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BEFORE THE STATE CORPORATION COMMISSION

OF THE STATE OF KANSAS

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DIRECT TESTIMONY

OF

JERL BANNING

WESTAR ENERGY

DOCKET NO. 12-WSEE-112-RTS

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. Jerl L. Banning, 818 South Kansas Avenue, Topeka, Kansas 66612.

Q. BY WHOM AND IN WHAT CAPACITY ARE YOU EMPLOYED?

A. Westar Energy, Inc. (Westar), Vice President, Human Resources.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE.

A. Between 1996 and 2008, I held various positions in human resources at Aquila, Inc., and Koch Industries. Prior to these positions, I worked in a variety of professional services organizations as a human resources consultant with clients in multiple industries. I received a B.A. in psychology from Bethel

College and a master's degree in organizational/personnel psychology from the University of Kansas.

Q. HAVE YOU TESTIFIED BEFORE THIS OR OTHER REGULATORY BODIES IN THE PAST?

A. Although I have prepared written testimony on behalf of Aquila, Inc. for the Nebraska Public Service Commission, I have not testified in person before this or any other regulatory body.

II. PURPOSE AND OUTLINE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. I will discuss Westar's pay and benefits programs, including base pay and the short-term incentive plan for non-executive level employees, retirement and other benefits, and executive compensation. I will discuss how each of these programs compares to the pay and benefits offered by other similarly-situated utility companies and demonstrate that Westar's pay and benefits programs are reasonable and supported by evidence that they are at or near the market median in all instances.

Included with my testimony are graphs and tables provided from studies and surveys in which Westar has participated. A majority of these studies were conducted by two firms which specialize in actuarial and benefit services, Mercer, LLC, and Towers Watson. Throughout my testimony, I will refer to findings from these studies conducted between 2009 and 2011.

III. OVERVIEW OF WESTAR'S PAY AND BENEFITS PROGRAMS

Q. WHAT IS THE PURPOSE AND OBJECTIVE OF WESTAR'S PAY AND BENEFITS PROGRAMS?

A. Our pay and benefits are designed and managed to attract and retain the talent necessary to provide safe, reliable electric service, and to do so while managing our costs responsibly. We do this by monitoring employee turnover, employee engagement, and employee count. This information is compared to industry standards, along with overall payroll costs and benefits, to ensure we are properly aligned with our peer companies.

Q. WHY IS IT IMPORTANT THAT WESTAR'S PAY AND BENEFITS ARE COMPARABLE TO THOSE OF ITS INDUSTRY PEERS?

A. We compete with other utilities for employees with the same experience and ability to meet our goal of providing safe, reliable service to customers at reasonable cost. In order to ensure that we can effectively attract and retain the employees we need, our pay and benefits must be competitive in the industry.

Q. TO WHICH UTILITIES DO YOU COMPARE YOURSELF TO ENSURE THAT WESTAR'S COMPENSATION AND BENEFITS PROGRAMS ARE REASONABLE?

A. Management and the independent Compensation Committee of Westar's Board of Directors have selected a set of utilities that reflect the size and characteristics of our business – other small to mid-sized regulated electric utilities. Table 1 lists the companies in our peer group. The information in Table 1 reflects data compiled from each company's 2009 Annual Report, 2010 year-end 10-K, and the company's web site as of January 2011.

TABLE 1

Westar Peer Group Comparisons

Company	Generating Capacity (In MW)	Revenue ($)	Employees
Alliant Energy	3,509	3,433	4,957
Ameren Corp	16,800	7,090	9,780
Avista Corp	1,776	1,513	1,538
Black Hills Corp	120	1,270	2,200
Cleco Corp	3,803	854	1,300
DPL Inc	3,700	1,589	1,562
Great Plains Energy Inc	6,100	1,965	3,197
IDACORP Inc	3,321	1,244	2,000
Northwestern Corp	604	1,142	1,354
NSTAR	None	3,050	3,000
NV Energy Inc	5,581	3,586	3,087
Pinnacle West Capital Corp	6,288	3,297	7,200
PNM Resources Inc	2,706	1,648	2,133
Portland General Electric Co	2,784	1,804	2,708
TECO Energy Inc	4,719	3,311	4,073
Unisource Energy Corp	1,686	1,394	1,722
Westar Energy	6,807	1,858	2,397
Wisconsin Energy Corp	5,489	4,128	4,692

Average	4,458	2,454	3,272
Min	120	854	1,300
25th	2,706	1,424	1,792
50th	3,700	1,831	2,553
75th	5,581	3,308	3,854
Max.	16,800	7,090	9,780

When available, we use the information from these companies as our primary source of comparison. When appropriate, we also size-adjust our peers' numbers using regression analysis. We also use industry published numbers and sometimes seek specific comparisons from other companies when appropriate and necessary. I will discuss in more detail the method of gathering comparative information throughout my testimony because it varies a bit according to the availability of information for each component of pay and benefits.

Q. WHY COMPARE TO THE MARKET MEDIAN – THE MIDPOINT OF THE MARKET – INSTEAD OF SOME OTHER MEASURE OF CENTRAL TENDENCY?

A. The median represents the "middle of the pack," and is less susceptible to the influence of outliers – an extraordinarily high or low number that can skew the average when the distribution is not "normal." Therefore, we believe it is the most appropriate measure for comparing pay and benefits. Aiming our compensation levels at the median ensures that we are acting well within industry norms.

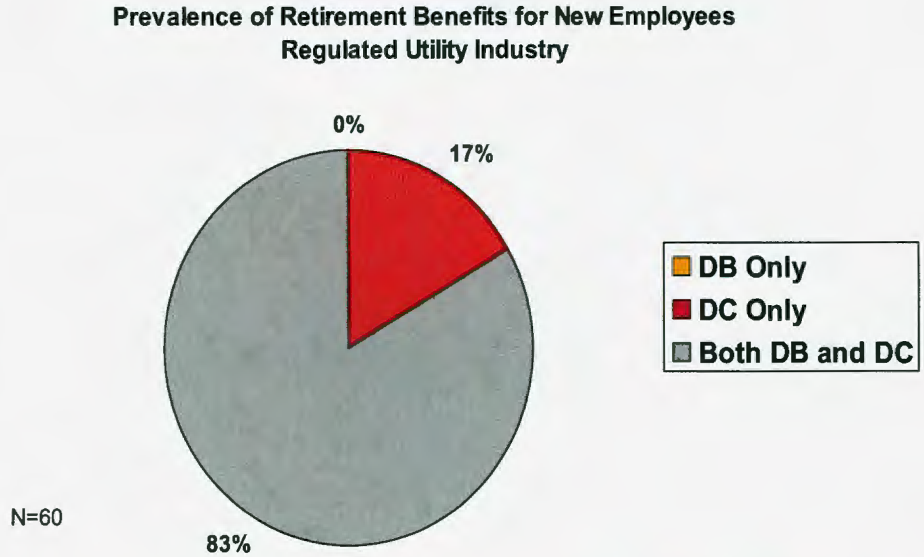
Q. WHAT KIND OF RETIREMENT PROGRAMS DOES WESTAR PROVIDE?

A. Westar provides all union employees, and non-union employees hired prior to 2002, with a typical, final average earnings (FAE), pension plan, which provides employees a level annuity payment after they retire, based upon a formula of tenure and final pay. In 2002, Westar introduced a cash balance plan, which credits to non-union employees' accounts a percentage of pay according to their age, for all hires after January 1, 2002. Westar is currently negotiating with its unions to include all new union employees in the cash balance plan. Westar also offers a 401(k) plan to all employees, which provides a partial match on the first six percent an employee contributes to the plan.

Q. IS THE COMPOSITION OF WESTAR'S RETIREMENT PLANS CONSISTENT WITH WHAT IS TYPICALLY AVAILABLE IN THE ELECTRIC INDUSTRY?

A. Yes. According to studies performed by Towers Watson and Mercer, a majority of the electric utilities participating in the studies offer a defined benefit (DB) plan, most commonly a pension plan, and a defined contribution (DC) plan, most commonly a 401(k) plan. These studies are discussed in more detail below. Figure 1 below, from a study from Towers Watson, shows the mix of defined benefit and defined contribution retirement plans utilized among Westar's peer companies (regulated utilities) for non-union employees. The chart demonstrates that the vast majority (83%) of utilities continue to offer both a defined benefit and a defined contribution plan to new hires.

Figure 1



Q. WHAT IS WESTAR DOING TO MANAGE THE COSTS OF ITS RETIREMENT EXPENSE?

A. In 2002, Westar reduced the level of retirement benefits offered to new, non-union employees by adopting a cash balance formula pension plan. Existing employees were grandfathered in the plans in which they were hired, thereby providing a sunset for the traditional plan. The career-average pay formula under the cash balance plan is simpler to administer and account for and results in lower cost and less volatility than the FAE design. In addition to changing the plan design for new entrants in 2002 to reduce Westar's pension expense, Westar has invested considerable time and disciplined review in the management of Westar's pension expenses and investment strategies, as Mr. Somma explains in his testimony.

Most recently, Westar has entered into 2011 contract negotiations with union representatives. The primary emphasis of Westar's negotiations strategy is to move union, new hires from the traditional pension plan based on final earnings to a cash-balance formula pension plan similar to our non-union new hires, with existing union employees grandfathered in the plans in which they were hired. Westar's most recent proposal to the union, which includes this change to the cash-balance plan, as well as a 2 percent gross wage increase, did not receive a majority vote from union employees. As a result, Westar and the union representatives will continue to negotiate the 2011 bargaining unit agreement.

Q. WHAT CIRCUMSTANCES MIGHT CAUSE WESTAR TO ADJUST ITS BENEFITS PLANS?

A. It is not common, but on occasion where market studies indicate changes are warranted, we make changes. For example, a 2008 review of our retirement plans relative to the market indicated that the combination of Westar's cash balance plan at the time and the 401(k) match significantly lagged the market value of other retirement plans in the utility industry for employees hired after 2002. We also knew that if there were to be a reasonable chance to migrate more employees away from annuity-type plans toward the less-costly cash balance type plans, it would be important to show that the latter are still competitive in the market. A decision was made to adjust the cash balance plan to better reflect the values in the market, and to reduce the disparity in retirement plan values between employees hired prior to 2002, and those hired after. In addition to providing a more market-competitive retirement benefit, the revised design was adopted to serve as a retention tool for experienced workers by adjusting the contribution rate for older employees as compared to younger employees.

As discussed below, the Mercer study indicates that even after this adjustment, Westar's cash balance plan for a new employee remains below the median of our peer companies. The plan change in 2008 did result in an increase – approximately $600,000 – in the annual cost of retirement benefits, but assures that we have a viable path to continue making the improvements needed to balance costs and competitive benefits.

IV. WESTAR'S RETIREMENT AND BENEFITS PROGRAM FOR NON-UNION AND UNION EMPLOYEES

Q. HOW DO WESTAR'S BENEFIT AND RETIREMENT PLANS COMPARE TO THE MEDIAN OF ITS PEER GROUP?

A. Both Westar's overall benefits and Westar's retirement benefits are below the median of its peer group. Westar's union plan provisions are negotiated through collective bargaining, which makes Westar's ability to meet the median target subject to slightly more variation. However, according to the best information we could obtain, Westar's overall benefits and retirement benefits for union employees were also very close to the median of our peer group.

Q. PLEASE DESCRIBE HOW YOU CAME TO THE CONCLUSIONS STATED ABOVE REGARDING WESTAR'S BENEFIT AND RETIREMENT PLANS FOR NON-UNION EMPLOYEES.

A. In 2010, we hired Mercer, a firm specializing in benefits and actuarial services, to conduct an independent review of our non-union benefits plans and expenses relative to our peer group (Mercer Study). Mercer was able to provide information from its database for Westar and eight other utilities from our specified peer group. (Wolf Creek Nuclear Operating Corporation was also included in the study.) The peer companies included in the Mercer study were: Ameren Corporation, Black Hills Services Company (Corp), Dayton Power and Light, Great Plains Energy, Inc., IDACORP Inc., Pinnacle West Capital Corporation, Portland General Electric, and TECO Energy Inc., all of which have similar businesses as Westar.

In 2011, we participated in the Towers Watson Energy Services BENVAL Study of our union and non-union benefit plans and expenses relative to our industry (2011 Towers Watson Study). Towers Watson provided data for Westar and seven utilities from our peer group. The peer companies included in the Towers Watson study were: Avista Corporation, Great Plains Energy Inc., NSTAR, NV Energy, Pinnacle West Capital Corp., Portland General Electric Co., and TECO Energy, Inc. The Towers Watson study also included seven companies not from our peer group but matched according to similar revenue size. These companies were: CPS Energy, Dynegy Inc., Integrys Energy Group Inc., Northeast Utilities Services Co., Puget Sound Energy Inc., Salt River Project, and Vectren Corporation.

The Mercer and 2011 Towers Watson Studies used sophisticated actuarial methods to compare company benefits.[1] They determined whether the value of the benefits plan offered by Westar is comparable to the value of benefits provided by the peer group companies. This comparison was made by estimating the pre-tax salary that employees from each participating company would give up in order to gain each benefit offered, while controlling for company differences that might impact costs, such as demographics and regional cost differences.

Q. WHAT WERE THE RESULTS OF THESE STUDIES WITH RESPECT TO TOTAL BENEFITS PROVIDED TO NON-UNION EMPLOYEES?

A. The results of both studies of the total benefits provided to non-union employees are provided below. For both studies, the "Rank" is where the cost of Westar's benefits plans ranked among the peer

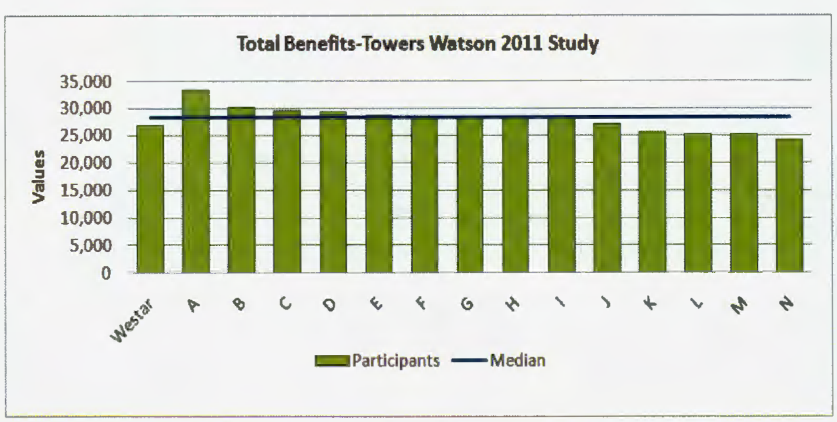
[1] For ease of comparison, the Mercer Study focused on new hires and non-union benefits.

group, with "1" being the highest cost. The "Index" identifies, on a percentage basis, how the cost of Westar's benefits plans compares to the median of the peer group with 100 representing the median.

The results of the Mercer Study indicate that Westar's overall benefits values ranked ninth out of – or less expensive than – the 10 utilities included in its database with an overall value slightly below (that is, at 92 percent of) the median.

The 2011 Towers Watsons Study confirmed the results from Mercer with respect to the total benefits provided to non-union employees. Those results are illustrated in Figure 2 below. The Towers Watson 2011 study indicates that Westar's overall benefit values ranked eleventh out of the 15 (again, less expensive than) utilities included in Towers Watson's study, with an overall value slightly below (at 95 percent of) the industry median.

FIGURE 2
WESTAR NON-UNION BENEFIT COST BELOW MEDIAN

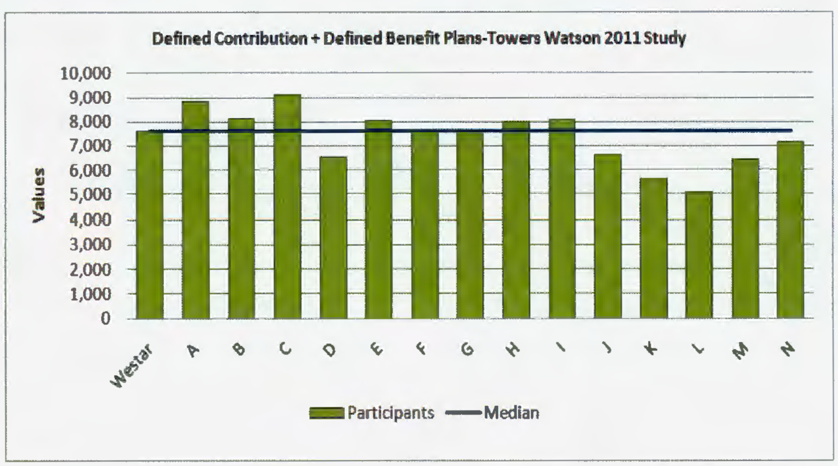


Q. WHAT WERE THE RESULTS OF THE STUDIES WITH RESPECT TO THE RETIREMENT BENEFITS WESTAR PROVIDES TO NON-UNION EMPLOYEES?

A. In the Mercer Study, Westar's total retirement benefits for non-union employees (the pension plan together with the 401(k) plan) ranked seventh out of 10, at 88 percent of the median.

In the 2011 Towers Watson Study, Westar's total retirement benefits for non-union employees (again, the cost of the pension plan together with the 401(k) plan) ranked seventh out of 15, just slightly above industry median. The results are illustrated in Figure 3 below.

FIGURE 3
WESTAR'S RETIREMENT SAVINGS AT INDUSTRY MEDIAN



Q. HAS WESTAR PARTICIPATED IN ANY OTHER STUDIES THAT CONFIRM THE RESULTS OF THE MERCER STUDY AND THE

2011 TOWERS WATSON STUDY WITH RESPECT TO WESTAR'S NON-UNION BENEFIT AND RETIREMENT PLANS?

A. Yes. Westar participated in a study of total compensation for non-union employees in the electric utility industry in 2009. This study was commissioned by another electric utility and was conducted by Towers Watson (2009 Towers Watson Study). The study included 33 electric utilities across the United States and separately analyzed each component of pay and benefits.

Q. **WHAT WERE THE RESULTS OF THE 2009 TOWERS WATSON STUDY WITH RESPECT TO NON-UNION EMPLOYEES?**

A. Similar to the Mercer Study and the 2011 Towers Watson Study, the 2009 Towers Watson Study indicated that Westar's total retirement program cost is below the average, and at the median, of its peer group in terms of the percentage of pay contributed to employee retirement benefits. The results are summarized in Table 2 below.

TABLE 2
WESTAR ENERGY NON UNION TOTAL RETIREMENT BENEFIT AT MEDIAN

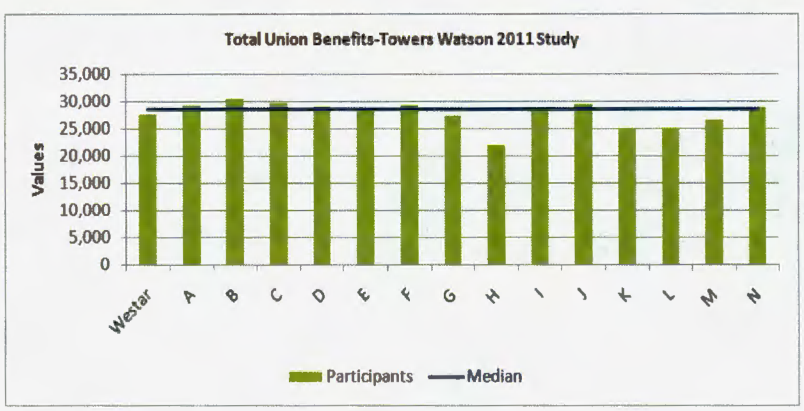
Retirement Benefit Value as a % of Base Pay														
	Westar	Peer Companies (Non-Union)												
	Non-Union (CB)	1	2	3	4	5	6	7	8	9	10	11	Avg.	Median
Total	9.20%	7.70%	9.10%	9.70%	8.70%	14.20%	12.10%	9.20%	9.10%	10.00%	6.50%	10.60%	9.70%	9.20%

Q. **HOW DO WESTAR'S BENEFIT AND RETIREMENT PLANS FOR UNION EMPLOYEES COMPARE TO OTHER COMPANIES?**

A. The 2011 Towers Watson Study included an analysis of the value of Westar's union benefit plans provided to new hires. In Figures 4-5 shown below, the "Rank" is where the cost of Westar's benefits plans ranked among the peer group, with "1" being the highest cost. The "Index" identifies, on a percentage basis, how the cost of Westar's benefits plans compares to the median of the peer group with 100 representing the median.

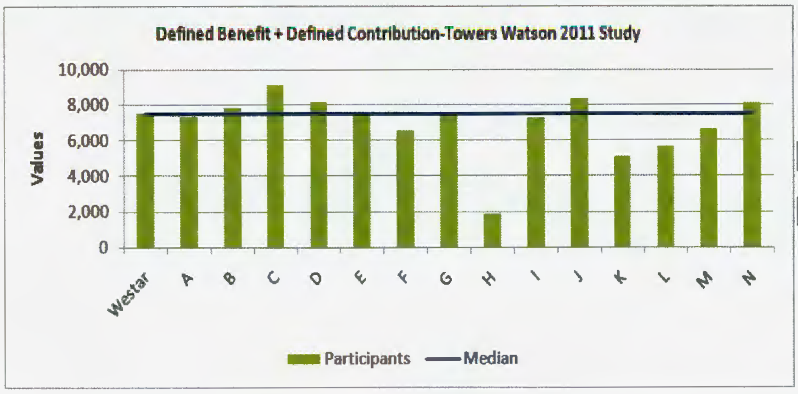
The results of the 2011 Towers Watson Study of the total benefits provided to union employees are provided in Figure 4 below. The results indicate that Westar's overall union benefit plan ranked tenth (again, less costly) out of the 15 utilities participating in the 2011 Towers Watson Study with an overall value slightly below (at 96 percent of) the median.

FIGURE 4
WESTAR TOTAL UNION BENEFITS BELOW MEDIAN



Westar's total retirement benefits for union employees (the defined benefit plan together with the defined contribution plan) ranked eighth out of 15 and right at the industry median, as further illustrated in Figure 5 below.

FIGURE 5
WESTAR UNION RETIREMENT BENEFIT PLAN AT MEDIAN



V. WESTAR'S BASE PAY AND SHORT-TERM INCENTIVE PROGRAMS

Q. HOW DO WESTAR'S BASE PAY PROGRAMS COMPARE TO OTHERS IN THE INDUSTRY?

A. Westar's comparison ratio for base pay for non-union employees is right at the market median – exactly 100% of the midpoint – which is right on our target. The comparison ratio for union employees is just slightly above the median, at 102% of the midpoint.

Q. WHAT IS A COMPARISON RATIO?

A. A comparison ratio is the ratio between the market median for a position and the amount Westar actually pays its employees in that position. Market data is generally not available for all of Westar's positions. Therefore, we focus primarily on jobs that are common in the industry for which reliable market data can be found. These jobs are called "benchmark jobs." The comparison ratio is determined by the average of the difference in pay for each Westar employee in a benchmark position from the median pay for the companies within the industry for which data was available, reported as a percentage of the median. A percentage greater than 100 percent means pay is above the market median, a percentage less than 100 percent means pay is below the market median. The comparison ratio is the best available metric for showing Westar's overall actual pay position relative to market.

Q. WHAT IS THE COMPARISON RATIO FOR WESTAR'S NON-UNION EMPLOYEES?

A. Westar's aggregate comparison ratio for non-union exempt positions is 100 percent, or right at the market median.

Q. WHAT IS THE COMPARISON RATIO FOR WESTAR'S UNION EMPLOYEES?

A. Westar's comparison ratio for union positions is 102 percent, or slightly above the market median.

Q. DOES A RATIO ABOVE 100% OF THE MEDIAN INDICATE THAT YOU ARE PAYING YOUR EMPLOYEES MORE THAN YOU NEED TO?

A. No. In fact, it is only coincident that it would be precisely at 100%. Typically it will be slightly higher or lower, sometimes simply due to statistical anomaly.

Q. DOES WESTAR USE PROGRAMS THAT PLACE SOME COMPENSATION AT RISK?

A. Yes. For our non-union employees, depending on their position, part of their pay is variable, depending on performance. We refer to this as a Short-Term Incentive program.

Q. HOW IS WESTAR'S SHORT-TERM INCENTIVE PROGRAM DESIGNED?

A. Westar's short-term incentive plan, the variable pay component of our compensation mix, is a common element of pay for non-union employees.[2] Incentive targets are established for each pay grade and are designed to bridge the gap between the median market base pay and the median market targeted total cash pay. To be clear, our base salaries alone would not be market competitive absent the opportunity to earn at-risk incentive compensation. Total cash compensation, as reported in our survey sources, is the combination of base pay and any annual cash payments. While we expect these incentive payments to vary around the targets in any given year based on performance, over time, they average out to reflect the targeted market incentive payout. When combined with our base pay program, total compensation to employees is commensurate with the market median.

[2] At Westar, officers are not eligible for the short-term incentive plan.

We believe it is important to pay competitive compensation close to the market median. In addition to helping us maintain competitive pay, this incentive program is designed to reinforce important group and individual goals and behaviors and to focus employees on Westar's strategic objectives. The incentive pool for each of our business units is established through performance on a combination of customer service, operational, safety, and financial goals, with customer service, operational and safety goals comprising the vast majority of the potential amount. That incentive pool is distributed to individual employees by the leadership of the business unit according to each individual's relative contribution as measured through our performance management system.

Q. WHAT IS WESTAR'S TARGET PAYOUT FOR ITS SHORT-TERM INCENTIVE PROGRAM?

A. We also target our short-term incentive plan payout at the market midpoint.

Q. DOES YOUR APPLICATION REFLECT ACTUAL COSTS FOR SHORT-TERM INCENTIVE FROM THE TEST YEAR?

A. No. Our 2010 short-term incentive expense was higher than we expect to incur in the future, due to specific, temporary design changes we made just for that year, and that year only. Accordingly, in this Application we have reduced – as part of our payroll adjustment – actual expense.

Q. WHY DID YOU ADJUST YOUR PROGRAM LAST YEAR AND WHAT YOU EXPECT FOR THIS AND FUTURE YEARS?

A. At the end of 2009, following the onset of the economic downturn and the coolest summer in 40 years, Westar contemplated several ideas for controlling operations and maintenance expenses during the 2010 budget process, including severe measures such as furloughs and headcount reductions. After much deliberation and several revisions to the budget, we determined that the 2010 budget objectives could be achieved if incentive targets were cut in half, but the adjustment meant our incentive targets and total compensation targets would be below market median for 2010.

In order to compensate affected employees for the increased likelihood that their compensation would be significantly below the market median for 2010, we also gave them the opportunity to earn an incentive payout greater than the market median if Westar's results for 2010 warranted such a payout. Those goals were met – in fact exceeded – and as a result, employees received better than target compensation in 2010. As indicated above, this was a temporary change unique to those circumstances. We have since restored the traditional features and expect to pay lower, more typical variable pay, and as a result, made a downward adjustment in our test year expenses in this Application.

Mr. Armstrong sponsors the adjustment that eliminates the higher actual 2010 expenses and replaces them with a lower, more typical expectation for at-risk compensation.

VI. WESTAR'S EXECUTIVE COMPENSATION PLAN

Q. PLEASE DESCRIBE WESTAR'S EXECUTIVE COMPENSATION PLAN.

A. Westar's compensation for its executives includes base pay and a long-term incentive plan. Executives do not have the opportunity to earn a short-term cash incentive. The long-term incentive plan for executives is composed of Restricted Share Unit (RSU) grants. Half of the RSU grants made under the long-term incentive plan vest based on Westar's performance over a three-year period and the other half of the RSU grants vest after three years. If the executive resigns or is terminated, the RSUs are subject to forfeiture. Executive compensation is also targeted at the market median with individual officer compensation set above or below the market median based on individual officer considerations such as performance and experience.

Q. HOW DOES WESTAR'S BASE PAY AND TOTAL COMPENSATION FOR ITS OFFICERS COMPARE TO THE INDUSTRY?

A. Westar's base pay for officers is slightly below the market median, at 99% of the midpoint, and Westar's overall total compensation for officers (base pay and the long- term incentive) is also 99% of the median for the industry.

Q. HOW DO YOU MANAGE EXECUTIVE COMPENSATION TO ENSURE THAT IT IS REASONABLE GIVEN THE MARKET AND WESTAR'S PERFORMANCE?

A. Compensation for our officers is set by the Compensation Committee of the Board of Directors. Like all of our Board Committees, it is composed entirely of independent directors. The Compensation Committee hires its own outside independent consultant to summarize and interpret data regarding executive compensation and to advise the Committee. In order to ensure breadth of data, the consultant uses Towers Watson's database, discussed above, as the primary benchmark source for executive compensation. Towers Watson provides a broad utility industry view and the data is size-adjusted based on revenues – the most common approach – to account for Westar's relative size.

The Compensation Committee of the Board of Directors then analyzes the pay for Westar's Chief Executive Officer and the officer group as a whole as compared to the market and makes a decision on the budget for salaries and equity compensation for the group and for the top five proxy reported positions.

To obtain an additional perspective regarding the level of Westar's executive compensation as compared to the industry, Westar analyzes proxy-reported data from Westar's peer group.

Q. PAY AS REPORTED IN THE PROXY WAS SIGNIFICANTLY HIGHER IN 2010 THAN FOR 2009. DOES THAT MEAN YOU PAID YOUR EXECUTIVES SIGNIFICANTLY MORE?

A. No. The increase in reported executive compensation for 2010 in Westar's 2011 Proxy Statement was caused by two factors – both unrelated to the amount of compensation officers actually received. First, the Securities and Exchange Commission (SEC) reporting rules changed to require that the full value of *potential* equity compensation (i.e., stock compensation) be reported, even if the executive may never earn the stock. This reporting requirement became effective on February 28, 2010, but because of the timing of stock grants (most of Westar's officers received no such stock compensation in 2009 but did receive multi-year grants in 2010) the impact of the rule change was not truly reflected until Westar's 2011 proxy statement.

Second, Westar is transitioning its executive compensation plan from an approach that provided lumpier, long-term stock grants to executives with a portion of those vesting each year to a more common approach that incorporates both performance and time-based vesting. The new program incorporates annual stock grants and three-year cliff vesting, increasing the amount that executives might have to forfeit should they leave and providing a strong retention incentive. The 2010 stock grants reflected this transition through a smoothing into the new program to keep actual compensation more stable. These transition grants also have to be reported in the proxy, even though actual compensation received by the officers did not change much at all. These transition grants are explained in greater detail in Westar's 2011 Proxy Statement. Westar's proxy statements are available through the "Investors" link on its website at www.westarenergy.com.

Figures 6-8 below illustrate the compensation provided to Westar's Chief Executive Officer (CEO) in 2008-2010. Figure 6 illustrates the CEO compensation reported in Westar's 2011 proxy statement for 2008, 2009, and 2010. In accordance with the SEC reporting rules, due to the timing of equity grants, Westar was required to report a disproportionate amount of stock grants in 2010 -without regard to when the stock grants actually vest, and even without regard to how Westar accounts for the expense of these grants. Clearly, this presentation suggests our CEO received a significant increase; however, Figures 7 and 8 provide a more accurate and complete picture of actual compensation.

FIGURE 6
PROXY REPORTED SALARY OF WESTAR CEO SHOWING NO CHANGE IN BASE PAY

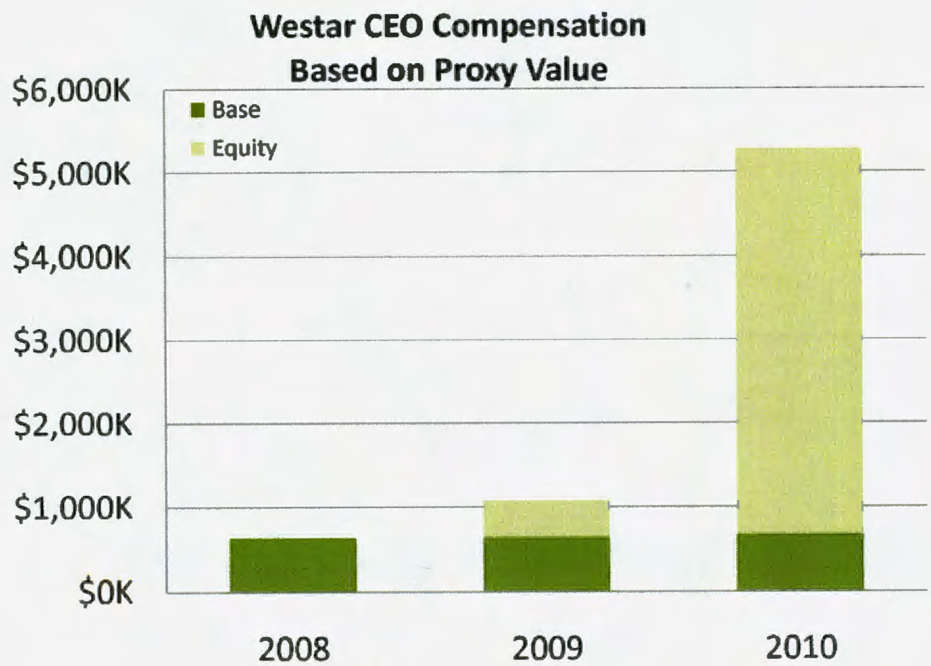


Figure 7 illustrates the actual compensation paid to the CEO for each of these years according to his W-2, relative to the market. The line labeled as "Market" in Figure 7 reflects the 50th percentile of the market for CEO compensation. Compensation for Westar's CEO in 2008-2010 was below the 50th percentile of the market.

FIGURE 7
COMPENSATION FOR WESTAR CEO BELOW MARKET MEDIAN

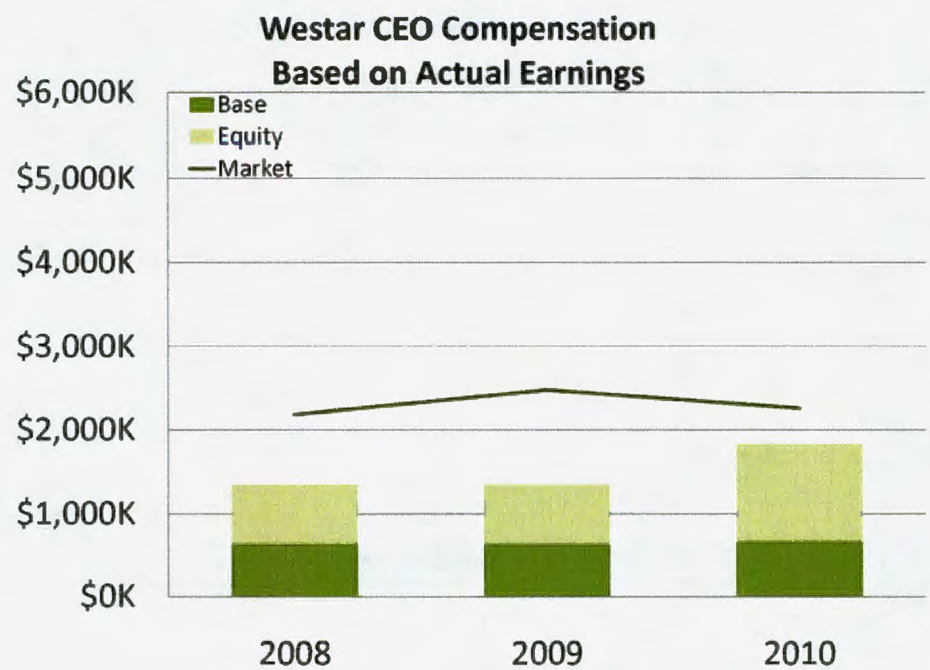
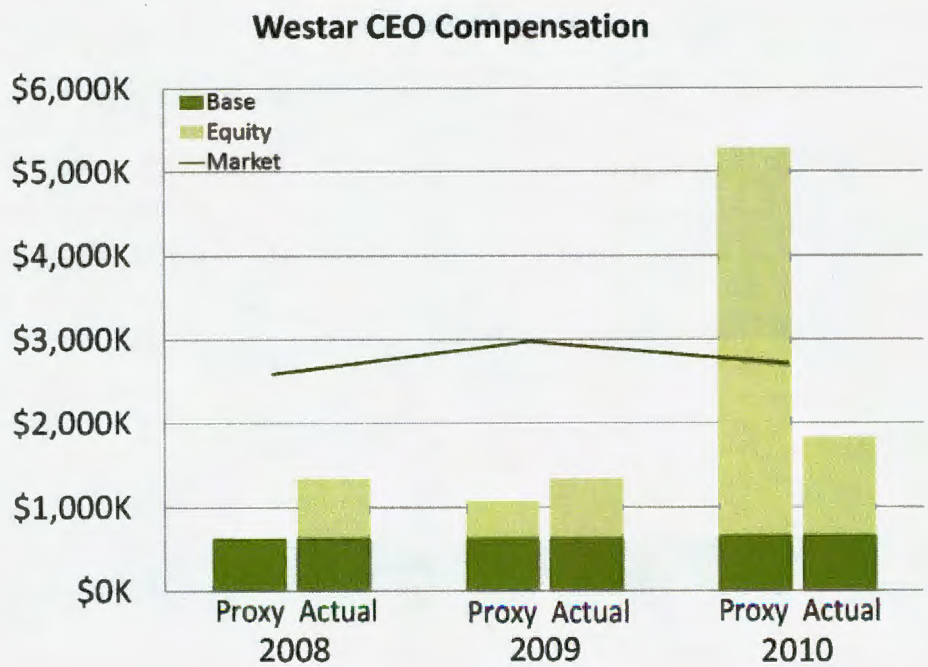


Figure 8 compares the compensation reported in Westar's 2011 proxy statement to the compensation Westar's CEO actually received in 2008, 2009 and 2010. In other words, it combines the two prior charts in a side-by-side format. As is evident from Figure 8, there is a significant difference between the compensation reported in Westar's 2011 Proxy Statement and the compensation actually received by Westar's CEO in 2010.

FIGURE 8
WESTAR CEO ACTUAL PAY BELOW PROXY REPORTED PAY



Westar is asking to include in rates the actual 2011 base pay plus the 2011 RSU amortization expense, not the higher compensation reported in the 2011 Proxy Statement. Mr. Armstrong provides the detail regarding the amount of executive compensation Westar is asking to include in rates in his testimony.

Q. DO YOU HAVE ANY CONCLUDING REMARKS REGARDING WESTAR'S EXECUTIVE COMPENSATION FOR 2010?

A. Yes. There are three significant points to take from this discussion. First, Westar's executive compensation is targeted at the 50th percentile (i.e., midpoint) of the market at an aggregate level for all of the officers. Second, the actual earnings of each officer in a given year vary according to Westar's performance, the officer's performance, and relative contribution, as well as the market levels for that officer's position. Finally, the perceived volatility in executive compensation is due to the changes in SEC proxy reporting rules and the transitioning of Westar's executive compensation program to introduce performance vesting, consistent with the most common practice among our peers. It is not a result of actual volatility in the compensation paid to Westar's executives.

Q. THANK YOU.