

THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

Before Commissioners: Shari Feist Albrecht, Chair
 Jay Scott Emler
 Pat Apple

In the Matter of the Application of Westar)
Energy, Inc. and Kansas Gas and Electric)
Company Seeking Commission Approval) Docket No. 15-WSEE-227-TAR
for 2015 Ad Valorem Tax Surcharge Rider)
Tariff.)

ORDER APPROVING PROPERTY TAX SURCHARGE TARIFF

NOW, the above-captioned 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

A. Procedural History

1. On December 2, 2014, Westar Energy, Inc., and Kansas Gas and Electric Company (collectively, Westar) filed a request for approval of its updated property tax surcharge tariff.

2. Commission Staff (Staff) has submitted a Report and Recommendation (R&R) analyzing and recommending approval of Westar's 2015 property tax surcharge, as revised by Staff.¹ Staff's R&R, dated December 18, 2014, is attached hereto and made a part hereof by reference. In its R&R, Staff notes that it performed an on-site review of Westar's 2014 ad valorem tax statements.² At that time, Westar provided Staff actual ad valorem statements and an updated surcharge calculation. Also, during the review, Staff discovered an error in Westar's

¹ Staff Report & Recommendation, December 18, 2014, p. 1. (Staff R&R, p. 1.)

² Staff R&R, pp. 2-3.

surcharge calculation. After correcting the error, Staff revised Westar's surcharge calculations and recommends Westar be allowed to recover a property tax surcharge amount of \$39,427,710, an increase of \$4,936,010.³ This amount results in an approximate charge of \$0.001961 per kWh.⁴ Assuming Westar's residential customers use 900 kWh per month, the proposed surcharge factor would increase monthly residential bills by approximately \$0.19 per month, or \$2.28 annually.⁵

3. Staff also recommends approval of Westar's property tax surcharge be subject to 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 vs. actual amount of increase or reduction in Ad Valorem taxes will be reflected in the subsequent year Ad Valorem tax surcharge calculation.
3. K.S.A. 66-117(f) requires the annual true-up of this surcharge once established. Accordingly, Westar shall file its Ad Valorem Tax Surcharge Rider annual true-up in December of each calendar year.⁶

B. Jurisdiction & Legal Standards

4. With regard to jurisdiction, 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.

5. K.S.A. 66-117(f) also 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

³ Staff R&R, p. 3.

⁴ Staff R&R, p. 3.

⁵ Staff R&R, p. 1.

⁶ Staff R&R, p. 3.

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 commission shall approve such tariffs within 30 days of the filing.

II. Findings and Conclusions

6. Upon review of the record as a whole, the Commission agrees with Staff's recommendation to approve Westar's revised property tax surcharge amount of \$39,427,710, subject to Staff's recommended conditions. The Commission finds Westar's surcharge will be 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 Westar.

IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:

A. Westar's property tax surcharge amount of \$39,427,710 is approved, subject to the conditions listed in paragraph 3 above.

B. The parties have fifteen (15) days, plus three (3) days if service of this order is by mail, in which to petition the Commission for reconsideration of any issue or issues decided herein.⁷

C. The Commission retains jurisdiction over the subject matter and parties for the purpose of issuing such further order, or orders, as it may deem necessary.

BY THE COMMISSION IT IS SO ORDERED.

Albrecht, Chair; Emler, Commissioner; Apple, Commissioner

Dated: DEC 23 2014



ORDER MAILED DEC 24 2014

Thomas A. Day
Acting Executive Director

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⁷ K.S.A. 66-118b; K.S.A. 77-529(a)(1).

**REPORT AND RECOMMENDATION
UTILITIES DIVISION**

TO: Chair Shari Feist Albrecht
Commissioner Jay Scott Emler
Commissioner Pat Apple

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

DATE: December 18, 2014

SUBJECT: Docket No. 15-WSEE-227-TAR: In the Matter of the Application of Westar Energy, Inc. and Kansas Gas and Electric Company Seeking Commission Approval for 2015 Ad Valorem Tax Surcharge Rider Tariff.

EXECUTIVE SUMMARY:

Staff recommends approval of Staff's revision to Westar Energy's 2015 Ad Valorem Tax Surcharge Rider. This surcharge would be in effect during the calendar year of 2015 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 for a total of \$39,427,710, for an increase of \$4,936,010 over last year. This would result in an increase of residential customer bills by \$0.19 each month or \$2.28 annually based on an average monthly usage of 900 kWh. Staff has discussed this recommendation with Westar, and Westar concurs.

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 December 2, 2014, with the Kansas Corporation Commission (Commission). The Ad Valorem Tax Surcharge Rider was filed in accordance with K.S.A. 66-117(f) which provides for a utility to collect increases in its Ad Valorem Tax Surcharge Rider 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 January 2, 2015. Westar originally requested a consolidated surcharge of \$41,408,076 or \$0.002060 per kWh, which represents an increase of \$6,916,376.

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.

The Company's Ad Valorem Tax Surcharge was filed in accordance with K.S.A. 66-117(f), which states that:

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 commission shall approve such tariffs within 30 days of the filing.

Staff's Analysis:

Staff performed an on-site review of Westar's 2014 Ad Valorem tax statements on December 11, 2014. 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 the Application. This change is reflected in the attachment to this 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 2014 Ad Valorem tax statements matched those of its Application.

During Staff's office review, Staff found an error in Westar's Ad Valorem Tax Surcharge Rider calculation. When Westar performed the calculation of the increase in Ad Valorem Taxes over those included in base rates, it incorrectly updated the amount of tax associated with Mid-Kansas Electric Cooperative's share of Jeffrey Energy Center and the portion of Ad Valorem taxes related to transmission (thus recovered in Westar's Transmission Delivery Charge) that were established in Westar's last base rate case, Docket 12-WSEE-112-RTS (12-112 Docket). This is incorrect because the amount of Ad Valorem tax included in base rates does not change, absent a base rate case. After correcting these errors, Staff calculated the amount of Ad Valorem taxes included in Westar's base rates in the 12-112 Docket to be \$65,555,784. Furthermore, Staff found that the same error occurred in Westar's previous Ad Valorem Tax Surcharge Rider calculation in Docket 14-WSEE-267-TAR (14-267 Docket). Due to the fact that the

amount from the 14-267 Docket will be trued up in next year's Ad Valorem Surcharge Rider, Staff will correct this error by reducing the amount approved in the 14-267 Docket by \$1,065,045¹ in order to ensure that Westar collects only what is necessary to compensate Westar for increases in its Ad Valorem taxes over time, nothing more and nothing less.

Staff recommends that Westar be allowed to recover Ad Valorem Tax Surcharge Rider in the total adjusted amount of \$39,427,710, or an increase of \$4,936,010, or \$0.001961 per kWh. This reflects increases to Westar's Ad Valorem Tax Surcharge Rider amounts that are not currently being recovered through base rates to reflect the under recovery of Ad Valorem Tax Surcharge Rider to its customers during 2014 and to correct for Westar's calculation error of the amount of Ad Valorem Tax included in the 12-112 Docket. Staff's recommendation will be recovered through Westar's Ad Valorem Tax Surcharge Tariff. Staff Exhibit 1 shows the 2014 Ad Valorem Tax, as well as the amount allocated out for transmission.

RECOMMENDATION:

Approve Westar's Ad Valorem Tax Surcharge Rider amount of \$39,427,710, or an increase of \$4,936,010, 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 vs. actual amount of increase or reduction in Ad Valorem taxes will be reflected in the subsequent year Ad Valorem tax surcharge calculation.
3. K.S.A. 66-117(f) requires the annual true-up of this surcharge once established. Accordingly, Westar shall file its Ad Valorem Tax Surcharge Rider annual true-up in December of each calendar year.

¹ The support for the calculation of the \$1,065,045 error can be found attached to this Report as Staff Exhibit 2.

Line No.	Description	Amount
1	2014 Property Tax - North	\$ 88,559,210
2	2014 Property Tax - South	\$ 39,842,513
3	Add: Special Assessments/Truck Radios/Coal Cars	\$ (2,063)
4	Add: MKEC Related Property Taxes	\$ (1,933,347)
5	Add: Spring Creek/Ottawa Co Okla.	\$ 378,548
6	Total 2014 Property Tax	\$ 126,844,861
7	Less: Transmission Allocation	-17.4010% (22,072,274)
8	2014 Property Tax W/O Transmission	\$ 104,772,587
9	KCC Jurisdictional Property Tax from 12-WSEE-112-RTS	\$ 65,555,784
10	Increase (Decrease) in Property Tax	39,216,803
11	2013 Proposed Recovery (Refund)	\$21,812,232
12	2013 Actual Recovery (Refund)	\$21,601,324
13	2013 True-up for Billing Estimate	\$ 210,908
14	Total 2015 Property Tax Surcharge	A \$ 39,427,710
15	Total 2015 Property Tax Surcharge	\$ 39,427,710
16	2015 budgeted kWh's	B 20,101,020,000
17	2015 Property Tax Surcharge Rate	C=A/B \$ 0.001961
18	Total 2014 Property Tax Surcharge	\$ 34,491,700
19	Increase in Property Tax Surcharge from 2014 to 2015	\$ 4,936,010

Staff's Correction to the 14-WSEE-267-TAR Error

Staff Exhibit 2

Line No.	Description	Original 14-WSEE-267-TAR	Corrected 14-WSEE-267-TAR
1	2014 Property Tax - North	\$ 82,008,877	\$ 82,008,877
2	2014 Property Tax - South	\$ 37,892,894	\$ 37,892,894
3	Add: Special Assessments/Truck Radios/Coal Cars	\$ 116,987	\$ 116,987
4	Add: MKEC Related Property Taxes	\$ (1,359,067)	\$ (1,359,067)
5	Add: Spring Creek/Ottawa Co Okla.	\$ 379,856	\$ 379,856
6	Total 2014 Property Tax	\$ 119,039,547	\$ 119,039,547
7	Less: Transmission Allocation	\$ (20,043,879) -16.8380%	\$ (20,043,879) -16.8380%
8	2014 Property Tax W/O Transmission	\$ 98,995,668	\$ 98,995,668
9	KCC Jurisdictional Property Tax from 12-WSEE-112-RT	\$ 64,490,739	\$ 65,555,784
10	Increase (Decrease) in Property Tax	\$ 34,504,929	\$ 33,439,884
11	2013 Proposed Recovery (Refund)	\$6,622,206	\$6,622,206
12	2013 Actual Recovery (Refund)	\$6,635,435	\$6,635,435
13	2013 True-up for Billing Estimate	\$ (13,229)	\$ (13,229)
14	Total 2015 Property Tax Surcharge	\$ 34,491,700	\$ 33,426,655
15	Total 2015 Property Tax Surcharge	\$ 34,491,700	\$ 33,426,655
16	2015 budgeted kWh's	19,613,008,000	19,613,008,000
17	2015 Property Tax Surcharge Rate	\$ 0.001759	\$ 0.001704
18	Total 2014 Property Tax Surcharge	\$ 21,812,230	\$ 21,812,230
19	Increase in Property Tax Surcharge from 2014 to 2015	\$ 12,679,470	\$ 11,614,425
20	2014 Recalculation Correction		\$ (1,065,045)

PLEASE FORWARD THE ATTACHED DOCUMENT (S) ISSUED IN THE ABOVE-REFERENCED DOCKET TO THE FOLLOWING:

NAME AND ADDRESS	NO. CERT. COPIES	NO. PLAIN COPIES
NIKI CHRISTOPHER, ATTORNEY CITIZENS' UTILITY RATEPAYER BOARD 1500 SW ARROWHEAD RD TOPEKA, KS 66604 ***Hand Delivered***		
DELLA SMITH CITIZENS' UTILITY RATEPAYER BOARD 1500 SW ARROWHEAD RD TOPEKA, KS 66604 ***Hand Delivered***		
SHONDA SMITH CITIZENS' UTILITY RATEPAYER BOARD 1500 SW ARROWHEAD RD TOPEKA, KS 66604 ***Hand Delivered***		
DAVID SPRINGE, CONSUMER COUNSEL CITIZENS' UTILITY RATEPAYER BOARD 1500 SW ARROWHEAD RD TOPEKA, KS 66604 ***Hand Delivered***		
ANDREW FRENCH, LITIGATION COUNSEL KANSAS CORPORATION COMMISSION 1500 SW ARROWHEAD RD TOPEKA, KS 66604-4027 ***Hand Delivered***		
JEFFREY L. MARTIN, VICE PRESIDENT, REGULATORY AFFAIRS KANSAS GAS & ELECTRIC CO. D/B/A WESTAR ENERGY 818 S KANSAS AVE PO BOX 889 TOPEKA, KS 66601-0889		
MICHAEL B. HEIM, SR. REGULATORY ANALYST WESTAR ENERGY, INC. 818 S KANSAS AVE PO BOX 889 TOPEKA, KS 66601-0889		

ORDER MAILED DEC 24 2014

The Docket Room hereby certified that on this _____ day of _____, 20_____, it caused a true and correct copy of the attached ORDER to be deposited in the United States Mail, postage prepaid, and addressed to the above persons.

IN RE: DOCKET NO. **15-WSEE-227-TAR**

DATE _____

PLEASE FORWARD THE ATTACHED DOCUMENT (S) ISSUED IN THE ABOVE-REFERENCED DOCKET TO THE FOLLOWING:

NAME AND ADDRESS	NO. CERT. COPIES	NO. PLAIN COPIES
CINDY S. WILSON, DIRECTOR, RETAIL RATES WESTAR ENERGY, INC. 818 S KANSAS AVE PO BOX 889 TOPEKA, KS 66601-0889		

The Docket Room hereby certified that on this _____ day of _____, 20_____, it caused a true and correct copy of the attached ORDER to be deposited in the United States Mail, postage prepaid, and addressed to the above persons.