

KEPCO-Kansas Electric Power Coop. Inc.
Transmission Formula Rate-2017 ATRR
Westar
08/23/2016

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Data Request: KEPCo-2.28::Ref KEPCo-2.09, WEN Acct 923 - Network Maintenance Fees

2.28 In reference to Westar's response to KEPCo-2.09, WEN Acct. 923, please provide the following:

- a. A detailed description of the \$559,000 network maintenance fees related to Smart meters; and
- b. A detailed explanation for Westar's basis to record those maintenance fees for Smart meters in FERC Account 923, instead of FERC Account 597, since these project maintenance fees are related to meters. (FERC Account 923's description is as follows: "This account shall include the fees and expenses of professional consultants and others for general services which are not applicable to a particular operating function or to other accounts.")

Response:

- a. The \$559,000 is comprised of charges from our Smart meter vendor for network maintenance, meter read services, test system hosting and support, and communication fees.
- b. We are in agreement that these charges are applicable to the distribution function and should be recorded to FERC Account 597. Westar agrees to reflect that correction in the TFR.

Prepared by or Under Supervision of: Bouzianis, Jeanette M.

Verification of Response

I have read the foregoing Data Request and Answer(s) thereto and find answer(s) to be true, accurate, full and complete and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Data Request.

Signed by: _____

Dated: _____

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Data Request: KEPCo-2.29::Ref KEPCo-2.09, WEN Acct 923 - New Customer Billing System

2.29 In reference to Westar's response to KEPCo-2.09, WEN Acct. 923, please provide the following:

- a. A detailed description of the \$317,000 preliminary project costs for a new customer information system; and
- b. A detailed explanation for Westar's basis to record those project costs for a new customer information system in FERC Account 923, instead of capitalizing the costs in either FERC Account 382 or 383, since these project costs are related to customer service. (FERC Account 923's description is as follows: "This account shall include the fees and expenses of professional consultants and others for general services which are not applicable to a particular operating function or to other accounts.")

Response:

- a. Preliminary project costs included assessing what the current system does and identifying challenges of the system and processes. Also included are charges related to enterprise design workshops which involved a deeper dive into current-state processes in order to make key enterprise-wide business and technical decisions for the future system.
- b. Westar accounting treatment for internally developed computer software is based on the criteria prescribed by Accounting Standards Codification (ASC) 350-40. It includes accounting guidance for the three stages of software development which are 1) preliminary project stage, 2) application development stage, and 3) post implementation-operation stage. The guidance states that activities related to the preliminary project stage are expensed as incurred. This includes activities such as determining the performance requirements and system requirements for the software and exploring alternative means of achieving specified performance requirements. All charges in 2015 for the customer information system project were incurred in the last quarter of the year, which is when the project began.

Prepared by or Under Supervision of: Bouzianis, Jeanette M.

Verification of Response

I have read the foregoing Data Request and Answer(s) thereto and find answer(s) to be true, accurate, full and complete and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Data Request.

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Data Request: KEPCo-2.30::Ref KEPCo-2.10, WES Acct 923 - New Customer Billing System

2.30 In reference to Westar's response to KEPCo-2.10, WES Acct. 923, please provide the following:

- a. A detailed description of the \$284,000 preliminary project costs for a new customer information system; and
- b. A detailed explanation for Westar's basis to record those project costs for a new customer information system in FERC Account 923, instead of capitalizing the costs in either FERC Account 382 or 383, since these project costs are related to customer service. (FERC Account 923's description is as follows: "This account shall include the fees and expenses of professional consultants and others for general services which are not applicable to a particular operating function or to other accounts.").

Response:

See response to KEPCo-2.29, WEN Acct 923 - New Customer Billing System. This response related to WEN is also applicable to WES.

Prepared by or Under Supervision of: Bouzianis, Jeanette M.

Verification of Response

I have read the foregoing Data Request and Answer(s) thereto and find answer(s) to be true, accurate, full and complete and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Data Request.

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Data Request: KEPCo-2.31::Ref KEPCo-2.15, WEN, Acct 930.2 - Scholarships

2.31 In reference to Westar's response to KEPCo-2.15, WEN, Account 930.2, Scholarships, Westar states that Scholarships do not meet the definition of either Account 426.1 or 426.4, but Westar has not demonstrated that those \$75k in scholarships are "utility operating in nature," and therefore, they would be considered "non-operating in nature." Please provide a detailed explanation which demonstrates that these scholarships are "operating in nature." (FERC has recently issued an Audit Report which states that miscellaneous expenses which are non-operating in nature should be recorded in FERC Account 426.5 and should not be included in transmission rates.)

Response:

Westar's scholarship program awards scholarships to high school graduates in communities it serves for the purpose of enhancing their education and ultimately attracting high quality, talented students to its workforce upon completion of their studies. As such, Westar considers scholarships to be operating in nature and appropriately recorded in FERC account 930.2.

Prepared by or Under Supervision of: Morris, Travis

Verification of Response

I have read the foregoing Data Request and Answer(s) thereto and find answer(s) to be true, accurate, full and complete and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Data Request.

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Data Request: KEPCo-2.32::Ref KEPCo-2.16, WEN, Acct 930.2 - Sponsorships

In reference to Westar's response to KEPCo-2.16, WEN, Account 930.2, Sponsorships, Westar states that Sponsorships do not meet the definition of either Account 426.1 or 426.4, but Westar has not demonstrated that those \$46k in sponsorships are "utility operating in nature," and therefore, they would be considered "non-operating in nature." Please provide a detailed explanation which demonstrates that these sponsorships are "operating in nature." (FERC has recently issued an Audit Report which states that miscellaneous expenses which are non-operating in nature should be recorded in FERC Account 426.5 and should not be included in transmission rates.)

Response:

The sponsorships provide opportunities for Westar to establish, promote, and maintain business relationships in the communities it serves. These activities have always been considered operating in nature and appropriately recorded in FERC account 930.2.

Prepared by or Under Supervision of: Morris, Travis

Verification of Response

I have read the foregoing Data Request and Answer(s) thereto and find answer(s) to be true, accurate, full and complete and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Data Request.

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Data Request: KEPCo-2.33::Ref KEPCo-2.17, WES, Acct 930.2 - Sponsorships

In reference to Westar's response to KEPCo-2.17, WES, Account 930.2, Sponsorships, Westar states that Sponsorships do not meet the definition of either Account 426.1 or 426.4, but Westar has not demonstrated that those \$59k in sponsorships are "utility operating in nature," and therefore, they would be considered "non-operating in nature." Please provide a detailed explanation which demonstrates that these sponsorships are "operating in nature." (FERC has recently issued an Audit Report which states that miscellaneous expenses which are non-operating in nature should be recorded in FERC Account 426.5 and should not be included in transmission rates.).

Response:

Refer to the response to KEPCo-2.32.

Prepared by or Under Supervision of: Morris, Travis

Verification of Response

I have read the foregoing Data Request and Answer(s) thereto and find answer(s) to be true, accurate, full and complete and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Data Request.

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Data Request: KEPCo-2.34::Ref KEPCo-2.19, WEN - EPRI

In reference to Westar's response to KEPCo-2.19, Less EPRI (WEN), does Westar intend to make the correction to the formula rates to reflect the additional removal of \$50,000 which were paid to EPRI that was mentioned in the response, from FERC Account 930.2?

Response:

Yes, Westar intends to make a correction for the inclusion of \$50,000 in EPRI dues.

Prepared by or Under Supervision of: Wealand, Tanner

Verification of Response

I have read the foregoing Data Request and Answer(s) thereto and find answer(s) to be true, accurate, full and complete and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Data Request.

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Data Request: KEPCo-2.35::Ref KEPCo-2.21 - Industries Assn Dues Capped

In reference to Westar's response to KEPCo-2-21, Industry Association Dues Capped, (Note F), first line states: "Industry Association Dues are capped at \$1,000,000. Line 6 – EPRI Annual Membership Dues listed in Form 1 at p. 335." EPRI dues are Industry Association Dues, therefore, please confirm that the adjustment for the \$1,000,000 cap could also be included on line 6 since both adjustments would be related to Industry Association Dues.

Response:

Westar agrees that the adjustment for the \$1,000,000 cap referenced in Note F may be included on Line 6, because Line 6 explicitly references the FERC Form 1 page 335, where both Industry Association Dues and EPRI dues are reported. Westar agrees to implement this change, so that Line 6 Columns 3 and 4 of the Annual True-Up for 2015 will include not only the EPRI dues but also the portion of Industry Association Dues (listed on FF1, Page 335, Line 1) that exceeds \$1,000,000, so that these amounts are excluded from the Total O&M and the annual gross revenue requirement.

Prepared by or Under Supervision of: Wealand, Tanner

Verification of Response

I have read the foregoing Data Request and Answer(s) thereto and find answer(s) to be true, accurate, full and complete and contain no material misrepresentations or omissions to the best of my knowledge and belief; and I will disclose to any matter subsequently discovered which affects the accuracy or completeness of the answer(s) to this Data Request.

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