

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

Before Commissioners: Dwight D. Keen, Chair
 Susan K. Duffy
 Andrew J. French

In the Matter of the Application of Evergy)
Kansas Central Filing its Property Tax) Docket No. 22-EKCE-273-TAR
Surcharge.)

ORDER APPROVING PROPERTY TAX SURCHARGE RIDER

The above-captioned matter comes before the State Corporation Commission of the State of Kansas (Commission) for consideration and determination. Having examined its files and record, and being duly advised in the premises, the Commission finds and concludes as follows:

I. BACKGROUND

1. On December 30, 2021, Evergy Kansas Central, Inc. and Evergy Kansas South, both doing business as Evergy Central (Evergy), submitted a request for approval of its 2022 property tax surcharge.¹

2. Evergy requested a surcharge in the amount of a charge of \$31,619,647 which is an increase of \$7,916,746 from last year's surcharge rider amount.²

3. The proposed surcharge would be in effect during the calendar year 2022 and is an increase from the property tax expense that was included in base rates during the calendar year 2021.³

¹ Application of Evergy Kansas Central, Inc. (Dec. 30, 2021) (Application).

² Staff's Report and Recommendation at 2 (Jan. 14, 2022).

³ *Id.*

4. Assuming that a residential customer in Kansas uses 900 kWh per month, Evergy's proposed property tax surcharge rider factor would increase their bill by \$0.36 monthly or \$4.32 annually.

5. On January 14, 2022, after examining Evergy's request, Staff submitted its Report and Recommendation (Staff's R&R), which recommended approval of the revised 2022 property tax surcharge rider, and is attached hereto and incorporated by reference.⁴

II. LEGAL STANDARD

6. K.S.A. 66-117(f) grants the Commission the authority to review Ad Valorem tariffs.

7. Whenever a natural gas public utility files tariffs reflecting a surcharge on the utility's bills for utility service designed to collect the annual increase in expenses 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

8. Upon a showing 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.⁶

9. Any over or under collection of the actual ad valorem tax increase charged to expense on the books of the utility shall be either credited or collected through the surcharge in subsequent periods.⁷

⁴ *Id.*

⁵ *See* K.S.A. 66-117(f).

⁶ *Id.*

⁷ *Id.*

III. ANALYSIS

10. Staff reviewed Evergy's 2021 Ad Valorem tax statements in support of the amount of Ad Valorem tax expense as claimed in its Application.⁸ As a result of the review, Staff agrees with the total amount of 2021 Ad Valorem tax expense claimed by Evergy's in its Application.⁹

11. The \$31,619,647 total translates into a surcharge of \$0.00163 per kWh and reflects an increase in the amount of property taxes incurred during the calendar year 2021 but not collected in base rates during that year. The proposed surcharge will be collected via Evergy's property tax surcharge tariff.¹⁰

12. Staff recommended approval of Evergy's revised property tax surcharge rider amount of \$31,619,647, or an increase of \$7,916,746 from last year's surcharge, with the following conditions:

- a. Evergy shall file updated tariffs with the Commission reflecting property tax surcharge before implementing the surcharge;
- b. Staff will ensure that the annual true-up of amounts collected versus the actual amount of increase or reduction in property taxes will be reflected in the subsequent year property tax surcharge calculation; and
- c. Staff recommends that Evergy file its property tax surcharge rider annual true-up in December of each calendar year.¹¹

III. FINDINGS AND CONCLUSIONS

13. Upon review of Staff's R&R and the record as a whole, the Commission finds and concludes the surcharge as calculated by Evergy and reviewed by Staff substantially collects the

⁸ Staff's R&R at 2.

⁹ *Id.*

¹⁰ Staff's R&R at 1.

¹¹ *Id.* at 2.

Ad Valorem tax expense charged on the books of Evergy. Accordingly, the Commission finds and concludes substantial competent evidence exists to approve Evergy' request in the instant proceeding as conditioned in Staff's R&R.

14. Moreover, the Commission finds and concludes Evergy' request to update its Property Tax Surcharge should be approved. Evergy shall be permitted to recover its Ad Valorem tax surcharge of \$31,619,647. Evergy may implement this surcharge subject to the conditions contained within Staff's R&R and as detailed in paragraph 12 of this Order.

15. The Commission finds and concludes Evergy' request to update its Ad Valorem Tax Surcharge Rider should be approved. Evergy shall be permitted to recover its Ad Valorem tax expense of \$31,619,647. Evergy shall be permitted to collect revenues necessary to account for the Ad Valorem tax expense via a surcharge subject to the conditions contained within Staff's Report and Recommendation. An increase in residential customers' bills in the amount of approximately \$0.36 monthly or \$4.32 annually will result in revenues sufficient to substantially collect the Ad Valorem tax expense charged to Evergy and will therefore result in just and reasonable rates. The Commission finds and concludes Evergy' surcharge will be applied to bill in a reasonable manner.

IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:

A. Evergy Central's Application to recover \$31,619,647 via its Ad Valorem Tax Surcharge Rider is approved, subject to Staff's conditions.

B. Evergy Central shall be permitted to recover revenues necessary to account for the Ad Valorem tax expense via a surcharge in the amount of \$0.00163 per kWh, subject to the following conditions outlined by Staff:

- a. Evergy Central shall file updated tariffs with the Commission reflecting property tax surcharge before implementing the surcharge;

- b. Staff will ensure that the annual true-up of amounts collected versus the actual amount of increase or reduction in property taxes will be reflected in the subsequent year property tax surcharge calculation; and
- c. Staff recommends that Evergy Central file its property tax surcharge rider annual true-up in December of each calendar year.

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).¹²

BY THE COMMISSION IT IS SO ORDERED.

Keen, Chair; Duffy, Commissioner; French, Commissioner

Dated: 01/25/2022



Lynn M. Retz
Executive Director

AAL

¹² K.S.A. 66-118b; K.S.A. 77-503(c); K.S.A. 77-531(b).

**REPORT AND RECOMMENDATION
UTILITIES DIVISION**

TO: Chair Dwight D. Keen
Commissioner Susan K. Duffy
Commissioner Andrew J. French

FROM: Kristina Luke Fry, Managing Auditor
Chad Unrein, Senior Managing Auditor
Justin Grady, Chief of Revenue Requirements, Cost of Service and Finance
Jeff McClanahan, Director of Utilities

DATE: January 14, 2022

SUBJECT: Docket No. 22-EKCE-273-TAR – In the Matter of the Application of Evergy
Kansas Central Filing its Property Tax Surcharge.

EXECUTIVE SUMMARY:

Staff recommends approval of the 2022 property tax surcharge rider submitted by Evergy Kansas Central (Evergy). This surcharge would be in effect during the calendar year 2022 and is in addition to the property tax expense that was included in base rates during the calendar year 2021.¹ Assuming that a residential customer in Kansas uses 900 kWh per month, Evergy's proposed property tax surcharge rider factor would increase their bill by \$0.36 monthly or \$4.32 annually. Pursuant to K.S.A. 66-117(f), a Commission Order in this Docket is due by January 29, 2022.

BACKGROUND:

On December 30, 2021, Evergy filed its 2022 property tax surcharge request with the Kansas Corporation Commission (Commission). Evergy requested a surcharge of \$31,619,647, consisting of:

1. The difference between its 2021 total property tax assessments and the amount included in base rates during Evergy's last base rate case; and
2. A true-up provision comparing the amount of property tax surcharge revenue collected versus that intended to be collected during the year 2020.

ANALYSIS:

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

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.

Evergy's property tax surcharge was filed in accordance with K.S.A. 66-117(f) which provides for a utility to collect differences in its property taxes under amounts currently included in base rates.

Staff's Analysis:

Staff reviewed Evergy's 2021 Ad Valorem tax statements in support of the amount of Ad Valorem tax expense as claimed in its Application. Evergy's 2021 Ad Valorem tax statements matched those of its Application. Staff did not find any errors in Evergy's AVTS calculation.

Evergy's 2022 Ad Valorem Tax Surcharge request is \$31,619,647, or an increase of \$7,916,746 from the amount of \$23,702,901 approved by the Commission last year for the 2021 Ad Valorem Tax Surcharge. This translates into a surcharge of \$0.00163 per kWh and reflects an increase in the amount of property taxes incurred during the calendar year 2021 but not collected in base rates during that year. The proposed surcharge will be collected via Evergy's property tax surcharge tariff.

RECOMMENDATION:

Staff recommends the Commission approve Evergy's revised property tax surcharge rider amount of \$31,619,647, or an increase of \$7,916,746 from last year's surcharge, with the following conditions:

1. Evergy 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 property taxes will be reflected in the subsequent year property tax surcharge calculation; and
3. Per K.S.A. 66-117(f), Staff recommends that Evergy file its property tax surcharge annual true-up in December of each calendar year.

CERTIFICATE OF SERVICE

22-EKCE-273-TAR

I, the undersigned, certify that a true copy of the attached Order has been served to the following by means of
electronic service on 01/25/2022.

ROBIN ALLACHER, REGULATORY AFFAIRS
EVERGY KANSAS SOUTH, INC.
D/B/A EVERGY KANSAS CENTRAL
818 S KANSAS AVE, PO Box 889
TOPEKA, KS 66601-0889
robin.allacher@westarenergy.com

JOSEPH R. ASTRAB, ATTORNEY
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
j.astrab@curb.kansas.gov

DARRIN R. IVES, V.P. REGULATORY AFFAIRS
EVERGY METRO, INC
D/B/A EVERGY KANSAS METRO
One Kansas City Place
1200 Main St., 19th Floor
Kansas City, MO 64105
darrin.ives@evergy.com

RONALD A. KLOTE, DIRECTOR, REGULATORY AFFAIRS
EVERGY METRO, INC
D/B/A EVERGY KANSAS METRO
ONE KANSAS CITY PLACE
1200 MAIN, 19TH FLOOR
KANSAS CITY, MO 64105
ronald.klote@kcpl.com

AHSAN LATIF, LITIGATION COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
a.latif@kcc.ks.gov

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

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

SHONDA RABB
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
s.rabb@curb.kansas.gov

DELLA SMITH
CITIZENS' UTILITY RATEPAYER BOARD
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
d.smith@curb.kansas.gov

LISA STARKEBAUM, MANAGER, REGULATORY AFFAIRS
EVERGY METRO, INC
D/B/A EVERGY KANSAS METRO
One Kansas City Place
1200 Main St., 19th Floor
Kansas City, MO 64105
lisa.starkebaum@evergy.com

CERTIFICATE OF SERVICE

22-EKCE-273-TAR

/S/ DeeAnn Shupe
DeeAnn Shupe
