

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

DIRECT TESTIMONY

OF

REBECCA A. FOWLER

WESTAR ENERGY

DOCKET NO. 18-WSEE-328-RTS

1

I. INTRODUCTION

2

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

3

A. Rebecca A. Fowler, 818 South Kansas Avenue, Topeka, Kansas
4 66612.

5

Q. BY WHOM AND IN WHAT CAPACITY ARE YOU EMPLOYED?

6

A. Westar Energy, Inc. (Westar). I am a Senior Regulatory Analyst.

7

**Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND
8 BUSINESS EXPERIENCE.**

9

A. I graduated from Pittsburg State University with a Bachelor of
10 Business Administration degree with an accounting major. My utility
11 experience began in 1990 when I was employed by Westar as an
12 internal auditor. Subsequently, I held positions as a staff accountant,
13 and as the lead accountant for financial reporting. I left the company
14 in 1997 and resumed employment with the company in 2011 as an

1 internal auditor. I assumed my current position as a regulatory
2 analyst in July 2013. I am a Certified Public Accountant, a Certified
3 Management Accountant and a Certified Internal Auditor. I am also
4 a member of the American Institute of Certified Public Accountants
5 and the Institute of Internal Auditors.

6 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

7 A. I will explain and support test year pro forma adjustments in the
8 Minimum Filing Requirements (MFRs). Those adjustments are:

- 9 1. rate case expense (IS-14),
- 10 2. amortization of the 2018 Wolf Creek outage costs (IS-17),
- 11 3. an adjustment related to new technology service agreements
12 (IS-36),
- 13 4. an adjustment for the amortization of costs associated with
14 our SmartStar Lawrence program which were deferred in
15 accordance with the pilot program (IS-25).
- 16 5. an adjustment to amortize costs related to Westar's prepay
17 pilot program authorized in docket 14-WSEE-148-TAR (IS-
18 30),
- 19 6. an adjustment for increased fees for water rights at Wolf
20 Creek (IS-31),
- 21 7. an adjustment to amortize grid security expenses deferred in
22 accordance with the order in docket 15-WSEE-115-RTS (IS-
23 33),

1 8. an adjustment to remove the amortization of jurisdictional
2 AFUDC for wholesale (EA-4).

3 9. an adjustment to reflect the revenue loss from a power sales
4 agreement expiring in January 2019 (IS-50). and

5 In addition to the discussion regarding the adjustments
6 included my testimony, I will explain our proposal for treatment of our
7 wind production tax credits (PTCs), which expire in February 2019.

8 Finally, I will discuss a proposal to amend the Retail Energy
9 Cost Adjustment tariff to timely reflect wholesale contract changes.

10 **II. RATE CASE EXPENSE**

11 **Q. PLEASE EXPLAIN ADJUSTMENT NO. IS-14 RELATED TO THE**
12 **AMORTIZATION OF WESTAR'S RATE CASE EXPENSE.**

13 A. This adjustment reflects a three-year amortization of the estimated
14 total cost of developing and processing Westar's current rate review
15 and the cost of our 2016 abbreviated rate review (Docket No. 17-
16 WSEE-147-RTS). Estimates were used for many of the component
17 costs in this docket because we will not have final costs for this
18 proceeding until the rate review is complete. I recommend that the
19 Commission direct Westar and Staff to update the rate review
20 expense amount to be amortized, just prior to the issuance of the
21 Order in this proceeding, incorporating reasonable estimates for
22 known but unpaid expenses such as Commission and CURB direct
23 assessments associated with this Docket, consistent with prior
24 Commission practice for rate reviews. The adjustment needed to

1 annualize rate review expense, net of the test year amortization
2 amount, is \$24,036.

3 **Q. ARE THERE ANY DIFFERENCES BETWEEN WESTAR'S**
4 **EXPECTED RATE REVIEW EXPENSE FOR THIS GENERAL**
5 **RATE REVIEW COMPARED TO THE RATE REVIEW EXPENSE**
6 **FOR YOUR LAST GENERAL RATE REVIEW, DOCKET NO. 15-**
7 **WSEE-115-RTS (115 DOCKET)?**

8 A. Yes. Westar is required to file a depreciation study with the
9 Commission every five to seven years. It has been approximately
10 seven years since our last depreciation study so we were required to
11 conduct and file a depreciation study as part of this docket.
12 Accordingly, the rate review expense in this docket includes the cost
13 of the depreciation study. Additionally, Westar has had several
14 retirements in key positions in its regulatory department since our
15 last general rate review. This has resulted in the need to utilize
16 regulatory consultants more than has been done in the past.
17 However, Westar has the right to include all prudently incurred rate
18 review expenses in rates and the rate review expenses incurred for
19 this case have been and will continue to be reasonable and prudent.

20 **III. AMORTIZATION OF COSTS RELATING TO 2018 WOLF CREEK**
21 **OUTAGE**

22 **Q. PLEASE EXPLAIN ADJUSTMENT NO. IS-17 RELATED TO THE**
23 **AMORTIZATION OF COSTS TO BE INCURRED DURING THE**
24 **SPRING 2018 WOLF CREEK REFUELING OUTAGE.**

1 A. This adjustment captures the annualized impact of an 18-month
2 amortization of Westar's portion of the 2018 spring outage. This time
3 period is consistent with our planned operation of the plant and the
4 amortization period used for previous outage cost deferrals.
5 Amortization of this expense is appropriate because refueling
6 outages are scheduled to and do occur at Wolf Creek approximately
7 every 18 months.

8 We have removed the existing outage amortization cost that
9 was recorded in the test year from our revenue requirement and
10 included the amortized costs for the spring 2018 refueling outage.
11 The adjustment reduces maintenance expense by \$3,560,770.

12 The 2018 outage costs include actual costs through
13 September 30, 2017, and estimated costs through the completion of
14 the outage, which is expected to occur in April 2018. This will allow
15 Staff and other parties to include most, if not all, final numbers for the
16 outage in their direct testimony.

17 **IV. INTERNET TECHNOLOGY SERVICE AGREEMENTS**

18 **Q. PLEASE EXPLAIN ADJUSTMENT NO. IS-36 RELATED TO THE** 19 **INTERNET TECHNOLOGY SERVICE AGREEMENTS.**

20 A. Westar signed several service agreements for IT systems at the end
21 of 2017. These agreements were not reflected in the test year but
22 are known and measurable changes to Westar's operating
23 expenses. Therefore, we have made an adjustment to increase
24 operating expense by \$2,181,909.

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V. SMARTSTAR LAWRENCE

Q. PLEASE EXPLAIN THE SMARTSTAR ADJUSTMENT, NO. IS-25, RELATED TO THE AMORTIZATION OF SMARTSTAR LAWRENCE COSTS.

A. This is an adjustment to amortize the current deferred cost balance of SmartStar Lawrence costs over a three-year period and remove the amortization that was included in rates in the 115 Docket and recorded in the test year. This adjustment is a \$455,766 decrease to operating expense. The amortization of these costs was initially approved by the Commission for inclusion in rates in Docket No. 12-WSEE-112-RTS.

VI. OPTIONAL PREPAY SERVICE PILOT PROGRAM

Q. PLEASE EXPLAIN THE OPTIONAL PREPAY SERVICE PILOT PROGRAM ADJUSTMENT, NO. IS-30.

A. In Docket No. 14-WSEE-148-TAR, the Commission approved a Stipulation and Agreement (S&A) granting Westar permission to implement an optional prepay pilot program. As part of the S&A, Westar was permitted to establish a regulatory asset to defer the costs associated with the prepay program. This adjustment includes the costs of the program that were deferred in accordance with the S&A and amortized over a three-year period. The adjustment increases operating expense by \$51,976.

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VII. WOLF CREEK WATER RIGHTS EXPENSE

Q. PLEASE EXPLAIN THE WOLF CREEK WATER RIGHTS EXPENSE ADJUSTMENT, NO. IS-31.

A. The Wolf Creek nuclear power plant has an agreement for rights to use water from the lake adjacent to the plant for cooling purposes. The agreement includes a minimum of 4,836,000,000 gallons of water billed annually. Beginning in January 2018, the rate per 1,000 gallons will increase from \$0.10 to \$0.392. Westar’s portion of the contract minimum increase is \$663,693 and this adjustment adds that amount to operating expense. The adjustment also normalizes the test year water expense to the rate of the contract minimum. The total adjustment increases operating expense \$751,942.

VIII. GRID SECURITY TRACKER AMORTIZATION

Q. PLEASE EXPLAIN THE ADJUSTMENT TO AMORTIZE DEFERRED GRID SECURITY COSTS, NO. IS-33.

A. In the order in the 115 Docket, the Commission approved a tracker mechanism for Westar to capture incremental non-labor operations and maintenance costs spent to meet regulatory requirements of protection of critical infrastructure in excess of an annual baseline of \$215,441.84. Beginning November 1, 2015 through October 31, 2016, grid security costs in excess of the baseline totaled \$1,151,343. Beginning November 1, 2016 through October 31, 2017, grid security costs in excess of the baseline totaled \$986,142. The adjustment amortizes the total deferral of \$2,137,485 over three

1 years. Twelve months of the amortization totals \$712,495 – the
2 amount of adjustment IS-33 to increase operating expense.

3 **IX. ELIMINATION OF JURISDICTIONAL**
4 **AFUDC AMORTIZATION**

5
6 **Q. PLEASE EXPLAIN THE ADJUSTMENT TO ELIMINATE**
7 **JURISDICTIONAL AFUDC AMORTIZATION, NO. EA-4.**

8 A. The Allowance for Funds Used During Construction (AFUDC) is the
9 amount recorded on our financial records to reflect the cost of money
10 used to finance a construction project until the project achieves its
11 in-service criteria. For certain assets on Westar’s books, rate
12 recovery began earlier than the in-service date, either through a retail
13 rate case process, through the former retail Environmental Cost
14 Recovery Rider (ECRR), or through the wholesale Generation
15 Formula Rate. When this occurs, AFUDC that is added to a project
16 for one jurisdiction (retail or wholesale) but not the other is offset by
17 a regulatory liability called “jurisdictional AFUDC” effectively reducing
18 rate base. The liability represents the AFUDC accrued after rate
19 recovery began and is amortized across the life of the asset. This
20 elimination adjustment removes the amortization of the jurisdictional
21 AFUDC regulatory liability recorded to offset AFUDC accrued on
22 retail rate base that is removed for wholesale ratemaking. The total
23 of the adjustment increases operating expense by \$157,085.

1 **X. REVENUE LOSS FROM MKEC WHOLESALE SALES**
2 **AGREEMENT**

3 **Q. PLEASE EXPLAIN THE ADJUSTMENT TO REFLECT THE LOSS**
4 **OF LARGE WHOLESALE SALES AGREEMENT, NO. IS-50.**

5 A. Westar has an agreement to sell power from Jeffrey Energy Center
6 to Mid-Kansas Electric Cooperative (MKEC), a wholesale customer.
7 The agreement expires in January 2019 and, as Mr. Bridson
8 explains, MKEC has decided not to renew the agreement. In the test
9 year, revenue from the MKEC contract was \$41,483,150. Westar is
10 requesting an increase to the revenue requirement to offset the loss
11 of revenue.

12 **Q. ACCORDING TO THE ANTICIPATED PROCEDURAL**
13 **SCHEDULE, WILL CUSTOMER RATES DETERMINED IN THIS**
14 **CASE BE EFFECTIVE PRIOR TO THE ACTUAL REVENUE**
15 **LOSS?**

16 A. We are not requesting that rates be increased to reflect the loss of
17 this sale until the end of the contract term. As Mr. Wilkus explains,
18 Westar is requesting that the rate change from this case be
19 implemented in two steps, with the first step decreasing customers'
20 rates to reflect the recent change in the corporate tax rate and other
21 changes in our cost of service and the second step increasing rates
22 to address the loss in revenue from MKEC and the expiration of
23 certain PTCs. This will eliminate regulatory lag related to the MKEC

1 contract without allowing Westar to prematurely recover the revenue
2 loss.

3 **Q. WOULD THE CONTRACT REVENUE LOSS BE THE ONLY**
4 **CHANGE TO THE REVENUE REQUIREMENT REFLECTED IN**
5 **THE SECOND STEP OF THE RATE CHANGE?**

6 A. No. As I explain in the next section, the Company is requesting that
7 the second step of the rate change reflect a change in income tax
8 expense in early 2019 related to the expiration of PTCs on its initial
9 wind farm investments.

10 **XI. PRODUCTION TAX CREDITS**

11 **Q. PLEASE EXPLAIN THE COMPANY'S PROPOSED TREATMENT**
12 **OF EXPIRING WIND PRODUCTION TAX CREDITS.**

13 A. Wind generation benefits from a PTC for every unit (megawatt-hour)
14 of energy produced by a qualifying facility for the first 10 years of
15 commercial operation. Among the renewable generation assets
16 producing power for the Company's customers are two owned wind
17 farms, Flat Ridge and Central Plains. Both wind farms were installed
18 in 2009 with PTCs generated beginning in February 2009 and April
19 2009, respectively. The benefit of the PTCs has been passed on to
20 customers through lower retail rates.

21 Since the tax benefit from these two wind farms will cease in
22 early 2019, but rates from this proceeding are anticipated to become
23 effective in September 2018, we must design rates to include the

1 loss of the PTCs beginning in February 2019 to avoid creating undue
2 costs for customers,

3 Therefore, Westar is requesting approval to implement a two-
4 step rate change to reduce regulatory lag for this known and
5 measureable change – the first step would become effective in late
6 September 2018 and customers would continue receiving the benefit
7 of the PTCs in this set of rates. The second step would be effective
8 in February 2019 and would reflect the increase in Westar's revenue
9 requirement as a result of the expiration of the PTCs.

10 **XII. RECA CHANGE TO REFLECT WHOLESALE CONTRACT LOSS**

11 **Q. WHY IS THE COMPANY REQUESTING A CHANGE TO THE**
12 **RETAIL ENERGY COST ADJUSTMENT (RECA) TARIFF?**

13 A. The fundamental purpose of the RECA tariff is to timely recover
14 Westar's fuel cost in a factor applied to the monthly kWh usage on a
15 customer's bill. The RECA tariff is applicable to retail customers and
16 wholesale customers with agreements that contain a fuel clause and
17 an initial term of 10 years or longer that provide for the explicit
18 recovery of system average fuel expense. Together, these
19 customers are called Requirements Customers.

20 Beginning in 2007, Westar began to standardize its
21 agreements with its wholesale Requirements Customers by
22 replacing their old contracts with formula rate agreements. In a
23 settlement in FERC Docket No. ER07-1344-000, Westar agreed to
24 flow through to retail customers the additional non-fuel revenues

1 collected by Westar from wholesale customers entering into these
2 new requirements contracts. The revenue to be credited through the
3 RECA was the increase or decrease in non-fuel revenue above the
4 2007 revenue level reflected as a revenue credit in the 2007 test
5 period. The FERC settlement approach provided assurance that, as
6 the requirements customers gradually moved to the formula rate
7 agreement over time, the changes in revenue received as a result of
8 the contract modifications would be reflected in a rate mechanism
9 without adjusting base rates each time a new wholesale contract was
10 executed. See Direct Testimony of Dick Rohlf, pp. 5-6, Docket No.
11 12-WSEE-112-RTS. Subsequent to the order in FERC Docket No.
12 ER07-1344-000, a change was made to Westar's RECA tariff to
13 incorporate a flow-through to retail customers of the change in non-
14 fuel revenues collected by Westar from wholesale customers
15 determined to be Requirements Customers.

16 Currently, however, Westar has several contracts with Non-
17 Requirements Customers. Fluctuations in non-fuel revenue from
18 these contracts between rate reviews do not flow through the RECA.
19 If Westar collects more in non-fuel revenue from Non-Requirements
20 Customers (i.e., Westar enters into a new Partial Requirements
21 Agreement), retail customers do not see the benefit until the next rate
22 review is completed and new base rates are implemented.
23 Conversely, if Westar collects less in non-fuel revenue from Non-

1 Requirements Customers (i.e., because an agreement expires),
2 Westar is not able to recover for that decreased revenue until its next
3 general rate case. In lieu of continuing this regulatory lag, Westar is
4 proposing to amend the RECA tariff to include changes in non-fuel
5 revenue from sales to Non-Requirements Customers who are
6 wholesale customers taking service pursuant to a contract with an
7 initial term of one-year or greater regardless of the contract start
8 date. A redlined version of the RECA tariff identifying the changes
9 to the tariff that would be necessary to accomplish this amendment
10 is attached hereto as Exhibit RAF-1. If the Commission decides to
11 approve this alternative approach, Westar will file this revised tariff in
12 the docket when it files its final set of tariffs. Mr. Bridson discusses
13 the basis for this change further in his direct testimony.

14 **Q. WILL THIS CHANGE AFFECT THE REVENUE REQUIREMENT**
15 **INCREASE PROPOSED IN THIS CASE?**

16 A. Yes. If this change to the RECA is approved, Westar will remove the
17 adjustment from the loss of wholesale revenue from the large power
18 sales contract I discussed in section IX. This will decrease the
19 revenue requirement in this case by \$41,483,150 and that same
20 amount will be recovered through the RECA when it is next updated
21 after the MKEC contract expires in January 2019.

22 **Q. THANK YOU.**

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THE STATE CORPORATION COMMISSION OF KANSAS

WESTAR ENERGY, INC & KANSAS GAS & ELECTRIC COMPANY, d.b.a. WESTAR ENERGY
 (Name of Issuing Utility)

SCHEDULE RECA

WESTAR RATE AREA

Replacing Schedule RECA Sheet 1

(Territory to which schedule is applicable)

which was filed October 28, 2015

Deleted: April 18, 2012

No supplement or separate understanding shall modify the tariff as shown hereon.

Sheet 1 of 9 Sheets

RETAIL ENERGY COST ADJUSTMENT

APPLICABLE

To all bills rendered by Company (Westar Energy, Inc. and Kansas Gas and Electric Company) for utility service, permitting recovery of fuel cost.

BASIS FOR ADJUSTMENT

A Retail Energy Cost Adjustment (RECA) shall be added to a customer's bill by multiplying the number of kilowatt-hours delivered over the billing month by an RECA Factor determined by the following formula:

$$\text{RECA Factor} = \text{FA}$$

The FA (Fuel Adjustment) component of the RECA Factor shall be calculated quarterly as follows:

$$\text{FA} = \frac{(\text{F}_P + \text{P}_P + \text{E}_P - \text{NRCA}_P)}{(.01) \times \text{S}_P} + \text{ACAF}_P$$

Where:

F_P = Projected cost of fuel expense shall explicitly include the fuel stock initially recorded in Account 151, Fuel Stock or Account 120, Nuclear Fuel assemblies in reactor plus materials and supplies initially charged to Account 154, Plant Materials and Supplies consumed with the fuel and related to energy production or reducing air emissions permitting the generation of energy plus fuel and other expenses directly charged to Accounts 501, Fuel, 518 Nuclear Fuel Expense, and 547 Fuel. Explicitly excluded from projected fuel cost is any internal labor charge to accounts 501, 518, and 547.

P_P = Projected cost of purchased power to be incurred associated with energy delivered to customers over a billing quarter. The following projected components shall be included in the purchased power calculation:

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 Jeffrey L. Martin, Vice President

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THE STATE CORPORATION COMMISSION OF KANSAS

WESTAR ENERGY, INC & KANSAS GAS & ELECTRIC COMPANY, d.b.a. WESTAR ENERGY

 (Name of Issuing Utility)

SCHEDULE RECA

WESTAR RATE AREA

Replacing Schedule RECA Sheet 2

(Territory to which schedule is applicable)

which was filed October 28, 2015

Deleted: April 18, 2012

No supplement or separate understanding shall modify the tariff as shown hereon.

Sheet 2 of 9 Sheets

RETAIL ENERGY COST ADJUSTMENT

- Purchased power costs, including those paid to renewable generators, recorded as purchased energy costs to account 5550000, exclusive of capacity, demand and other fixed charges.
- Revenue received from the sale of power to third parties (including the SPP) recorded in account 4471000
- Other payments made to renewable generators to curtail production when economical to do so and recorded in Account 5571000,
- "Other SPP Charges and Credits." ("Other SPP Charges and Credits" are specifically listed below, along with the anticipated FERC accounts that they will be recorded to, in Notes 11-13 to the tariff).
- Virtual Energy Transactions and Fees for legitimate hedging purposes, as discussed in Note 14 to the tariff below.
- Purchases and sales of energy outside of SPP recorded in Account 4265101 and 4215101, respectively.
- Transmission expense inside or outside of SPP necessary to make purchases and Sales outside of SPP, which is not otherwise recovered through Westar's Transmission Formula Rate or Transmission Delivery Charge, and recorded to Account 5650000.

E_P = The projected emission allowance costs to be recorded in Account 509 and gains or losses of emission allowances to be recorded in Account 411.8 or 411.9 respectively during the billing quarter.

$NRCA_P$ = Projected cost to achieve sales to Company's Non-Requirements Customers during the billing quarter.

S_P = Projected kWhs to be delivered to all Company's Requirements Customers during the billing quarter.

Requirements Customers = Requirements Customers are retail customers of Company plus wholesale customers with agreements with a fuel clause and an initial term of 10 years or longer that provide for the explicit recovery of system average fuel expense.

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THE STATE CORPORATION COMMISSION OF KANSAS

WESTAR ENERGY, INC & KANSAS GAS & ELECTRIC COMPANY, d.b.a. WESTAR ENERGY

 (Name of Issuing Utility)

SCHEDULE RECA

WESTAR RATE AREA

Replacing Schedule RECA Sheet 3

(Territory to which schedule is applicable)

which was filed October 28, 2015

Deleted: April 18, 2012

No supplement or separate understanding shall modify the tariff as shown hereon.

Sheet 3 of 9 Sheets

RETAIL ENERGY COST ADJUSTMENT

Non-Requirements Customers = Non-Requirements Customers are wholesale customers taking service pursuant to a contract with an initial term of one-year or greater. These customers include participation power sales contracts, and contracts with cooperatives and municipal utilities not subject to a fuel clause. Non-Requirements Customers are also customers taking service under the WIND, Solar kW or Solar kWh tariffs for that part of their service purchased under one of the aforementioned tariffs.

Note: All quarterly projected costs and sales will be derived from a production costing simulation model. Outputs from the model will include the projected costs of fuel and purchased power, and projected costs to achieve non-requirements sales. Actual costs and sales for NRCA will be derived from a production costing simulation model using actual inputs for the quarter.

The ACAF_P (Projected Annual Correction Adjustment Factor) shall be calculated as follows:

$$ACAF_P = \frac{(F_A + P_A + E_A - NRCA_A - FAR_A +/- WR) + ACAB}{(.01) \times S_A}$$

Where:

F_A = Actual cost of fuel expense shall explicitly include the fuel stock initially recorded in Account 151, Fuel Stock or Account 120, Nuclear Fuel assemblies in reactor plus materials and supplies initially charged to Account 154, Plant Materials and Supplies consumed with the fuel and related to energy production or reducing air emissions permitting the generation of energy plus fuel and other expenses directly charged to Accounts 501, Fuel, 518 Nuclear Fuel Expense, and 547 Fuel. Explicitly excluded from projected fuel cost is any internal labor charge to accounts 501, 518, and 547.

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THE STATE CORPORATION COMMISSION OF KANSAS

WESTAR ENERGY, INC & KANSAS GAS & ELECTRIC COMPANY, d.b.a. WESTAR ENERGY

 (Name of Issuing Utility)

SCHEDULE RECA

WESTAR RATE AREA

Replacing Schedule RECA Sheet 4

(Territory to which schedule is applicable)

which was filed October 28, 2015

Deleted: April 18, 2012

No supplement or separate understanding shall modify the tariff as shown hereon.

Sheet 4 of 9 Sheets

RETAIL ENERGY COST ADJUSTMENT

$P_A =$ The actual purchased power costs for the previous ACA year. The following components shall be included in the purchased power calculation:

- Purchased power costs, including those paid to renewable generators, recorded as purchased energy costs to account 5550000, exclusive of capacity, demand and other fixed charges.
- Revenue received from the sale of power to third parties (including the SPP) recorded in account 4471000
- Other payments made to renewable generators to curtail production when economical to do so and recorded in Account 5571000,
- "Other SPP Charges and Credits." ("Other SPP Charges and Credits" are specifically listed below, along with the anticipated FERC accounts that they will be recorded to, in Notes 11-13 to the tariff).
- Virtual Energy Transactions and Fees for legitimate hedging purposes, as discussed in Note 14 to the tariff below.
- Purchases and sales of energy outside of SPP recorded in Account 4265101 and 4215101, respectively.
- Transmission expense inside or outside of SPP necessary to make purchases and Sales outside of SPP, which is not otherwise recovered through Westar's Transmission Formula Rate or Transmission Delivery Charge, and recorded to Account 5650000.

In addition, the revenue received from the sale of Renewable Energy Credits (RECs) and the revenue received from the Renewable Energy Program Rider shall be credited as an offset to purchased power.

$E_A =$ The actual emission allowance costs recorded in Account 509 and gains or losses of emission allowances recorded in Account 411.8 or 411.9 respectively for the previous ACA year.

$NRCA_A =$ The calculated actual cost to achieve sales to Company's Non-Requirements Customers during the previous ACA year.

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THE STATE CORPORATION COMMISSION OF KANSAS

WESTAR ENERGY, INC & KANSAS GAS & ELECTRIC COMPANY, d.b.a. WESTAR ENERGY
 (Name of Issuing Utility)

SCHEDULE RECA

WESTAR RATE AREA

Replacing Schedule RECA Sheet 5

(Territory to which schedule is applicable)

which was filed October 28, 2015

Deleted: April 18, 2012

No supplement or separate understanding shall modify the tariff as shown hereon.

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RETAIL ENERGY COST ADJUSTMENT

FAR_A = The actual Fuel Adjustment revenue for the previous ACA year.

WR = The difference (increase or decrease) between wholesale customers' non-fuel revenue being recovered in base rates as set in the most recent base rate proceeding (the non-fuel base line revenue) and the actual non-fuel revenue received by Company in the ACA year. This difference will be (refunded)/recovered in the ACAF.

Deleted: requirements

ACAB_A = The actual ACA balance from the previous ACA year

S_A = kWhs delivered to Company's Requirements Customers during the previous ACA year

Deleted: (whose contract became effective after January 2009)

ACA year = The ACA year shall begin with the delivery of energy during the first billing cycle of January and ending with the last billing cycle in December of each year. Modifications to ACAFs shall be implemented in first billing cycle of the second quarter of each year.

NOTES TO THE TARIFF:

1. The adjustment factor will be expressed in cents per kilowatt-hour rounded to the nearest one-thousandth of a cent.
2. The references to FERC Accounts are from the FERC uniform system of accounts.
3. The FA component of the RECA Factor will be computed quarterly.
4. The Company shall submit to the State Corporation Commission of Kansas on or before the 20th of the month ending that quarter, a Retail Energy Cost Adjustment report, in a format prescribed by the Commission, showing the calculation of the next quarter's factor.
5. The Company shall submit a calculation of the ACAF_P to the State Corporation

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THE STATE CORPORATION COMMISSION OF KANSAS

WESTAR ENERGY, INC & KANSAS GAS & ELECTRIC COMPANY, d.b.a. WESTAR ENERGY

 (Name of Issuing Utility)

SCHEDULE RECA

WESTAR RATE AREA

Replacing Schedule RECA Sheet 6

(Territory to which schedule is applicable)

which was filed October 28, 2015

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No supplement or separate understanding shall modify the tariff as shown hereon.

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RETAIL ENERGY COST ADJUSTMENT

Commission of Kansas on or before March 20th of each year in a format prescribed by the Commission, showing the calculation of the ACAF. The Company may elect to file for a change in the ACAF more frequently than once per year.

6. For each twelve-month billing period ending in December, any quarterly differences between actual cost and actual RECA revenue shall be accumulated to produce a cumulative balance of over-recovered or under-recovered costs. The Company shall also determine any annualized over or under-recovery relative to the ACAF. The ACAF for an ACA year shall be computed as shown above. Any fuel and purchased power cost over-recovery or under-recovery shall be combined with any over-recovery or under-recovery associated with the previous year's ACAF. The total amount of any over/under recovery shall be divided by the actual sales to Requirements Customers made during the previous ACA year.
7. The ACAF shall be rounded to the nearest \$0.000001 per kWh and applied to sales billed on or after the first day of the billing month following the quarter the adjustment has been approved by the Commission or as implemented subject to refund. The ACAF for the current ACA year shall remain in effect until superceded by an ACAF for a subsequent period.
8. Service hereunder is subject to the Company's General Terms and Conditions as approved by the State Corporation Commission of Kansas and any modifications subsequently approved.
9. All provisions of this rate schedule are subject to changes made by order of the regulatory authority having jurisdiction.
10. The WR base line revenue will remain unchanged until a general rate proceeding at which time it will be updated to the current non-fuel revenue reflected in base rates.
11. At the time the SPP Integrated Marketplace is first implemented, the following "SPP

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THE STATE CORPORATION COMMISSION OF KANSAS

WESTAR ENERGY, INC & KANSAS GAS & ELECTRIC COMPANY, d.b.a. WESTAR ENERGY
(Name of Issuing Utility)

SCHEDULE RECA

WESTAR RATE AREA

Replacing Schedule RECA Sheet 7

(Territory to which schedule is applicable)

which was filed October 28, 2015

Deleted: April 18, 2012

No supplement or separate understanding shall modify the tariff as shown hereon.

Sheet 7 of 9 Sheets

RETAIL ENERGY COST ADJUSTMENT

Charges and Credits” will be recorded to FERC Account 4471000 and 4471020 when the result is net revenue to Westar: Day-Ahead Asset Energy, Day-Ahead Non-Asset Energy, Real-Time Asset Energy, Real-Time Non-Asset Energy, Day-Ahead Make Whole Payment, Real-Time Make Whole Payment, Day-Ahead Demand Reduction, Day-Ahead Grandfathered Agreement Carve-Out Daily Amount, Day-Ahead Grandfathered Agreement Carve-Out Monthly Amount, Day-Ahead Grandfathered Agreement Carve-Out Yearly Amount, Day-Ahead Regulation-Down, Day-Ahead Regulation-Up, Day-Ahead Spinning Reserves, Day-Ahead Supplemental Reserves, Real-Time Contingency Reserve Deployment Failure, Real-Time Demand Reduction, Real-Time Out-of-Merit, Real-Time Regulation Deployment Adjustment, Real-Time Regulation Non-Performance, Real-Time Regulation-Down, Real-Time Regulation-Up, Real-Time Reserve Sharing Group, Real-Time Spinning Reserves, and Real-Time Supplemental Reserves. The “SPP Charges and Credits” recorded to FERC Account 4471000 may change in the future if SPP receives approval from the Federal Energy Regulatory Commission (FERC) to remove or add new charges or credits and Westar will be permitted to include those new charges or credits in this RECA calculation after they are accepted or approved by FERC. Upon notice that there have been changes to the list of approved “SPP Charges or Credits,” Westar will notify Staff in writing of such changes. If Staff does not object to Westar in writing to the inclusion of these new SPP Charges or Credits within 30-days, the revised SPP Charges or Credits may be included in this tariff. If Staff and Westar are unable to agree on whether the revised SPP Charges or Credits should be included in the tariff, Westar will file an Application requesting a change to this tariff to reflect the addition of the revised SPP Charges.

- 12. At the time the SPP Integrated Marketplace is first implemented, the following “SPP Charges and Credits” will be recorded to FERC Account 5550000 and 5550020 when the result is a net expense to Westar: Day-Ahead Asset Energy, Day-Ahead Non-Asset Energy, Real-Time Asset Energy, Real-Time Non-Asset Energy, Auction Revenue Right Funding, Auction Revenue Right Monthly Payback, Auction Revenue Right Uplift, Auction Revenue Right Yearly Closeout, Auction Revenue Right Yearly Payback, Day-Ahead Demand Reduction Distribution, Day-Ahead Over-Collected Losses Distribution, Day-Ahead Regulation-Down Distribution, Day-Ahead Regulation-Up Distribution, Day-Ahead Spinning Reserves Distribution, Day-Ahead Supplemental Reserves Distribution, GFA Carve Out Distribution Daily Amount, GFA Carve Out Distribution Monthly Amount, GFA

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Jeffrey L. Martin, Vice President

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THE STATE CORPORATION COMMISSION OF KANSAS

WESTAR ENERGY, INC & KANSAS GAS & ELECTRIC COMPANY, d.b.a. WESTAR ENERGY
(Name of Issuing Utility)

SCHEDULE RECA

WESTAR RATE AREA

Replacing Schedule RECA Sheet 8

(Territory to which schedule is applicable)

which was filed October 28, 2015

Deleted: April 18, 2012

No supplement or separate understanding shall modify the tariff as shown hereon.

Sheet 8 of 9 Sheets

RETAIL ENERGY COST ADJUSTMENT

Carve Out Distribution Yearly Amount, Real-Time Contingency Reserve Deployment Failure Distribution, Real-Time Demand Reduction Distribution, Real-Time Joint Operating Agreement, Real-Time Over-Collected Losses Distribution, Real-Time Pseudo-Tie Congestion Amount, Real-Time Pseudo-Tie Losses Amount, Real-Time Regulation Non-Performance Distribution, Real-Time Regulation-Down Distribution, Real-Time Regulation-Up Distribution, Real-Time Reserve Sharing Group Distribution, Real-Time Spinning Reserves Distribution, Real-Time Supplemental Reserves Distribution, Revenue Neutrality Uplift Distribution, Transmission Congestion Right Auction Transaction, Transmission Congestion Right Funding, Transmission Congestion Right Monthly Payback, Transmission Congestion Right Uplift, Transmission Congestion Right Yearly Closeout, and Transmission Congestion Right Yearly Payback. The "SPP Charges and Credits" recorded to FERC Account 5550000 may change in the future if SPP receives approval from the Federal Energy Regulatory Commission (FERC) to remove or add new charges or credits and Westar will be permitted to include those new charges or credits in this RECA calculation after they are accepted or approved by FERC. Upon notice that there have been changes to the list of approved "SPP Charges or Credits," Westar will notify Staff in writing of such changes. If Staff does not object to Westar in writing to the inclusion of these new SPP Charges or Credits within 30-days, the revised SPP Charges or Credits may be included in this tariff. If Staff and Westar are unable to agree on whether the revised SPP Charges or Credits should be included in the tariff, Westar will file an Application requesting a change to this tariff to reflect the addition of the revised SPP Charges.

- 13. At the time the SPP Integrated Marketplace is first implemented, the following "SPP Charges and Credits" will be recorded to FERC Account 5571000: Day-Ahead Make Whole Payment Distribution, Miscellaneous, and Real-Time Make Whole Payment Distribution. The "SPP Charges and Credits" recorded to FERC Account 5571000 may change in the future if SPP receives approval from the Federal Energy Regulatory Commission (FERC) to remove or add new charges or credits and Westar will be permitted to include those new charges or credits in this RECA calculation after they are accepted or approved by FERC. Upon notice that there have been changes to the list of approved "SPP Charges or Credits," Westar will notify Staff in writing of such changes. If Staff does not object to Westar in writing to the inclusion of these new SPP Charges or Credits within 30-days, the revised SPP Charges or Credits may be included in this tariff. If Staff and Westar are unable to

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THE STATE CORPORATION COMMISSION OF KANSAS

WESTAR ENERGY, INC & KANSAS GAS & ELECTRIC COMPANY, d.b.a. WESTAR ENERGY
(Name of Issuing Utility)

SCHEDULE RECA

WESTAR RATE AREA

Replacing Schedule RECA Sheet 9

(Territory to which schedule is applicable)

which was filed October 28, 2015

Deleted: April 18, 2012

No supplement or separate understanding shall modify the tariff as shown hereon.

Sheet 9 of 9 Sheets

RETAIL ENERGY COST ADJUSTMENT

agree on whether the revised SPP Charges or Credits should be included in the tariff, Westar will file an Application requesting a change to this tariff to reflect the addition of the revised SPP Charges.

- 14. Virtual Energy Transactions with SPP, (Day-Ahead Virtual Energy, Real-Time Virtual Energy, and Day-Ahead Virtual Transaction Fee), shall be included as a cost of Purchased Power as long as the virtual transaction serves a legitimate hedging purpose such as:
 - In support of physical operations related to a generating resource, including but not limited to start-up, shut-down, and unanticipated equipment failures.
 - In anticipation of significant deviations in load or weather forecast, or
 - Other similar situations in which the primary purpose of entering into the virtual transaction is to reduce risk to Westar ratepayers.
- 15. On or before the 20th of each calendar month, the Company shall submit to the State Corporation Commission a report detailing all of the Virtual Energy Transactions entered into the previous calendar month. For each Virtual Energy Transaction, the form attached to the tariff as Appendix A shall be filled out completely and submitted with the monthly report.
- 16. On or before the 20th of each calendar month, the Company shall submit to the State Corporation Commission a report summarizing the activity in Accounts 4471000, 5550000, 5571000, 5650000, 4215101, and 4265101. The Report shall provide by Account, by SPP Charge Type for SPP transactions, the net change in the Account balance, and MWh's purchased or sold for the month. The report shall be similar in format to that attached as Appendix B to the Tariff.

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