ad Valorem Tax Surcharge in the total adjusted amount of \$23,653,619, or an increase of \$6,264,802 from the amount of \$17,388,817 approved by the Commission for the 2018 Ad Valorem Tax Surcharge. This translates to a surcharge of \$0.001209 per kWh. This reflects an increase in the amount of Ad Valorem taxes that Westar incurred during the calendar year 2018 but was not collected in base rates during the year 2018. Staff's recommendation will be recovered through Westar's Ad

¹ See Paragraph 52 of the Order Approving Stipulation and Agreement in Docket No. 15-WSEE-115-RTS and Paragraph 38 of the Stipulation and Agreement approved in the Order Approving Non-Unanimous Stipulation and Agreement in Docket No. 18-WSEE-328-RTS.

Valorem Tax Surcharge Tariff. Staff Exhibit 1 shows the revised calculation of the 2019 Ad Valorem Tax Surcharge.

RECOMMENDATION:

Approve Westar's revised Ad Valorem Tax Surcharge Rider amount of \$23,653,619, or an increase of \$6,264,802 from last year's surcharge, with the following conditions:

1. Westar shall file updated tariffs with the Commission reflecting the revised surcharge before implementing the surcharge;
2. 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
3. Per K.S.A. 66-117(f), Staff recommends that Westar file its Ad Valorem Tax Surcharge annual true-up in December of each calendar year.

Westar Energy

Ad Valorem Tax Surcharge Calculation with final and estimated statements

	2018 Property Tax - North	\$	103,207,902	
	2018 Property Tax - South	\$	59,718,766	
Add:	PILOT Payments - Central Plains	\$	72,324	
Add:	PILOT Payments - Flat Ridge	\$	30,276	
Add:	Special Assessments/Truck Radios/Coal Cars	\$	165,727	
Add:	MKEC Related Property Taxes	\$	(2,491,270)	
Add:	Spring Creek/Ottawa Co Okla.	\$	346,972	
	Total 2018 Property Tax	\$	161,050,696	
Less:	Transmission Allocation -18.4150%	\$	(29,657,486)	
	2018 Property Tax W/O Transmission	\$	131,393,210	
	KCC Jurisdictional Property Tax from 15-WSEE-115-RTS	\$	81,324,309	
	KCC Jurisdictional Property Tax from 18-WSEE-328-RTS	\$	26,782,691	
	Total Property Tax Recovered in Base Rates	\$	108,107,000	
	Increase (Decrease) in Property Tax		23,286,210	(A)
	2017 Proposed Recovery (Refund)	\$	17,637,226	
	2017 Actual Recovery (Refund)	\$	17,269,105	
	2017 Recovery through Solar	\$	711.62	
	2017 True-up for Billing Estimate	\$	367,409	(B)
	Total 2019 Property Tax Surcharge	\$	23,653,619	C=(A+B)
	2019 budgeted kWh's		19,572,440,000	(D)
	2019 PTS rate	\$	0.001209	E=(C/D)
	Total 2018 Property Tax Surcharge	\$	17,388,817	
	Increase (Decrease) in Property Tax Surcharge from 2018 to 2019	\$	6,264,802	

CERTIFICATE OF SERVICE

19-WSEE-217-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 12/20/2018.

THOMAS J. CONNORS, ATTORNEY AT LAW
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
Fax: 785-271-3116
tj.connors@curb.kansas.gov

TODD E. LOVE, ATTORNEY
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
Fax: 785-271-3116
t.love@curb.kansas.gov

DAVID W. NICKEL, CONSUMER COUNSEL
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
Fax: 785-271-3116
d.nickel@curb.kansas.gov

SHONDA RABB
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
Fax: 785-271-3116
s.rabb@curb.kansas.gov

DELLA SMITH
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
Fax: 785-271-3116
d.smith@curb.kansas.gov

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

ROBIN ALLACHER, REGULATORY AFFAIRS
KANSAS GAS & ELECTRIC CO.
D/B/A WESTAR ENERGY
818 S KANSAS AVE
PO BOX 889
TOPEKA, KS 66601-0889
robin.allacher@westarenergy.com

/S/ DeeAnn Shupe

DeeAnn Shupe