**WESTAR ENERGY, INC.**

**TRANSMISSION FORMULA RATE**

**2014 Projection**

**Nemaha- Marshall REC 1st Data Request**

**November 1, 2013**

1. Can you define a “NITS customer not on Westar’s system?-

Yes. A NITS customer not on Westar’s system is a Transmission Customer(s) that has purchased Network Transmission service from SPP whose load is not in the Westar pricing zone.

1. Can you provide a breakdown of the revenues per “NITS customer not on Westar’s system?-

Attached is the breakdown of revenue per "NITS customer not on Westar's system" for 2011 and 2012. Customer data is considered confidential data; therefore, we have redacted customer names from the information provided. One example of a NITS customer not on Westar’s system, for which data is provided in the attachment, is OGE.

1. Can you please explain how someone not on Westar’s system would not be a “point to point” transaction?-

The revenue Westar receives from SPP is from transmission service SPP sells to transmission customers throughout the SPP region using the SPP Tariff. Over 98% of the load in the SPP has purchased NITS service from SPP, including all transmission customers inside the Westar Zone. The total amount paid by a NITS customer for transmission service (not counting ancillaries or distribution charges) is the sum of Schedule 9 (Zonal facilities, revenue is collected from the load in the Zone where the facility is built); Schedule 11 Zonal (Base Plan Funded facilities where the revenue is collected from the load in the Zone where the facility was built); and Schedule 11 Regional (Base Plan funded facilities where the revenue is collected from all load in the SPP). SPP collects the revenue from these customers and distributes the money to the Transmission Owner which built, owns, and maintains the transmission facilities. Since Westar has a significant investment in transmission facilities which are regionally funded Westar receives revenues from NITS customers with load outside the Westar Zone as well as from point to point service.

1. Please point me to the paragraph in the protocols that allow Westar to go back 18 months? I read the protocols differently so please explain.

When preparing its first reposting of the Annual Update that was made on October 25, 2013, Westar mistakenly relied on Section III.4 of the Protocols, which provides:

Each True-Up Adjustment shall become final and shall no longer be subject to challenge on the later to occur of (i) passage of the 18-month period for a Formal Challenge . . . if no Formal Challenge has been filed and the FERC has not itself initiated a proceeding to consider the True-Up Adjustment; or (ii) a final FERC order issued in response to a Formal Challenge or a proceeding initiated by the FERC to consider the True-Up Adjustment.

Based on this information Westar included only a correction of the revenue credit error for the prior 18 months, which included actual data from 2011 and 2012. However, Section III.4 applies to the Customers’ right to formally challenge a True-Up Adjustment and not to Westar’s corrections of errors. When reviewing the section of the Protocols that applies to the correction of errors (Section III.6) and FERC precedent regarding the correction of errors, Westar confirmed that it has the obligation to correct the error in the revenue credit calculation back to the time the error was first made. Section III.6 of Westar’s protocols provides, in part:

In the event that Westar identifies an error in the True-Up Adjustment (or its FERC Form No. 1 or successor form which is used as an input to the Formula), or is required by applicable law or a court or regulatory body to correct an error, Westar shall correct such error in good faith and without regard to whether the correction increases or decreases Westar’s revenue requirements.

We are currently calculating the impact of the error for the prior rate years since the error was first made, which includes 2008, 2009, and 2010. However, in order to ensure that this correction is accurate, we have to obtain additional information from SPP and perform several additional calculations. Because we do not believe we will be able to obtain the required information and complete the calculations in time for adequate review by customers before the rates become effective on January 1, 2014, Westar intends to make these additional corrections related to 2008, 2009, and 2010 as part of its True-Up Adjustment in 2014.

There is no time limit in Section III.6 of the Protocols with respect to Westar’s obligation to correct errors back to the time that the error first occurred. FERC has a “longstanding policy that an error in the application of a formula rate is a violation of the filed-rate doctrine and as such is correctable back to the date of the error, irrespective of elapsed time.” *Public Service Company of New Mexico*, 143 FERC P 61,227, at ¶14 (June 10, 2013).