BEFORE THE STATE CORPORATION COMMISSION

OF THE STATE OF KANSAS

DIRECT TESTIMONY

OF

WILLIAM B. MOORE

WESTAR ENERGY

DOCKET NO. 08-WSEE-1041-RTS

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. William B. Moore, 818 South Kansas Avenue, Topeka, Kansas 66612.

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

A. Westar Energy, Inc. I am President and Chief Executive Officer and also serve on our board of directors.

Q. PLEASE DESCRIBE YOUR EDUCATION AND BUSINESS EXPERIENCE.

A. In 1974, I graduated cum laude from Wichita State University with a Bachelor of Business Administration with a concentration in Accounting. After my graduation, I worked for Arthur Andersen & Company as a Senior Consultant until I was hired by Kansas Gas and Electric Company (KG&E) as a Finance Assistant. From 1978 to 1992, I worked at KG&E at various positions in the finance areas.

I was named Vice President, Finance and Chief Financial Officer of KG&E in 1985 and held that position at the time of KG&E's acquisition by Westar. After the Westar/KG&E merger, I served as Vice President, Finance from 1992 to 1995, as President and Chairman of the Board of KG&E from 1995 to 1998 and as Executive Vice President, Chief Financial Officer and Treasurer of Westar, from 1998 to 2000.

I left Westar in October 2000 to work as a Managing Director for Saber Partners, LLC and returned to Westar in December 2002 as Executive Vice President and Chief Operating Officer. In July 2007, I was promoted to President and Chief Executive Officer of Westar.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. My main purpose is to identify and discuss conditions affecting Westar, our customers and the state of Kansas that I think are most important to the Commission's consideration of our rate request. First, collectively, we face difficult and expensive challenges in meeting our customers' energy needs and more stringent environmental and regulatory requirements. Second, because of farsighted decisions, some going back thirty or more years, we are well positioned to meet these challenges if there is mutual determination to do so. Third, the challenges we face were not unilaterally created by Westar – rather, they are the product of our efforts to deliver on the expectations and demands of policy-makers and our customers.

The Commission's decision in this case will determine how effectively and at what cost we will be able to respond and deliver. The consequences will be significant and long lasting. They include our ability to access capital markets and whether we can emulate our farsighted predecessors and make the best investment decisions for the long term. The Commission's decision will affect future financing costs that will be reflected in rates, the pace at which we can complete major environmental projects and pursue energy efficiency and renewable programs, and the resources available to address basic infrastructure needs that ultimately determine the reliability of our service to customers.

We welcome and expect the scrutiny of all parties in this case. We believe a careful review of the facts will lead to a shared understanding of the important energy issues we face in Kansas and of the need for adequate rate recovery to address those issues. If undertaken in good faith, such scrutiny can be a positive and essential component of the constructive, collaborative and open approach to regulation that we advocate.

Q. WHAT OTHER SUBJECTS DO YOU ADDRESS IN YOUR TESTIMONY?

A. I want to offer additional perspective on the extraordinary confluence of factors and challenges affecting our customers, our state and us. My testimony explains how our rate application is consistent with and integral to the successful execution of our plans to address those challenges and identifies the major factors driving our revenue requirements. I also describe the comparative rate advantage enjoyed by our customers today – an advantage that will continue even with implementation of the full amount of the increase we have requested.

While I believe it is crucial to align our utility rates with the significant capital investments we are making, I recognize that we must make good use of the dollars we receive from our customers. Therefore, to give the Commission confidence that we continue to act in a fiscally responsible manner, I discuss generally the steps we have taken to manage and control our costs and identify witnesses who will describe those efforts in more detail. Finally, I believe that the best decision-making is the product of an open and collaborative process. My testimony addresses steps we have taken to foster that approach. I am hopeful that those efforts have helped to build confidence with the Commission and among all the participants in this case that our plans make sense for our customers and the state and should be supported.

Q. PLEASE EXPLAIN WHY THIS IS SUCH A WATERSHED MOMENT FOR WESTAR AND THE STATE.

A. The current challenges and how we propose to address them are detailed in the document we published earlier this year, *Meeting Our Customers' Needs: A Strategic Plan for Uncertain Time*s (Comprehensive Plan). The document was widely distributed to the Commission, other policymakers, and to the public generally through our website. I expect others to suggest differences in approach and nuance from what we propose and I welcome a thoughtful discussion of those differences. Nonetheless, I also think we are at one of those critical times where policymakers must take the long view, recognize our commonality of interests and make decisions that permit us to meet our very real and very substantial investment requirements on terms that investors will find acceptable as they consider entrusting their capital to us.

We have reached the point at Westar where the generating capacity provided by our large baseload generating resources constructed in the 1970s and 1980s must be supplemented. The Commission has acknowledged this need for additional generation in its orders in the Emporia Energy Center and wind power predetermination dockets. Looking forward in the Emporia Energy Center predetermination docket, the Commission directed Westar and Staff to arrive at a common methodology for peak forecasting.

We are pleased to report that has been accomplished. We believe the Commission's directive has been conducive to establishing common ground on a foundational issue during a period when additional generation is required.

Additionally, Westar, like other electric utilities, must also make huge investments to meet existing environmental standards, let alone even stricter, broader standards now being discussed at many levels of government. And again, this Commission has also recognized the necessity of investments to meet environmental standards in its constructive decision to allow for timely recovery of such investments in our rates and allow us to show our customers the cost of meeting these tough standards.

Factors affecting our investment decisions and the magnitude of what we must do include:

- Increasing customer demand for electricity.
- Development of technologies and programs that make energy efficiency a real factor in controlling this growth in demand.
- Rapidly rising costs for equipment, commodities, and labor used in construction of generating plants and electrical transmission and distribution plant. (This has had a particularly negative impact on base-load coal plants where

construction costs have about doubled in just the last two years.)

- Extreme volatility in natural gas prices.
- Urgent concerns about a correlation between man-made greenhouse gases and global warming.
- Potential revitalization of nuclear generation.
- Unsettled public policy and uncertain future operational and financial burdens for fossil-fuel generation.
- Improving technology for renewable energy resources, particularly wind.
- The chasm between the demands for use of "clean coal" technology and the lack of commercial development of such technology.
- Heightened responsibilities (and costs) for environmental compliance and stewardship. For example, for the next three years, we expect Westar's required environmental investments alone to exceed $660 million for projects designed to reduce regulated air emissions at our generating plants, and potentially more as the EPA pursues its New Source Review goals. And I would note that estimate does not include costs related to potential new regulations concerning controls on green house gas emissions.

- Increased national emphasis on development of a transmission grid that will facilitate the movement of electricity within and among regions in the country, with a particularly important goal of allowing Kansas the opportunity to export its valuable excess wind resources in the form of renewable energy.
- The need to deal with aging infrastructure.

Addressing these factors means that Westar's capital investments each year, for the next several years, will be in the range of $750 to $900 million – three to four times our historic level of annual capital investment.

Mark Ruelle's testimony includes a graph showing our capital expenditures for the prior ten years compared to future requirements. Ruelle, Figure 4, at 16. It provides graphic illustration of the magnitude of our prospective investment challenge.

To make investments at these levels, we will have to raise substantial external funds from debt and equity investors and increase internally generated funding through higher electric rates. We cannot accomplish these infrastructure investments, some of which the Commission has already reviewed and appropriately determined to be necessary, on reasonable terms with current utility rates. As our planned investments are examined, I think the

Commission and other parties will reach the same conclusion I have – that delay in moving ahead will not serve the interests of our customers, investors or the state. To put it simply, electric rates must go up to support new investment and attract debt and equity investment on reasonable terms.

Q. WHAT ARE THE KEY ELEMENTS OF YOUR COMPREHENSIVE PLAN?

A. First, the Comprehensive Plan recognizes that customers' use of electricity continues to grow. We will be addressing this growing consumer demand through a combination of the aggressive pursuit of energy efficiency and load control initiatives; high efficiency, quick starting natural gas simple cycle and combined cycle turbines; expansion and enhancement of our transmission network; improved productivity from existing coal plants; and extending the operating life of Wolf Creek.

Also, consistent with state and federal policy, our largest single financial commitment in new generation is to foster the development of a renewable resource – wind generation. It is our intention to defer as long as we prudently can the addition of a base-load plant – coal or nuclear. Part of our ability to do this results from the flexibility afforded by our portfolio of wholesale sales, which can be adjusted over time to balance the energy needs of our retail customers with the financial value such sales to others might bring in the way of offsetting retail rates. Additionally, as I noted earlier, we are making large investments, required by law and regulation, in environmental upgrades at our existing coal plants. Other elements of our Comprehensive Plan include a continued focus on improving the reliability of our distribution system and possibly deploying advanced metering infrastructure.

Q. WHAT ELEMENTS OF YOUR COMPREHENSIVE PLAN HAVE THE LARGEST IMPACT IN THIS CASE?

A. This case is driven largely by our investment in natural gas and wind generation facilities – key components of our strategy to defer the need to construct more costly and uncertain base-load generation. Consistent with the Commission's predetermination orders in prior proceedings, we have included in rate base costs associated with our new wind generation facilities and the new Emporia Energy Center natural gas peaking units.

We are also including in rates our investment in the Spring Creek natural gas generation facility for the first time. Our customers will have had the benefit of this investment for more than two years before it is reflected in rates. As the Commission is aware, Spring Creek is a 300 MW natural gas peaking plant acquired in 2006 at an effective net cost of approximately $145/kW. Construction costs for such units have been increasing rapidly and, reportedly, may now exceed $550/kW. The Spring Creek purchase was an incredible bargain for our customers.

In recent years, we have substantially increased our expenditures for distribution reliability and our case reflects that continued commitment. Finally, we included some initial costs associated with our conservation and efficiency programs and the cost of staffing our important new energy efficiency department. We anticipate, however, that the bulk of energy efficiency costs will be deferred and recovered in subsequent proceedings, as the programs themselves are just now getting fully under way.

I should also note that our environmental and transmission-related investments, while significant, are or will be recovered outside of base rates through the Environmental Cost Recovery Rider and the Transmission Delivery Charge. However, because they are subject to Commission review, the nature and status of these essential investments are discussed in the testimony of Kelly Harrison and Greg Greenwood.

Q. YOU HAVE MENTIONED ENERGY EFFICIENCY PROMINENTLY SEVERAL TIMES. WHY?

A. Although the costs associated with energy efficiency that we seek to recover in this case are fairly modest compared to the cost associated with our incremental capital investments in new generation resources, energy efficiency plays an integral role in our

Comprehensive Plan. As Jim Ludwig explains in his testimony, energy efficiency is one of the most cost-effective and environmentally responsible ways we can work together with our customers to meet their energy needs.

In the circumstance where electricity rates are rising, as they must now, it is critical for our customers to understand and be able to choose ways to get the most value from their energy expenditures. It is our view that energy efficiency programs are not ancillary for a utility, but an integral part of its operations. Of course, these programs also create costs, which must somehow be recovered in electric rates. To the extent the Commission ultimately adopts a regulatory treatment of energy efficiency that allows utilities to make it a sustainable business activity, and, subsequently, to the extent we find and launch cost-effective energy efficiency initiatives, we mitigate the impact of rate increases for our customers who are willing to adopt an energy efficient ethic. Encouraging energy efficiency is also an important element of sound environmental stewardship.

Q. WHAT IS THE SIGNIFICANCE OF THIS CASE TO YOUR COMPREHENSIVE PLAN?

A. It would not be an exaggeration to say that the Commission's decision in this case is the cornerstone of our Comprehensive Plan. Successful implementation is dependent upon the Commission issuing a constructive decision that: (a) results in our customers understanding and paying for the prudent costs of providing reliable utility service in today's environment; and (b) affords investors an opportunity to earn a reasonable return on their capital that they have committed to investing in Kansas utility plant. The results of such a decision will inure to the long-term benefit of all Westar constituents and the state of Kansas. Conversely, a decision that does not permit adequate cost recovery and a reasonable return will surely unravel the positive steps we have taken together and will hinder our ability to address critical needs of our state, something that in the long run, would end up costing consumers more in subsequent cases and putting Kansas behind in achieving a sound energy policy.

Q. MORE SPECIFICALLY, WHY IS THE OUTCOME OF THIS RATE APPLICATION SO IMPORTANT TO IMPLEMENTATION OF YOUR COMPREHENSIVE PLAN?

A. Our Comprehensive Plan recognizes that we are in a time of extraordinary uncertainty for the electric utility industry. Among the causes of uncertainty are rapidly rising costs for power plant construction, the still embryonic status of clean coal technologies, and the evolving nature of state and federal energy and environmental policies. Given these factors, we have adopted a flexible, transitional strategy that we believe will allow us to meet our service and environmental obligations while controlling both mid- and long-term risks for our customers and our company.

In the interim, we expect greater clarity to emerge regarding developing generation technology, market needs, and underlying public policies affecting our industry. As Mark Ruelle explains in more detail, investors, who are an essential constituency to seeing the Comprehensive Plan through to fruition, are closely watching how regulators respond to it in the order in this case. We understand the financial pressures confronting our customers, especially during this economic downturn, but we cannot dodge the reality that rising energy costs are a fact of life across our nation, even the world. On a company-wide basis, our rates today are slightly lower than what they were in 1984, even in nominal dollars. The investments required to meet customers' growing use of electricity and stricter environmental obligations leave us no reasonable alternative but to seek and obtain an appropriate increase in our utility rates.

Q. IN COMBINATION, WESTAR NORTH AND WESTAR SOUTH ARE ASKING FOR A RATE INCREASE OF $177.6 MILLION OR JUST UNDER 15 PERCENT. HOW WOULD YOU CHARACTERIZE THIS REQUEST?

A. The increase is significant, but the reasons for it are straightforward. I do not mean to minimize in any way the effect of a rate increase of this size on our customers, but as rate cases go, this one is pretty conventional. It would be fair to characterize it this way: higher base rates are needed to recognize our substantial investment in new plant – principally generating facilities – and the costs of restoring our system following last December's ice storm. Through predetermination proceedings and an accounting order authorizing deferral of storm costs, the Commission has acknowledged the necessity of these expenditures. We also confront higher capital costs. This is due to a larger equity component in our capital structure – consistent with our shared commitment to investment grade credit quality – and slightly higher costs of capital in the markets today than at the time of our 2005 case. Like other businesses, we have also experienced inflationary cost pressures across the spectrum of commodities and services we purchase. It would be fair to say, however, that increased sales volumes and the cost management efforts we have implemented have minimized the impact of those inflationary cost increases.

Putting together a rate case involves hundreds of calculations on dozens of line items. While that remains true in the details, just the costs associated with new generation plant and storm recovery account for a large portion of our requested increase. Excluding transmission and environmental plant, our utility plan in service has increased by $733 million since our last rate case. Earning a reasonable return on this new investment, plus additional depreciation expense, much of which is associated with this investment, totals approximately $110 million – about 60% of our total rate increase request.

Our investments in natural gas peaking generation at the Emporia Energy Center and in renewable wind power have already been found to be in the public interest as a result of predetermination reviews. In those reviews, the Commission also decided how our costs should be treated for ratemaking purposes.

The total cost of repairing our system following December's ice storm was $69 million. Almost $16 million of that cost involved capital expenditures and the balance went for maintenance expenses. In this case, we are seeking to amortize the retail jurisdictional portion of these maintenance expenses and repair costs over a four-year period with a reasonable return on the unamortized balance. The total storm related cost included in our rate request approaches $19 million or about 11% of our request.

With both of these major cost drivers, i.e., new generation and restoration of our system after the ice storm, we have endeavored to provide the Commission upfront review where possible and in all instances to make our activities transparent.

As I indicated, we have experienced an increase in overall capital costs. In part, this is attributable to new capital we have had to raise from investors to maintain a responsible capital structure – one that provides the necessary foundation for our Comprehensive Plan and the higher level of investment it requires. I want to reemphasize, however, that having an opportunity for adequate capital cost recovery is fundamental to our ability to access capital markets and to obtain, on reasonable terms, the financing required for critical generation, environmental and transmission projects. Conversely, authorizing a return on equity that is among the lowest in the United States and lower than that approved for other Kansas public utilities will not permit us to move forward with our Comprehensive Plan or otherwise meet our long-term service obligations on terms that are optimal for either our customers or investors.

We are not seeking to reverse past Commission precedents and, with the exception of our request for an incentive return on our wind generation investment, we are not seeking to change any previous cost recovery principles or practices. As to the incentive issue, we read the Commission's decision in the wind predetermination case to indicate that the matter could again be raised and that a general rate case would be an appropriate forum.

Q. WHAT WILL BE THE IMPACT ON CUSTOMER RATES OF GRANTING YOUR RATE REQUEST?

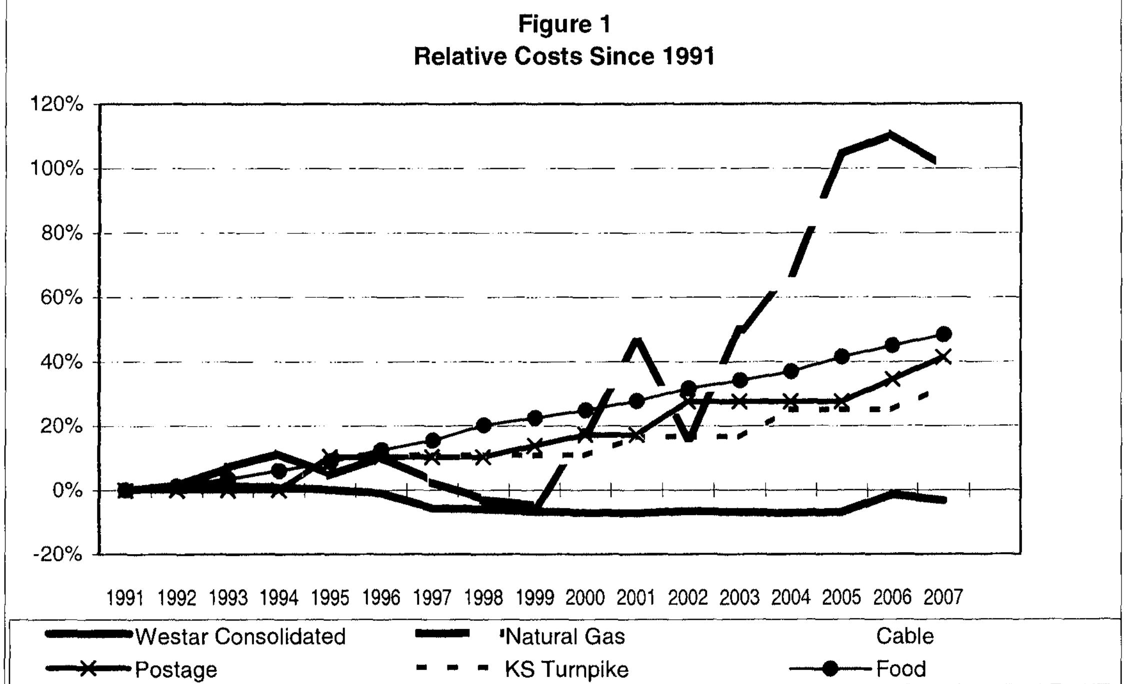
A. As previously noted, they will be on average, almost 15 percent higher than they are today. But importantly, even after considering the full impact of this necessary increase, our prices will still compare very favorably on the basis of local, regional and national rates. As I have indicated, I believe this is a distinct advantage for Westar, our customers and our state as we confront the challenge of successfully executing a Comprehensive Plan to meet our customers' needs that necessarily involves higher costs and price increases.

Although it usually goes unrecognized, our Westar South rates per kWh are lower than they were 20 years ago on a nominal basis – that is, even before considering the effects of inflation. That cannot be said for many, if any, other essential items. Although we have not quite been able to accomplish that remarkable feat for average rates in our Westar North service area, in the last 20 years Westar North rates are only 15.7 percent higher, or, if looked at on an annual basis, have increased less than one percent per year versus an average consumer price index compound growth rate of 3.0 percent over that same period. This means that on an inflation-adjusted basis, our Westar North rates are lower in real terms than they were 20 years ago. As a consequence, for the entire Westar system, our average rates are about 6 cents per kWh and, in fact, on a combined basis, are slightly lower **even on a nominal basis** than they were in 1988, and after considering the general effects of inflation, are much lower in real terms than they were 20 years ago. There are many areas of the country where customers pay 6 cents per kWh for just the energy or fuel components of the cost of service, while our customers pay that for the full complement of integrated electric utility service.

Q. YOU MENTIONED COSTS FOR OTHER ESSENTIAL ITEMS. CAN YOU ILLUSTRATE FOR THE COMMISSION HOW YOUR RATES COMPARE TO THOSE OF A FEW OTHER ESSENTIALS?

A. Yes. We sought out other items that are considered essential to modern life, often are best delivered by a single entity, and are provided ubiquitously to a broad market. Specifically, we looked at cable TV rates, postage stamps, natural gas distribution service provided in Kansas, Kansas Turnpike tolls and, even though it is sold in a competitive market, food. Figure 1 below illustrates how Westar's prices for electricity compare to these other services and goods since the Westar/KGE merger, including the effects of the rate increase we propose in this case.

FIGURE 1



Sources: Westar Energy, Inc. and KGE FERC Form 1
http://prc.gov (Postal Regulation Commission Website)
http://www.eia.doe.gov (Dept. of Energy's Information Administration website)
Carl Crompton, CFO of Kansas Turnpike Authority
http://ncta.com (National Cable & Telecommunications Association website)
U.S. Dept of Agriculture Economic Research Service
U.S. Dept of Labor-Bureau of Labor Statistic's CPI data

Q. WHAT IS THE NATIONAL AVERAGE RATE FOR RETAIL ELECTRIC SERVICE?

A. It is 9.2 cents per kWh – or 53 percent higher than Westar's existing rates. Of course, we are not asking for a 53 percent increase. Our request, if granted in full, would still mean that the national average would be approximately 34 percent higher than our proposed average retail rate.

Q. WHY ARE WESTAR'S RATES AT SUCH RELATIVELY LOW LEVELS?

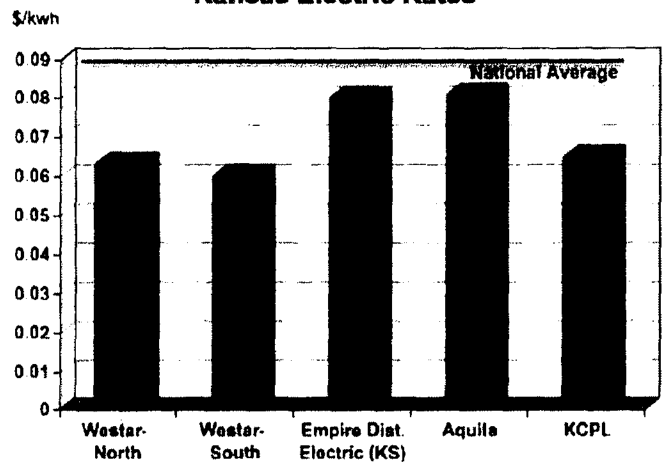
A. There are multiple reasons, but giving credit where it is due, I believe the major reasons are the foresight of those who: (a) recognized Kansas' need for substantial baseload generation capacity in the 1970s and managed that difficult construction in the 1970s and early 1980s; and, (b) later saw the potential for huge cost savings from a merger of KPL and KG&E in the early 1990s and executed the merger. That the rate advantage exists today puts us in a good position to respond to the significant challenges I have described and to do so in a way that preserves the state's economic development advantages with respect to electric utility costs. Imagine how much more difficult it would be to address these universal cost pressures if Kansas customers were already paying very high rates and if Westar were generating much more electricity using more expensive means such as natural gas.

Q. HOW DO YOUR RATES COMPARE TO OTHER KANSAS UTILITIES?

A. Our Comprehensive Plan included a table showing our average rates compared to those of other investor-owned electric utilities that provide service in Kansas as well as the national average. A copy is reproduced as Table 1 below. I should point out that the rate comparison includes Aquila, whose Kansas electric operations have since been acquired by the Sunflower group of cooperatives and are now known as Mid-Kansas Electric Company, LLC. The salient fact, however, is that Westar's average rates are the lowest among these Kansas electric utilities. Moreover, as the Commission is aware, these other utilities' rates are also rising.

TABLE 1

Kansas Electric Rates



Q. YOUR OBLIGATION INCLUDES DELIVERING EFFICIENT ELECTRIC SERVICE. YOU STATED THAT YOU AND YOUR MANAGEMENT TEAM HAVE ENDEAVORED AGGRESSIVELY TO MANAGE THE PRESSURES OF RISING COSTS AND OTHER EXTERNAL FORCES. CAN YOU GIVE EXAMPLES OF THE COST INCREASES YOU ARE EXPERIENCING?

A. Yes. Figure 2 shows cost increases since December 2003 for basic commodities that are imputs to our system. As depicted earlier on Figure 1, our rates have been essentially flat since December 2003 and actually for many years before that. By contrast, prices for these commodities have increased from a range of approximately 50% for aluminum to more than 250% for copper in just the four-year period shown on Figure 2. We also must purchase motor fuel for our vehicles and, like everyone else, have incurred tremendous cost increases at the gas pump.

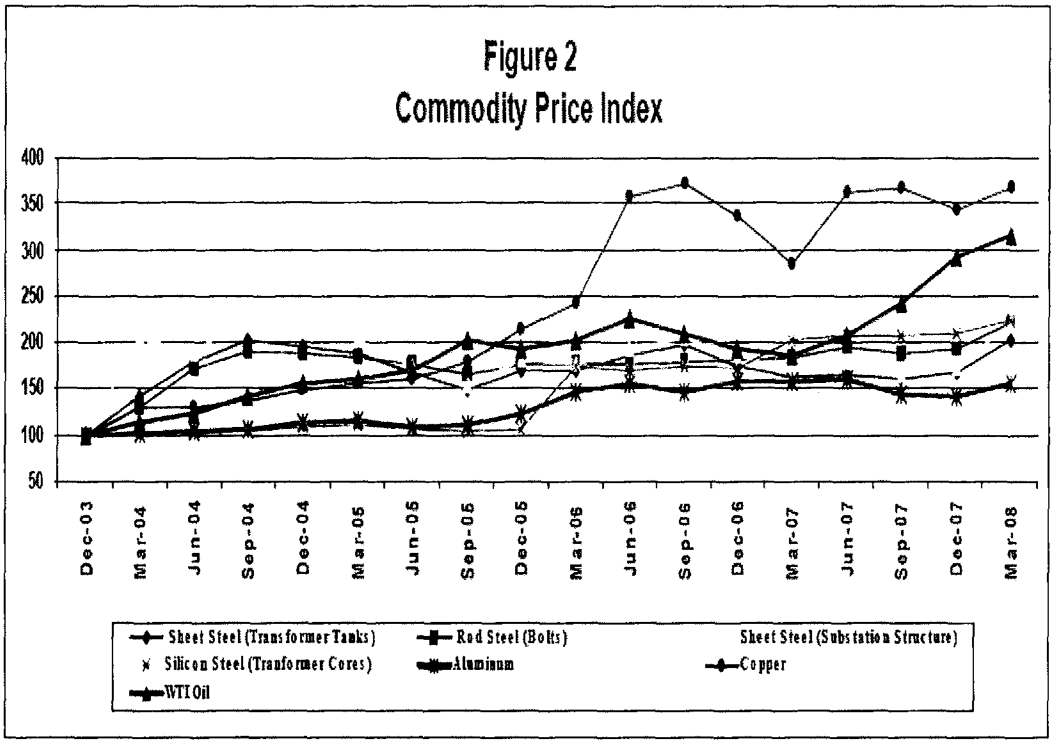


Figure 2
Commodity Price Index

Q. CAN YOU PLEASE ILLUSTRATE, BY WAY OF EXAMPLE, WHAT YOU HAVE DONE TO MITIGATE COST INCREASES?

A. Yes. Westar witnesses Doug Sterbenz and Caroline Williams will address this issue in more detail but I will point to several areas that evidence a pervasive commitment to cost management and containment.

- Hedging interest rates to lock in savings on interest expense. In early March, our treasury department, in anticipation of a potential bond offering that would close in May or June 2008, hedged the 30-year US Treasury bond, locking in an interest rate that was at that level fewer than 30 days in the last 20 years. This action, which we reflected in a *pro forma* adjustment in our application, saved our customers a little over $1 million.

- Building the Emporia Energy Center in two concurrent phases rather than in separate phases we estimate saved between $6 and $8 million.
- Purchasing the Spring Creek Energy Center at a price just 25% to 30% of what it would cost to build such capacity today.
- Locating and purchasing pre-owned, but unused generation step-up transformers for three of the units at the Emporia Energy Center at cost savings of about $1.4 million.
- Establishing an owner-controlled insurance program for scrubber work at Jeffrey Energy Center for an estimated savings of around $500,000 to date.
- Reorganizing the Power Delivery business unit, an effort that Caroline Williams will describe in detail.

Q. IN WESTAR'S RATE REVIEW CONCLUDED IN 2001, THE COMMISSION INDICATED THAT OVER TIME IT EXPECTED RATES IN THE WESTAR NORTH AND SOUTH SERVICE

AREAS TO CONVERGE. HAS THE CONVERGENCE OF RATES IN WESTAR NORTH AND SOUTH CONTINUED?

A. Yes. It appears to us that with only a couple of minor exceptions, rates for Westar North and Westar South remain close. As we believe is required by Commission regulations, we have submitted separate cost-of-service studies and minimum filing requirements. However, the rate differentials are now very small, and indeed, may never be closer, as there will always be small differences that pull them apart.

We have also provided consolidated minimum filing requirements for Westar as a whole with a consolidated class cost of service study in this filing. We believe this additional information and the required information supporting our two rate area requests will assist the Commission in determining whether to adopt a combined fuel clause. Mr. Raab provides and supports the class cost of service studies and Mr. Rohlfs describes an approach the Commission may want to consider if it adopts a combined fuel clause. They will provide the analytical details.

We continue to use a consolidated capital structure for setting rates as we have for years and, in virtually all material respects, the two systems are operated, managed, and dispatched as one.

While there may be no overriding imperative to consolidate rates at this time, we believe doing so, to the extent reasonably possible, will result in administrative efficiencies and will create further transparency to simplify the Commission's regulatory oversight. For example, having a single fuel clause would reduce the complexity of our monthly RECA filings and facilitate Staff's review of that item. From a customer and regulatory perspective, I also believe there would be value in resolving any lingering perceptions (and misperceptions) of rate differentials that, while once significant, no longer exist.

Q. WESTAR'S LAST RATE CASE ADDRESSED AND RESOLVED OUTSTANDING ORGANIZATIONAL REQUIREMENTS FOR THE COMPANY. WHAT IS THE CURRENT STATUS OF THE CORPORATE GOVERNANCE REFORMS THAT WERE IMPLEMENTED?

A. In our last rate review, we identified three broad categories for governance reform that we had fully implemented: the Board, management and enforcement. I am pleased to report that each of those measures remains in full effect as reported at the time of our last case.

With respect to the Board, we indicated that our focus was on creating greater independence and providing more rigorous definitions of responsibility. With respect to management, we indicated that we had implemented a formalized annual planning process. The Comprehensive Plan we introduced earlier this year is just one illustration of the fruits of our planning process. With respect to enforcement practices, we established a formal statement of values and a written Code of Business Conduct and Ethics. We also acknowledged that our formal statements of values and ethics would have meaning only if we worked rigorously to abide by their terms. I am proud of the culture we have developed at Westar and every day I see ways in which our commitment to openness, integrity and accountability is reflected in the work of our employees.

Q. YOU SPOKE EARLIER ABOUT THE NEED FOR A COLLABORATIVE, OPEN REGULATORY APPROACH. IN WHAT WAYS HAVE YOU ATTEMPTED TO FACILITATE SUCH AN APPROACH?

A. We have endeavored to be proactive in our regulatory affairs by openly sharing our plans and the status of projects with the Commission, the Staff and the public generally. This has taken many forms. For example, in developing our large transmission projects, we held open houses to explain our intentions and to elicit public input. These were not statutorily-required meetings. In that same vein, we provided landowners notice of the proposed line routes more broadly than called for in the statutes.

Before proceeding with the Emporia Energy Center and wind generation projects, we initiated predetermination cases. The predetermination process is helpful to our decision-making because it provides some degree of common understanding and agreement about how best to develop large and expensive projects before we commit investors' and customers' money to such projects. The process also provides upfront information to our customers and to the Commission about the costs and rate implications of these projects and an opportunity for input – before construction of the projects is commenced.

In our day-to-day interactions with Commission Staff, whether collaborating on the development of a forecasting model or an approach to weather normalization, responding to information requests, or initiating communications about our operations and plans, I am hopeful that we are perceived to have been open and forthcoming. In our 2005 rate case, we kept the amount of confidential information to an absolute minimum and responded to every data request without any arguments over discovery. Consistent with that approach, there is no confidential testimony in our filing and we began the process of responding to Staff data requests even before filing our application.

Finally, perhaps the most tangible evidence of our commitment to transparency has been the development and distribution of our Comprehensive Plan. As I previously discussed, the Comprehensive Plan describes factors affecting our industry generally and Westar specifically, our decision-making process, how we weighed various alternatives for meeting customer needs and investor expectations, our anticipated financing approach, and the rate and regulatory implications of our plans.

I think regulation in Kansas also benefits from having a Staff and Commissioners willing to go the distance to learn for themselves and to contribute to constructive debate. We appreciate this approach and believe that our plans turn out better when, by way of example, a Commissioner and senior members of Staff are active in the SPP process, when Commissioners make time in their schedules to see major construction projects and what it takes for a utility to recover from storm damage first hand and when they establish open forums to discuss emerging issues, as was the case in the March nuclear roundtable and the open forum on energy efficiency.

Q. WHAT OBSERVATIONS DO YOU OFFER TO THE COMMISSION AS IT CONSIDERS YOUR APPLICATION AND STAFF'S AND OTHER PARTIES' RESPONSES TO IT?

A. As the Commission, the Staff and intervening parties examine our filing, I believe it will become clear that our request is transparent, conventional, presented in a forthright manner, and contains little, if anything, that could be described as controversial. I believe it will withstand the scrutiny of careful audit and verification as to completeness, accuracy and reasonableness. This should not be taken as an assertion that our direct case is infallible or that other approaches have no merit. We will readily acknowledge and correct any errors as we or other parties discover them and will be open to considering reasonable alternatives to adjustments we have proposed.

I also believe the Commission will find that our request reflects necessary, but well-managed cost increases that are consistent with: (a) our continued commitment to be an independent, back-to-basics Kansas electric utility, (b) our obligation to provide reliable service at a reasonable cost, and (c) our mutual responsibility to address evolving environmental and energy policies and mandates.

Q. THANK YOU.