

**PROTOCOLS  
AS INCORPORATED INTO WESTAR'S OATT**

## ATTACHMENT H-2

### Formula Rate Implementation Protocols

#### **I. Annual Update**

1. The rate formula template in Attachment H-1 of Westar Energy, Inc.'s ("Westar") Open Access Transmission Tariff, FERC Electric Tariff, Second Revised Volume No. 5 and Addendum 3 to Attachment H of the Southwest Power Pool's ("SPP") Open Access Transmission Tariff, FERC Electric Tariff, Fifth Revised Volume No. 1 ("Formula") is Westar's filed rate. Westar must follow the instructions specified in the Formula to calculate annually its Annual Transmission Revenue Requirements ("ATRR") and the rates for its Network Integration Transmission Service and Point-to-Point transmission service ("Formula Rate") for posting by Westar and the SPP, as applicable.
2. The Formula Rate shall be applicable to service on and after January 1 of each calendar year through December 31 of the same calendar year ("Rate Year"), subject to review, challenge and refunds or surcharges with interest, as provided herein.
3. Each calendar year, Westar shall:
  - (a) calculate the ATRR by October 15 for the next Rate Year in accordance with the Formula ("Annual Update"). The Formula specifies in detail the manner in which (i) the most recent Form No. 1 data will be used as inputs and the limited projections of net transmission plant, Transmission O&M, A&G, revenue credits, and load will be forecast for the next Rate Year in the Annual Update and (ii) any true-up calculated in accordance with the Formula ("True-Up Adjustment") for the prior Rate Year and posted by June 15 will be treated in the Annual Update;
  - (b) as part of the Annual Update, calculate interest on any over-recovery or under-recovery of the ATRR. Interest on any over-recovery of the ATRR shall be determined based on the Commission's regulation at 18 C.F.R § 35.19a. Interest on any under-recovery of the ATRR shall be determined using the interest rate equal to Westar's actual short-term debt costs, calculated as Westar's actual weighted average annual short-term interest rate for the twenty-four (24) months ended August 31 of the current Rate Year ("S-T Debt Cost Period"), capped at the applicable FERC refund interest rate for the same twenty-four (24) month period. In either case, the interest rate to be applied to the over- or under-recovery amounts will be determined using the average rate for the twenty-four (24) months preceding September of the current year. The interest amount will be included in the Annual Update made available on October 15. For purposes of the foregoing, short-term debt interest expense annual rate for refund purposes shall be as follows:

$STIR = (STIEXP / SDSTDB) \times N$  where

STIR = the annual short term interest rate on notes payable excluding notes with Associated Companies) for the S-T Debt Cost Period,

STIEXP = the interest expense on such notes payable recorded in Account 431 for the S-T Debt Cost Period,

SDSTDB = the sum of the outstanding daily balances of notes payable for such S-T Debt Cost Period recordable in Account 231, and

N = the number of days in such S-T Debt Cost Period.

- (c) calculate the True-up Adjustment and post it on June 15 of the year following the Rate Year in accordance with the Formula, which adjustment will be reflected in the next Annual Update. The True-Up Adjustment shall include a completed rate formula template with the actual data for the prior Rate Year and the projected data for the prior Rate Year;
- (d) calculate the ATRR for transmission services for the following year which shall be the Annual Update for the following year, plus or minus the True-up Adjustment from the previous year, if any, including interest as explained above, compounded quarterly;
- (e) post such Annual Updates (each October 15) and True-Up Adjustments (each June 15), as well as a populated rate formula template in fully functional spreadsheets showing the calculation of such Annual Update and True-Up Adjustments with documentation supporting such calculation as provided in Section I.4. below, in an accessible location on Westar's and the SPP's OASIS website ("Posting Date");
- (f) provide online, read-only, password-protected, secure access to the Westar Energy Accounting Manual ("Manual") as it existed on December 31 of the prior calendar year. Such access will be provided to Westar's transmission customers and a designated staff person(s) of the Kansas Corporation Commission ("KCC Designated Staff") for a period of seventy-five (75) days after the Customer Meeting (defined in Section II.1(a) below) each year;
- (g) provide by June 15 of each year copies of all documentation of changes to the Manual during the prior calendar year;

- (h) notify its transmission customers and the KCC Designated Staff, via e-mail to the most recent e-mail addresses provided to Westar and by U.S. Mail, of the website address of the Annual Update and True-Up Adjustment postings; and
  - (i) provide its transmission customers and the KCC Designated Staff, via e-mail to the most recent e-mail addresses provided to Westar and by U.S. Mail, notice of at least thirty (30) days of a public meeting (which may include video conferencing, webinar or internet conference, at Westar's option) to be held no sooner than seven (7) days after the Posting Date of the Annual Update and no later than October 30 each year, to explain and answer questions regarding the Annual Update for the next calendar year; provided, however, that the 30-day notice requirement and obligation to hold public meeting within seven days of the Posting Date shall not apply with respect to the Annual Update for the 2009 Rate Year. Westar will make reasonable efforts to accommodate its Transmission Customers and the KCC Staff in scheduling such meeting. Westar shall modify the Annual Update to reflect any changes that it and the participating Transmission Customers and the KCC Staff all agree upon by no later than November 30 and shall cause the revised Annual Update to be posted in the same manner as the original Annual Update.
4. The True-Up Adjustment for the prior Rate Year shall:
- (a) be based upon Westar's FERC Forms No. 1 for that Rate Year, and, to the extent specified in the Formula, upon the books and records of Westar consistent with FERC accounting policies and practices;
  - (b) be calculated pro rata based on the months during the Rate Year when the ATRR was in effect by multiplying the Annual True-Up Adjustment by the number of months that the ATRR was in effect divided by 12;
  - (c) as and to the extent specified in the Formula, provide sufficiently detailed supporting documentation for data (and all adjustments thereto or allocations thereof) that are used to develop the Formula Rate and are not otherwise available directly from the FERC Form No. 1; and
  - (d) be subject to review only in accordance with the procedures set forth in these Formula Rate Implementation Protocols.
5. A change to the Formula inputs related to return on equity, revised depreciation rates or Post-Employment Benefits Other than Pensions may not be made absent an appropriate filing with the FERC.

6. If Westar files any corrections to its FERC Form No. 1 during a Rate Year that would affect the Formula Rate for that Rate Year, such corrections and any resulting refunds or surcharges shall be reflected in the Annual Update and True-Up Adjustment for the next effective Rate Year, with interest.

## **II. Review Procedures for True-Up Adjustment**

1. Each True-Up Adjustment for the prior Rate Year shall be subject to the following review procedures (“Annual Review Procedures”) (if any of the dates provided for herein fall on a Saturday, Sunday or Kansas bank holiday, then the due date shall be the first business day thereafter):
  - (a) Each year, Westar will, with at least thirty (30) days’ notice, convene a meeting (including video conferencing, webinar or internet conferencing, at Westar’s option) of its Transmission Customers and the KCC Designated Staff, after the Posting Date of a True-Up Adjustment but no sooner than seven (7) days from the Posting Date and no later than July 15, at Westar’s offices in Topeka, Kansas, to discuss the True-Up Adjustment (“Customer Meeting”). Westar will make reasonable efforts to accommodate its Transmission Customers and the KCC Staff in scheduling the Customer Meeting.
  - (b) Interested parties will have seventy-five (75) days after the Customer Meeting to serve reasonable information requests on Westar for information and workpapers supporting a True-Up Adjustment. Such information requests shall be limited to that which is necessary to determine if Westar has properly calculated the True-Up Adjustment under review (including any corrections pursuant to Section I.6). Without limiting the generality of the foregoing, such information requests may include questions related to the data described in Sections I.3(f) and (g), Sections I.4(a) and (c), and Section I.6 above. Notwithstanding Section III.2(b) below, such information requests shall not include requests for information related to True-Up Adjustments for prior Rate Years except (i) to determine whether a prior Rate Year’s approach on a given matter was the same or different from the current Rate Year’s approach, or (ii) in connection with corrections pursuant to Section I.6.
  - (c) Westar shall make a good faith effort to respond to information requests pertaining to a True-Up Adjustment within ten (10) business days of receipt of such requests. Information requests received after 4 p.m. Central Prevailing Time shall be considered received the next business day.

- (d) To the extent Westar and any interested party(ies) are unable to resolve disputes related to information requests submitted in accordance with these Annual Review Procedures, Westar or any interested party may petition the FERC to appoint an Administrative Law Judge as a discovery master. The discovery master shall have the power to issue binding orders to resolve discovery disputes and compel the production of discovery, as appropriate, in accordance with the Annual Review Procedures and consistent with the FERC's discovery rules.
- (e) Any interested party shall have until the later of one-hundred twenty (120) days after the Customer Meeting or thirty (30) days after Westar's last response to reasonable information requests submitted pursuant to Section II.1(b) above to notify Westar in writing of any specific challenges to the True-Up Adjustment ("Issues"); provided, however, that in the event that at the date provided for in the previous sentence (hereafter "Issue Date") there is a pending dispute under Section II.1(d) above, the Issue Date shall be extended until thirty (30) days after the later of the date when the dispute is resolved or the date that data is provided thereunder. Challenges to the Formula itself shall not be considered "Issues" for purposes of these Annual Review Procedures.

### **III. Resolution of Challenges**

For each True-Up Adjustment:

1. If Westar and any interested party(ies) have not resolved all Issues identified pursuant to Section II.1(e) above within sixty (60) days after the Issue Date, senior management of the interested party(ies) and Westar shall make a good faith effort to resolve any outstanding Issues ("Senior Management Review").
2. (a) If Westar's and any interested party's (ies') senior management are unable to resolve all Issues within thirty (30) business days after the Senior Management Review commences, the interested party(ies) may file a complaint pursuant to Section 206 of the Federal Power Act challenging the True-Up Adjustment ("Formal Challenge"). Challenges to the Formula itself shall not be considered "Formal Challenges" for purposes of these Annual Review Procedures.

- (b) A party may file a Formal Challenge for a limited period up to eighteen (18) months after the Customer Meeting; provided, however, that a discovery dispute under Section II.1(d) shall toll the Formal Challenge period as to the interested party involved in such dispute on a day-for-day basis for the period that such dispute remains unresolved. A party that did not make a Formal Challenge in a given year (Year 1) may initiate a Formal Challenge as to Year 1 based on that party's participation in the Review Procedures in the ensuing year (Year 2) within the later of 18 months from the Customer Meeting in Year 1 or within thirty (30) business days after the Senior Management Review commences with respect to Year 2. A party may not file a Formal Challenge thereafter.
  - (c) All information produced pursuant to these Protocols may be included in any Formal Challenge.
- 3. In any proceeding ordered by the FERC in response to a Formal Challenge, Westar will bear the burden of proving that it has properly calculated the challenged True-Up Adjustment pursuant to the Formula.
- 4. 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 (as such period may be extended under Section III.2(b)), 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.
- 5. Any refunds or surcharges resulting from a Formal Challenge shall be calculated, with interest, from the effective date of the challenged True-Up Adjustment, and shall be reflected in the True-Up Adjustment for the next effective Rate Year.
- 6. 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. Nothing in these Protocols should or may be construed as preventing a customer, the KCC, or the FERC from protesting such correction as inappropriate.

**IV. Miscellaneous**

Except as specifically provided herein, nothing in these Protocols limits or deprives Westar or any interested party of any rights it may otherwise have under Sections 205 or 206 of the Federal Power Act. The provisions of these Protocols addressing review and challenge of the True-Ups are not intended to nor shall be construed as limiting any party's rights under Sections 205 or 206 of the Federal Power Act with respect to any Annual Update.