

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

DEC 17 2012

In the Matter of the Application of Westar)
Energy, Inc. and Kansas Gas and Electric)
Company Seeking Commission Approval for)
Ad Valorem Tax Surcharge Rider Tariff.)

by
State Corporation Commission
of Kansas
Docket No. 13-WSEE-382-TAR

NOTICE OF FILING OF STAFF'S REPORT AND RECOMMENDATION

The Staff of the Corporation Commission of the State of Kansas ("Staff" and "Commission", respectively), files its Report and Recommendation, and states the following:

Staff hereby files the attached Report and Recommendation, jointly prepared by Kristina Luke-Fry and Katie Figgs, recommending the Commission approve Westar Energy, Inc. and Kansas Gas and Electric Company's Ad Valorem tax surcharge amount of \$21,812,232.

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

Respectfully submitted,



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Mark Sievers, Chairman
Thomas E. Wright, Commissioner
Shari Feist Albrecht, Commissioner

Sam Brownback, Governor

**REPORT AND RECOMMENDATION
UTILITIES DIVISION**

STATE CORPORATION
COMMISSION

DEC 17 2012

TO: Chairman Mark Sievers
Commissioner Thomas E. Wright
Commissioner Sheri Feist-Albrecht

PATRICE PETERSEN-KLEIN
EXECUTIVE DIRECTOR

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

DATE: December 13, 2012

DATE SUBMITTED TO EXECUTIVE DIRECTOR: 12/17/12

DATE SUBMITTED TO LEGAL: 12/17/12

DATE SUBMITTED TO COMMISSIONERS: _____

SUBJECT: In the Matter of the Application of Westar Energy, Inc. and Kansas Gas and Electric Company Seeking Commission Approval for 2013 Ad Valorem Tax Surcharge Rider Tariff; Docket No. 13-WSEE-382-TAR

EXECUTIVE SUMMARY:

Staff recommends approval of Westar Energy's revised 2013 Ad Valorem Tax Surcharge Rider. This surcharge would be in effect during the calendar year of 2013 and is in addition to the Ad Valorem tax that was included in base rates from Westar Energy's most recent rate case. The revised surcharge amount, discussed below, is \$21,812,232. This would result in an increase of residential customer bills by \$0.58 each month or \$6.96 annually based on average monthly usage levels of 750 kWh, \$0.70 each month or \$8.40 annually based on average monthly usage levels of 900 kWh, and \$0.96 each month or \$11.52 annually based on average monthly usage levels of 1250 kWh.

BACKGROUND:

Westar Energy, Inc. (Westar North) and Kansas Gas and Electric Company (Westar South) both doing business as Westar Energy (Westar) filed an Ad Valorem tax surcharge request on November 29, 2012, with the Kansas Corporation Commission (KCC or Commission). The Ad Valorem tax surcharge was filed in accordance with K.S.A. 66-117a(f) which provides for a utility to collect increases in its Ad Valorem taxes above amounts currently included in rates.

The statute also requires a Commission Order within 30 days of the filing date which, in this docket, is by December 29, 2012. Westar is requesting a consolidated surcharge of \$21,893,561 or \$0.001111 per kWh.

ANALYSIS:

Staff performed an on-site review of Westar Energy, Inc.'s 2012 Ad Valorem tax statements. During Staff's review of Westar's Ad Valorem tax statements, Westar provided Staff an updated surcharge calculation to reflect additional property tax statements received since filing the Application. This change is reflected in the attachment to Staff's report. During Staff's on-site review, Staff was provided copies of the actual Ad Valorem tax statements including those that were estimated in the Application. With the exception of the aforementioned update, Westar's 2012 Ad Valorem tax statements matched those of its Application. Staff recommends that Westar be allowed to recover its Ad Valorem tax surcharge of \$21,812,232, or \$0.001106 per kWh. This surcharge reflects increases to Westar's Ad Valorem tax amounts that are currently being recovered through base rates and to reflect the over recovery of Ad Valorem taxes to its customers during 2012. Staff's recommendation will be recovered through Westar's Ad Valorem Tax Surcharge Tariff. Staff Exhibit 1 shows the 2012 property taxes as well as the amount allocated out for transmission (Westar has a Transmission Delivery Charge which collects this portion of the tax, along with other transmission related expenses).

When comparing the actual Ad Valorem tax invoices from 2012 to amounts collected for Ad Valorem tax during the calendar year, Westar prorated the amount of Ad Valorem tax collected through base rates from Dockets 08-WSEE-1041-RTS (1041 Docket) and 12-WSEE-112-RTS (112 Docket). Rates from the 112 Docket began to be collected at the end of April 2012. Therefore the amount of Ad Valorem tax included in the 112 Docket's base rates was only collected for 8 months in 2012, with 4 months of recovery from the 1041 Docket's base rates. Staff utilized actual kWh recorded in the months of January through November 2012, and December 2011 as an estimate for December 2012, totaled the amount of kWh recorded in January through April and May through December, then calculated the percentage of sales that should be related the 1041 and 112 Dockets. Staff has attached the calculation as Staff Exhibit 2.

RECOMMENDATION:

Approve Westar's Ad Valorem tax surcharge amount of \$21,812,232 with the following conditions:

1. Westar shall file updated tariffs with the Commission reflecting the revised surcharge before implementing the surcharge.
2. Staff shall review the updated surcharge to ensure the surcharge is applied in a reasonable manner and is calculated to substantially collect the increase in Ad Valorem taxes.
3. Staff will ensure that the annual true-up of amounts collected vs. actual amount of increase or reduction in Ad Valorem taxes will be reflected in the subsequent year Ad Valorem tax surcharge calculation.
4. Staff requests that Westar file its Ad Valorem Tax Surcharge Rider annual true-up in December of each calendar year.

cc: Patrice Petersen-Klein, Executive Director

Line No.	Description	Amount
1	2012 Property Tax - North	\$ 68,976,484
2	2012 Property Tax - South	\$ 35,287,256
3	Special Assessments/Truck Radios/Coal Cars	\$ 140,182
4	MKEC Related Property Taxes	\$ (1,207,761)
5	Spring Creek/Ottawa Co Okla.	\$ 315,582
6	Total 2012 Property Tax	\$ 103,511,743
7	Less: Transmission Allocation	-15.39013% (15,930,589)
8	2012 Property Tax W/O Transmission	\$ 87,581,154
9	KCC Jurisdictional Property Tax from 08-WSEE-1041-RTS	\$ 19,730,393
10	KCC Jurisdictional Property Tax from 12-WSEE-112-RTS	\$ 46,026,716
11	Total Property Tax Recovered In Base Rates	\$ 65,757,110
12	Increase (Decrease) in Property Tax	21,824,045
13	2011 Proposed Recovery (Refund)	\$ 746,312
14	2011 Actual Recovery (Refund)	\$ 758,125
15	2011 True-up for Billing Estimate	\$ (11,813)
16	Total 2012 Property Tax Surcharge Increase (Line 12 + Line 15)	\$ 21,812,232
17	2013 budgeted kWh's	19,714,718,000
18	2013 PTS rate (Line 16 / Line 17)	\$ 0.001106

Line No.	Month	Actual kWh		
	Jan-12	1,640,344,178		
1	Feb-12	1,494,735,431		
2	Mar-12	1,409,710,898		
3	Apr-12	1,411,785,963	5,956,576,470	29.79%
4	May-12	1,500,650,304		
5	Jun-12	1,782,792,330		
6	Jul-12	2,201,299,116		
	Aug-12	2,149,548,588		
7	Sep-12	1,859,238,312		
8	Oct-12	1,474,617,364		
9	Nov-12	1,447,909,971		
10	Dec-11	1,625,099,079	14,041,155,064	70.21%
11		19,997,731,534	19,997,731,534	100.00%

Line No.	Description	Amount
13	<u>08-WSEE-1041-RTS (Jan-April)</u>	
14	South Adjusted Out Transmission Per Order	42,475,782
15	North Adjusted Out Transmission Per Order	25,146,129
16	MKEC	(1,293,456)
	Wolf Creek	(96,856)
	2011 base rates	66,231,599
	<u>12-WSEE-112-RTS (May-Dec)</u>	
	per order with transmission	78,907,393
	TFR plant allocator based on 2011 FERC Form 1 data transmission	15.39%
		12,143,848
		66,763,545
	MKEC	(1,207,761)
	2012 base rates	65,555,785
	<u>Annual Base Property Tax</u>	
	January Thru April	29.79% 19,730,393
	May thru December	70.21% 46,026,716
	Total Base Property Tax	65,757,110

CERTIFICATE OF SERVICE

13-WSEE-382-TAR

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing Notice of Filing Report and Recommendation was placed in the United States mail, postage prepaid, or hand-delivered this 17th day of December, 2012, to the following:

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