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:

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

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

$$FA = \frac{(F_p + P_p + E_p - NRCA_p)}{(0.1) x S_p} + ACAF_p$$

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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- 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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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 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:

\[
ACAF_P = \frac{(F_A + P_A + E_A - NRCA_A - FAR_A +/- WR + WPWF_E - WPWF_D + JEC_A) + ACAB}{(0.01) \times S_A}
\]

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.

- \( P_A \) = The actual purchased power costs for the previous ACA year. The following

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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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\[ \text{FAR}_A = \text{The actual Fuel Adjustment revenue for the previous ACA year.} \]

\[ \text{WR} = \text{The difference (increase or decrease) between wholesale requirements customers’ non-fuel revenue being credited to base rates (including but not limited to the revenues associated with Mid-Kansas Electric Company Purchased Power Agreement on Jeffrey Energy Center) as set in the most recent base rate proceeding (the non-fuel base line revenue) and the actual non-fuel revenue received by Company in the ACA year. This difference will be (refunded)/recovered in the ACAF.} \]

\[ \text{WPWF}_E = \text{The three-year rolling average of actual MWh production of Western Plains Wind Farm greater than 1,193,878 MWh’s beginning with the three year-average period ending December 2020, multiplied by $20.70/MWh.} \]

\[ \text{WPWF}_D = \text{The three-year rolling average of actual MWh production of Western Plains Wind Farm less than 1,095,556 MWh’s beginning with the three year-average period ending December 2020, multiplied by $20.70/MWh.} \]

\[ \text{JEC}_A = \text{The amount of actual Non-Fuel Operations and Maintenance expenses incurred by the Company associated with 8% ownership of the Jeffrey Energy Center which was conveyed to the Company on or after 1/3/19 at a cost of $0 or $1.} \]

\[ \text{ACAB}_A = \text{The actual ACA balance from the previous ACA year.} \]

\[ \text{S}_A = \text{kWhs delivered to Company’s Requirements Customers during the previous ACA year.} \]

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

NOTES TO THE TARIFF:

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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 to the State Corporation 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.

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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 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
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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 Wester: 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 Reserve Distribution, Day-Ahead Supplemental Reserve Distribution, GFA Carve Out Distribution Daily Amount, GFA Carve Out Distribution Monthly Amount, GFA 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 Reserve Distribution, Real-Time Supplemental Reserve 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
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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 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
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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.