

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

In the Matter of Southern Pioneer Electric)
Company Filing its Annual True Up Property) Docket No. 25-SPEE-252-TAR
Tax Surcharge for 2025 Rates)

**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 the instant Report and Recommendation (“R&R”) regarding Staff’s review of Southern Pioneer Electric Company’s (“Southern Pioneer”) proposed 2025 Property Tax Surcharge Rider calculation.

Staff recommends the Commission approve Southern Pioneer’s revised Property Tax Surcharge of (\$447,845), which equates to a surcharge of (\$0.001944)/kWh for retail customers; \$0.000155/kWh for STR customers; and \$0.38162/kW for LAC customers, with the following conditions:

1. Southern Pioneer shall file updated tariffs reflecting the proposed surcharge before implementing the surcharge. Staff shall review Southern Pioneer’s surcharge rider to ensure that the surcharge is applied in a reasonable manner and is calculated to substantially collect the decrease in property taxes.
2. 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’s Property Tax Surcharge calculation.
3. Staff requests that Southern Pioneer file its Property Tax Surcharge Rider annual true-up in December of each calendar year.

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

Respectfully submitted,
1/s/ Carly R. Masenthin

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

Laura Kelly, Governor

REPORT AND RECOMMENDATION UTILITIES DIVISION

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

FROM: Tim Rehagen, Senior Auditor
Chad Unrein, Chief of Accounting and Financial Analysis
Justin Grady, Deputy Director
Jeff McClanahan, Director of Utilities

DATE: January 8, 2025

SUBJECT: Docket No. 25-SPEE-252-TAR — In the Matter of Southern Pioneer Electric Company Filing its Annual True Up Property Tax Surcharge for 2025 Rates.

EXECUTIVE SUMMARY:

Staff recommends approval of Southern Pioneer Electric Company's (Southern Pioneer) revised 2025 Property Tax Surcharge Rider. This surcharge would be in effect from February 2025 through January 2026 and is in addition to the property tax expense that is included in Southern Pioneer's base rates.¹ Based on an average residential customer usage of 765 kWh per month, Southern Pioneer's proposed Property Tax Surcharge Rider results in an approximate monthly decrease of \$0.0675 per month, or \$0.81 per year for the average residential customer. Pursuant to K.S.A. 66-117(f), a Commission Order is due in this matter by January 21, 2025.

BACKGROUND:

On December 22, 2024, Southern Pioneer filed its 2025 Property Tax Surcharge request with the Kansas Corporation Commission (Commission). 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

¹ The current base rates were established in Docket No. 24-SPEE-415-TAR (24-415 Docket). See pages 11-12 of the Direct Testimony of Robert Glass on Behalf of KCC (April 2, 2024) filed in the 24-415 Docket for an explanation of the property tax expense re-basing.

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.

Southern Pioneer is requesting a surcharge amount of (\$452,303) in its initial Application based upon:²

1. The difference between its 2024 total property tax assessments of \$2,401,083 and the \$2,761,014 of property tax expense included in Southern Pioneer's base rates;³ and
2. A true-up provision comparing the amount of Property Tax Surcharge revenue collected versus that intended to be collected during the year 2024, which resulted in an over-recovery of \$92,373.

ANALYSIS:

Staff performed an audit of Southern Pioneer's 2024 property tax statements, which were provided electronically. As part of the audit, Southern Pioneer provided Staff with an update to December 2024 kWh sales and billed property taxes for all three of its customer classes found in Exhibits 3, 4 and 5 of the Application. These items were estimated at the time of the filing date. Staff concurs with the total amount of updated property tax expense claimed by Southern Pioneer, which incorporates the actual kWh sales and billed property taxes for December of 2024. The 2024 property tax statements totaled \$2,401,083. This total was allocated to the three separate customer classes: \$2,014,855 was allocated to retail customers; \$143,523 to sub-transmission retail (STR) customers; and \$242,705 to local access charge (LAC) customers. The prorated amount of property tax expense included in base rates totaled \$2,760,986. This amount has also been allocated to the three separate customer classes: \$2,563,807 was allocated to retail customers; \$39,325 to STR customers and \$157,853 to LAC customers. The differences between each of these totals will be collected (or refunded) via Southern Pioneer's Property Tax Surcharge Rider in 2025.

In total for the 2024 calendar year, Southern Pioneer over-recovered its 2023 property taxes by \$92,373. The total property tax true-up resulted from an over-recovery of \$57,741 for retail customers, an over-recovery of \$35,757 from retail STR customers, and an under-recovery of \$5,556 from third-party LAC customers. After incorporating the revised 2023 property tax true-up, the total amount to be recovered through the 2025 Property Tax Surcharge Rider amounts to (\$447,845) and is allocated among the customer classes as follows: (\$606,694) to retail customers; \$68,440 to STR customers; and \$90,408 to LAC customers.⁴

² See Exhibit 1 of the Application for a detailed breakdown of the Property Tax Surcharge Adjustment.

³ Because the rates approved in the 24-415 Docket did not go into effect until September 2024, it was necessary to calculate a proration of Southern Pioneer's previous property tax expense base amount prior to the 24-415 Docket (from Docket No. 20-SPEE-169-RTS) and the base amount established in the 24-415 Docket. See Exhibit 6 of the Application for Southern Pioneer's calculation of this proration.

⁴ See Staff Exhibits 1 through 6 for the updated version of the property tax surcharge calculations based on actual December 2024 data.

Staff recommends the Commission find that Southern Pioneer is allowed to recover (\$447,845) allocated amongst the customer classes as described in the paragraph above. \$1,434,596 through As a result of its review, Staff recommends the Commission find that Southern Pioneer's 2025 Property Tax Surcharge Rider will be applied in a reasonable manner and has been calculated to increase or decrease any existing surcharge based upon an increase or decrease in ad valorem tax expenses incurred on the books and records of Southern Pioneer.

RECOMMENDATION:

Staff recommends the Commission approve Southern Pioneer's revised Property Tax Surcharge of (\$447,845), which equates to a surcharge of (\$0.001944)/kWh for retail customers; \$0.000155/kWh for STR customers; and \$0.38162/kW for LAC customers, with the following conditions:

1. Southern Pioneer shall file updated tariffs reflecting the proposed surcharge before implementing the surcharge. Staff shall review Southern Pioneer's surcharge rider to ensure that the surcharge is applied in a reasonable manner and is calculated to substantially collect the decrease in property taxes.
2. 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's Property Tax Surcharge calculation.
3. Staff requests that Southern Pioneer file its Property Tax Surcharge Rider annual true-up in December of each calendar year.

CERTIFICATE OF SERVICE

25-SPEE-252-TAR

I, the undersigned, certify that a true and correct copy of the above and foregoing Notice of Filing was served via electronic service this 8th day of January, 2025, to the following:

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