



November 17, 2017

Mr. Mark Doljac  
Director of Rates and Regulation  
Kansas Electric Power Cooperative, Inc.  
600 Corporate View  
Topeka, KS 66615

**RE: Kansas Electric Power Cooperative, Inc. (KEPCo) Challenge to Westar Energy, Inc.'s (Westar) Proposed October 13, 2017 Revised Annual True-Up to the Transmission Formula Rate (TFR) for Rate Year 2016 (Revised 2016 Annual True-Up)**

Dear Mr. Doljac:

On October 20, 2017, Westar Energy ("Westar") received from the Kansas Electric Power Cooperative, Inc. ("KEPCo") a Preliminary Challenge to the Westar Transmission Formula Rate ("TFR") Revised Annual True-Up reposted on October 13, 2017. Under Attachment H-2, Formula Rate Implementation Protocols, KEPCo has the right to notify Westar in writing of any specific challenges to the Annual True-Up ("Issues"). Customers have until January 31 in the year following the Annual True-Up posting to provide notice of an informal challenge. All Issues identified during the informal challenge process must be responded to by Westar the earlier of 20 business days after notice is received or no later than February 28 in the year following the Annual True-Up posting. The purpose of this letter is to respond to KEPCo's informal challenge issued on the Westar TFR. Below are the issues raised by KEPCo and the Westar response to each.

**Issue No. 1. Taxes Other Than Income, Actual Gross Rev, Page 2 of 5, Line 18, Property**

In summary, the change in property taxes related to the amortization of the Ad Valorem Taxes regulatory asset should not be included in wholesale customers' rates.

Consistent with the instructions for FERC Uniform System of Accounts and FERC's precedent, Westar has recorded appropriately in Account No. 182.3, Other Regulatory Assets, the regulatory asset for Ad Valorem Taxes approved by the Kansas Corporation Commission. Upon further review, Westar has determined that similar to prior periods it erroneously excluded the current year deferral of taxes incurred (increasing the Ad Valorem Taxes regulatory asset) and included the amortization of the Ad Valorem Taxes regulatory asset from the prior year deferral of taxes incurred (decreasing the Ad Valorem Taxes regulatory asset) in the reposted June 2017 TFR Annual True-Up.

The exclusion of these amounts in Actual Gross Rev, Page 2, Line 18, Col (3) and (4) will also require the following change to directly-related ADIT recorded in FERC Account 190 to be allocated in Worksheets “A-5 (WEN ADIT)” and “A-7 (WES ADIT)” to column (B), “100% NonTrans Related” (with rows designating the row in which the item appears in the corresponding Worksheet “A-5 (WEN ADIT)” and “A-7 (WES ADIT)”):

- a. Ad Valorem Tax R/L (A-5 Row 40 and A-7 Row 41)

Westar proposes to change the directly-related ADIT mentioned in bullet (a) above and commits to making the correction for the deferral to and amortization of the Ad Valorem regulatory asset. To allow sufficient time to thoroughly evaluate the scope of the correction and identify all applicable components, Westar commits to making this correction in the June 2018 TFR Annual True-Up using the Prior Period Adjustment mechanism (Worksheet ‘TU (True-up)’, page 1, line 8b(i), col (1) & (2)). Interest will be determined in accordance with 18 C.F.R. § 35.19a.

## **Issue No. 2. Adjustments to Rate Base, Page 1 of 5, Lines 19 through 20, Unfunded Reserves**

In summary, ADIT which is directly-related to unfunded reserves that are not provided for in the formula should not be included as an adjustment to rate base.

Westar agrees that ADIT directly-related to unfunded reserves that are not provided for in the formula should be allocated in Worksheets “A-5 (WEN ADIT)” and “A-7 (WES ADIT)” to column (B), “100% NonTrans Related”. However, in addition to the changes identified in the informal challenge, Issue No. 2, bullets “a-o”, Westar has identified an additional row impacting directly-related ADIT in FERC Account 190 shown in bullet “a” below. In addition, directly-related ADIT in FERC Account 283 in bullets “b-c” below (with rows designating the row in which the item appears in the corresponding Worksheet “A-5 (WEN ADIT)” and “A-7 (WES ADIT)”):

- a. Reg Asset Unrecognized Pension Exp (A-5 Row 52 and A-7 Row 50);
- b. Reg Asset Unrecognized Pension Exp (A-5 Row 237 and A-7 Row 184); and
- c. Pension Tracker Expense (A-5 Row 242 and A-7 Row 189)

Westar proposes bullets “a-c” mentioned above are included as additions to the original list of impacted ADIT rows in Worksheets “A-5 (WEN ADIT)” and “A-7 (WES ADIT)” and commits to making these corrections in the Revised 2016 Annual True-Up that will be reposted by November 30, 2017 to be effective in 2018 rates.

If you would like to meet to discuss these issues further, please contact me and I will coordinate a meeting.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mo Awad', with a long horizontal flourish extending to the right.

Mo Awad  
Director, FERC  
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