

## ACCOUNTING MANUAL

### RE: WOLF CREEK STATION

#### I. PURPOSE.

This Accounting Manual sets forth record keeping and accounting procedures relating to operation, maintenance, repair, decontamination, decommissioning and capital expenditures of Wolf Creek Station; the establishment of a Working Fund and the method for billing of the Owners of Wolf Creek Station by the Operating Corporation for costs incurred by the Operating Corporation; the method for charging Owner(s) for those costs which should be chargeable to an individual Owner for service performed specifically for that Owner by the Operating Corporation; the method for reimbursements and true-ups among the Owners relating to fuel exchange as authorized in paragraph 4.03 of the Operating Agreement.

Responsibility for the implementation of this Accounting Manual shall be with the Controller of the Operating Corporation or his equivalent, and he shall advise and be advised by the Board of Directors of the Operating Corporation and the Controllers of the Owners where appropriate in the development of policies relating to this Manual and their implementation.

#### II. MAINTENANCE OF RECORDS

The Operating Corporation will develop, maintain and keep all necessary original accounting records and supporting

documents in accordance with the applicable requirements of the Nuclear Regulatory Commission, the Federal Energy Regulatory Commission, the Kansas Corporation Commission, the Missouri Public Service Commission, and all other regulatory bodies and taxing authorities having jurisdiction. The Operating Corporation will, during normal working hours and upon reasonable notice, make available as appropriate, all such original records and supporting documents to appropriate personnel of the Owners and, upon written request by the Owners, to independent auditors and authorized representatives of any regulatory body or taxing authority having jurisdiction, for inspection, copying and audit. All accounts and all original records and supporting documents will be retained by the Operating Corporation at least as long as required by the "Federal Energy Regulatory Commission Regulations to Govern the Preservation of Records of Public Utilities and Licenses." Copies of all such accounts, records or supporting documents will be furnished to the Owners, as requested, and the Operating Corporation will be reimbursed for all direct costs related to preparing such copies.

### **III. OPERATING EXPENSES**

It is anticipated that substantially all of the expenses associated with the WCS will be incurred by the Operating Corporation. Expenses relating to WCS will be accounted for in accordance with generally accepted accounting principles and procedures unless other specific provisions are provided in

this section. If any Owner shall directly incur expenses for the operation, maintenance, repair, decontamination decommissioning of WCS or for capital expenditures on behalf of all the Owners as authorized by the Operating Corporation, that Owner will be reimbursed on the same basis as set forth below for reimbursements to the Operating Corporation. The following subparagraphs A through I are intended to set forth the basic principles for sharing or determining operating and maintenance expenses applicable to WCS including operation and maintenance of the Education Center, Substation and the accounts to which such expenses shall be charged. The Operating Corporation shall charge expenses not covered herein to the appropriate account or subaccount as it shall deem necessary. All expenses, other than nuclear fuel, station use power and spent fuel disposal, will be shared among the Owners on the basis of their respective Ownership Share.

A. Fuel - 518

1. Nuclear Fuel Amortization - Account 518

The amortization of fuel will be charged to expense monthly in accordance with each Owners method of pricing consumed fuel.

2. Other Fuels

The expense associated with fuels, other than nuclear, used for the ancillary boilers and the diesel generators, shall be billed to the Owners monthly on the basis of their respective Ownership Share.

### 3. Spent Fuel Disposal

The Operating Corporation will bill the Owners for spent fuel disposal according to the spent fuel disposal calculation at the time payment is made to the Department of Energy. This calculation shall be based on the current formula as levied by the Department of Energy. This amount will be allocated and billed to the Owners on the basis of percentage take of kilowatt-hours by each Owner as measured on the basis of net output which the generator delivers to the transmission system at the WCS substation.

#### B. Other Operation Expenses

Operation expenses, charged to the following accounts each month, will be borne by each Owner in proportion to their respective Ownership Share.

1. A/C 517 - Operation Supervision and Engineering
2. A/C 519 - Coolants and Water
3. A/C 520 - Steam Expenses
4. A/C 523 - Electric Expenses
5. A/C 524 - Miscellaneous Nuclear Power Expense
6. A/C 525 - Rents

#### C. Maintenance Expenses

Maintenance expenses, charged to the following accounts each month, will be borne by each Owner in proportion to their respective Ownership Share.

1. A/C 528 - Maintenance Supervision and Engineering
2. A/C 529 - Maintenance of Structures
3. A/C 530 - Maintenance of Reactor Plant
4. A/C 531 - Maintenance of Electrical Plant
5. A/C 532 - Maintenance of Miscellaneous Nuclear Plant

D. Operation and Maintenance of Substation

Expenses charged to the following accounts each month will be borne by each Owner in proportion to their respective Ownership Share of the property within the substation.

1. A/C 560 - Operation Supervision and Engineering
2. A/C 562 - Station Expenses
3. A/C 568 - Maintenance Supervision and Engineering
4. A/C 569 - Maintenance of Structures
5. A/C 570 - Maintenance of Station Equipment

E. Administrative and General Expense

The FERC Uniform System of Accounts requires that certain administrative and general expenses directly related to operation and maintenance of a production plant and switchyard/substation must be charged to accounts in the Administrative and General Expense Category. Administrative and general expenses will be borne by each Owner in proportion to their respective Ownership Share and will be charged to the following accounts each month.

1. A/C 920 - Administrative and General Salaries
2. A/C 921 - Office Supplies and Expenses
3. A/C 922 - Administrative Expenses Transferred
4. A/C 923 - Outside Services Employed
5. A/C 924 - Property Insurance
6. A/C 925 - Injuries and Damages
7. A/C 926 - Employee Pensions and Benefits
8. A/C 928 - Regulatory Commission Expense
9. A/C 930.1 - General Advertising Expenses
10. A/C 930.2 - Miscellaneous General Expense
11. A/C 931 - Rents
12. A/C 935 - Maintenance of General Plant

F. Property Taxes - Account 408

Each Owner shall report its share of the investment in assets subject to real estate and personal property taxes in its returns to the appropriate taxing authority and shall make timely payment of all taxes levied thereon. Each Owner will record its property tax expense directly on its own books.

G. Other Taxes - Account 408

1. Payroll Taxes - (FICA and federal and state unemployment compensation taxes). Each Owner shall reimburse the Operating Corporation for payroll taxes when paid in proportion to its respective Ownership Share.

2. Other Miscellaneous Taxes - The allocation of any other tax expense charged to this account which is incurred because of the Ownership or operation of the WCS will be determined by the Controller of the Operating Corporation.

H. Clearing Account Allocations

Clearing accounts such as paid absences, stores and transportation will be established on an as needed basis by the Controller of the Operating Corporation.

I. Improvements and Betterments

Costs charged to account 107, Construction Work in Progress, each month will be borne by each Owner in proportion to its respective Ownership Share.

IV. INVENTORIES

Each Owner will own materials and supplies inventory on the basis of Ownership Share. Purchases of materials and supplies will be made by the Operating Corporation's purchasing department. Any adjustment as a result of physical inventory and adjustments for obsolescence will be shared by the Owners on a respective Ownership Share basis and will be charged to FERC Account 163, Stores Expense Undistributed.

V. PAYMENTS, BILLINGS AND SETTLEMENTS

The Operating Corporation shall be responsible for making payment to all employees, vendors, consultants and all others

who supply services and materials to the Operating Corporation. The Owners shall reimburse the Operating Corporation by making payments to the Working Fund established in the Operating Agreement. The Board of Directors of the Operating Corporation, upon the advice of the Controller of the Operating Corporation, shall determine initially, and from time to time, the amount or the amounts required to maintain a satisfactory balance in the Working Fund. Contributions to this Fund shall be based on Ownership Share. The Operating Corporation shall use this Fund as an imprest cash fund from which it shall make all payments. A report of all payments made by the Operating Corporation will be delivered to each Owner no less than once a month or as needed for reimbursement to the Working Fund as determined by the Controller, which reports will indicate each Owners share of those payments made. Within three working days of receipt of said report, each Owner shall reimburse the Operating Corporation by wire transfer.

#### **VI. NUCLEAR FUEL RECONCILIATION**

During a fuel cycle, it is possible that each Owner will not take its Ownership Share of the energy content of the fuel cycle. A quarterly adjustment to the fuel inventory shall be made by the Operating Corporation which shall adjust each Owner's inventory of nuclear fuel to equal each Owners' Ownership Share. At the start of each refueling outage, an

adjustment shall also be made to carry out the same purposes. The inventory adjustment shall be carried out quarterly by the Operating Corporation in accordance with the formula attached hereto as Exhibit I and its related Example I. The inventory adjustment shall be carried out at the end of the fuel cycle in accordance with the formula attached hereto as Exhibit II and its related Example II. Within three working days of receipt of the report on nuclear fuel inventory adjustments from the Operating Corporation, the Debit Owners shall make payments to the Credit Owners by wire transfer. The price to be utilized in said calculations shall be that established in the Operating Agreement.

These Exhibits and Examples may be adjusted by the Controller of the Operating Corporation after consultation with the Controllers of the Owners to accommodate situations not covered herein.

**VII. DIRECT CHARGES TO AN INDIVIDUAL OWNER FOR SERVICES PROVIDED TO THAT OWNER BY THE OPERATING CORPORATION.**

The Board of Directors of the Operating Corporation shall establish general guidelines for determining when an individual Owner shall be charged directly for services provided to that Owner by the Operating Corporation. Examples of situations when only one Owner should be charged for expenses incurred by the Operating Corporation are, without limitation, rate case expenses, and external audit support. Further examples and

situations will be determined by the Board of Directors of the Operating Corporation upon the advice of the Controller of the Operating Corporation.

Direct charges will be made on the basis of direct man hours charged to an account established for that Owner. Cost of man hours shall include salary plus a benefits percentage, plus an appropriate overhead charge, which will be established by the Board of Directors after consultation with the Controller of the Corporation. Any out of pocket expenses incurred by the Operating Corporation will be billed at cost.

Exhibit I

Reconciliation of Nuclear Fuel Consumed  
From \_\_\_\_\_ through \_\_\_\_\_

A. Percent ownership and fuel cost\* (¢/MMBTU)

KG&E	47	_____	¢/MMBTU
KCPL	47	_____	¢/MMBTU
KEPCO	6	_____	¢/MMBTU

B. Net mwh consumed during the period by all owners equals gross mwh produced by WCGS less station mwh usage.

C. Mwh balance equals the ownership share of net mwh consumed during the period less each owner's actual net mwh consumed during the period.

KG&E	_____	mwh less	_____	mwh =	_____	mwh balance
KCPL	_____	mwh less	_____	mwh =	_____	mwh balance
KEPCO	_____	mwh less	_____	mwh =	_____	mwh balance

Any owner(s) with a positive mwh balance is a credit owner. Any owner(s) with a negative mwh balance is a debit owner.

D. Net average heat rate

$$\frac{\text{_____ MMBTU}}{\text{_____ mwh}} = \text{_____ MMBTU/mwh}$$

E. Reconciliation

Debit owner's mwh balance times credit owner's fuel cost times net average heat rate equals amount owed to credit owner.

(There can be either two credit owners and one debit owner or two debit owners and one credit owner. Any other condition would be deemed taking ownership share and no reconciliation will take place unless it is the end of a cycle when the format set out in Exhibit II will be used.)

\* Fuel cost is defined in Section 4.03 of Operating Agreement.





Exhibit II

Reconciliation of Nuclear Fuel Consumed  
From through

A. Percent ownership and fuel cost (¢/MMBTU)

KG&E	47	_____	¢/MMBTU
KCPL	47	_____	¢/MMBTU
KEPCO	6	_____	¢/MMBTU

B. Net mwh consumed during the period by all owners equals gross mwh produced by WCGS less station mwh usage.

C. Mwh balance equals the ownership share of net mwh consumed during the period less each owner's actual net mwh consumed during the period.

KG&E	_____	mwh less	_____	mwh =	_____	mwh balance
KCPL	_____	mwh less	_____	mwh =	_____	mwh balance
KEPCO	_____	mwh less	_____	mwh =	_____	mwh balance

Any owner(s) with a positive mwh balance is a credit owner. Any owner(s) with a negative mwh balance is a debit owner.

D. Net average heat rate

$$\frac{\text{_____ MMBTU}}{\text{_____ mwh}} = \text{_____ MMBTU/mwh}$$

E. Reconciliation

Debit owner's mwh balance times credit owner's fuel cost times net average heat rate equals amount owed to credit owner.

(There can be either two credit owners and one debit owner or two debit owners and one credit owner. Any other condition would be deemed taking ownership share and no reconciliation will take place unless it is the end of a cycle when the format set out in Exhibit II will be used.)

F. Balance due equals amount owed calculated in E. above plus amounts received during the cycle as a result of quarterly true ups less amounts paid during the cycle as a result of quarterly true ups.

Those owners with a positive balance reimburse those Owners with a negative balance.

\* Fuel cost is defined in Section 4.03 of Operating Agreement.





Exhibit II  
(Example)

Reconciliation of Nuclear Fuel Consumed  
From January 1 through March 31, 1986

A. Percent ownership and fuel cost\* (¢/MMBTU)

KG&E	47	<u>67.4</u>	¢/MMBTU
KCPL	47	<u>64.6</u>	¢/MMBTU
KEPCO	6	<u>67.6</u>	¢/MMBTU

B. Net mwh consumed during the period by all owners equals gross mwh produced by WCGS less station mwh usage.

C. Mwh balance equals each owner's ownership share of net mwh consumed by all Owners during the period less each owner's actual net mwh consumed during the period.

KG&E	<u>989,350</u>	mwh less	<u>989,350</u>	mwh =	<u>-0-</u>	mwh balance
KCPL	<u>989,350</u>	mwh less	<u>989,350</u>	mwh =	<u>-0-</u>	mwh balance
KEPCO	<u>126,300</u>	mwh less	<u>126,300</u>	mwh =	<u>-0-</u>	mwh balance

Any owner(s) with a positive mwh balance is a credit owner. Any owner(s) with a negative mwh balance is a debit owner.

D. Net average heat rate

$$\frac{21,734,125 \text{ MMBTU}}{2,105,000 \text{ mwh}} = 10.325 \text{ MMBTU/mwh}$$

E. Reconciliation

Debit owner's mwh balance times credit owner's fuel cost times net average heat rate equals amount owed to credit owner.

Debit owner	<u>None</u>	Credit owner	<u>                    </u>
Debit owner	<u>None</u>	Credit owner	<u>                    </u>

\* Fuel cost is defined in Section 4.03 of Operating Agreement.







F. Balance due equals amount owed calculated in E. above plus amounts received during the cycle as a result of quarterly true ups less amounts paid during the cycle as a result of quarterly true ups.

KG&E	KCPL	KEPCO
\$-289,795.49	\$115,975.25	\$173,820.23
25,943.00	35,889.69	9,873.25
93,449.16	88,349.16	-18,529.35
310,790.30	18,529.35	-25,943.00
-35,889.69	43,296.28	-43,296.28
-88,349.16	-310,790.30	-93,449.16
-9,873.25		
<u>\$ 6,274.87</u>	<u>\$ -8,750.57</u>	<u>\$ 2,475.69</u>

Those owners with a positive balance reimburse those Owners with a negative balance.

\* Fuel cost is defined in Section 4.03 of Operating Agreement.