**BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS
DIRECT TESTIMONY OF**

**STEPHEN E. PARR
EXECUTIVE VICE PRESIDENT AND CEO**

KANSAS ELECTRIC POWER COOPERATIVE, INC.

Docket No. 08-KEPE-597-RTS

Q. Please state your name and position with KEPCo.

A. My name is Stephen E. Parr. I am the Executive Vice President and Chief Executive Officer (CEO) of Kansas Electric Power Cooperative, Inc. (KEPCo).

Q. How long have you been in this position at KEPCo?

A. I have held this position since March of 1996.

Q. Please describe your background and experience.

A. I hold a degree in mechanical engineering from the University of Nevada and am a registered professional engineer in Colorado. My professional experience in the utility industry spans thirty-four years, including more than 25 years in the electric cooperative program. I have held numerous senior management positions with Generation and Transmission (G&T) cooperatives and other organizations. Among the positions I have held are: manager of engineering and operations for Soyland Electric Power Cooperative, Decatur, Illinois; senior vice president and chief operating officer for Cajun Electric Power Cooperative, Baton Rouge, Louisiana; and chief engineer and executive director of the Nevada Public Service Commission.

Q. Please describe your duties and responsibilities as Executive Vice President and CEO of KEPCo.

A. Reporting to the KEPCo Board, I am responsible for the general management of all KEPCo activities and I am the liaison with the

KEPCo Members. As the chief executive of KEPCo, I oversee all of the operations, planning, resource development and administrative functions for KEPCo.

Q. What type of an organization is KEPCo?

A. KEPCo is a cooperative, non-profit, membership corporation organized under the Kansas Electric Cooperative Act (K. S. A. 17-4601 *et seq.*). It is a G&T electric cooperative owned by its nineteen Members, who are distribution electric cooperatives, and KEPCo's only significant consumers. As a non-profit cooperative, KEPCo does not earn profits for its stockholders. Rather, KEPCo sets rates to recover its operating costs and to maintain appropriate reserves. Any revenues received over its costs are called margins and are allocated to the Members as capital credits based on their purchases and are used in the operation of KEPCo. The Board determines when the contributed capital will be returned to the Members.

Q. Who are KEPCo's Members?

A. KEPCo's Members are nineteen distribution rural electric cooperatives that distribute electric power at retail to approximately 110,000 meters serving over 300,000 rural Kansans. KEPCo's Members are listed on Exhibit SEP-1. KEPCo's Members' retail service areas are shown on Exhibit SEP-2. KEPCo's Members are also non-profit, membership corporations.

Q. What relationship does KEPCo have with its Members?

A. The Members are the owners of KEPCo. KEPCo also has a contractual relationship with its Members to supply them with all of their electricity needs.

Q. Please explain the ownership relationship.

A. Each KEPCo Member is an equal owner of KEPCo. Each KEPCo Member selects a Trustee Representative to serve on the KEPCo

Board of Trustees, with each Member having one vote. The Board meetings are democratic in that each of the Member Trustee Representatives can vote on every issue and the majority rules. The Members, who are KEPCo's consumers, and the Board control KEPCo and its policies, budgets and strategic direction. The Board meets in each of ten months every year with KEPCo's Executive Committee meeting in the two months the Board does not meet. Each Member also sends a representative to and participates in KEPCo's annual membership meeting.

Q. Please explain the contractual relationship.

A. Each Member has entered into a KCC-approved wholesale power contract with KEPCo. The term of these contracts is 2045 for 17 Members and 2020 for 2 Members. A copy of each contract is on file with this Commission. Therefore, each of KEPCo's Members is an owner of KEPCo, a ratepayer to KEPCo and participates in the governance of KEPCo.

Q. Does KEPCo have a Limited Certificate of Convenience and Authority to act as a wholesale power supplier?

A. Yes, KEPCo was granted a Limited Certificate of Convenience and Authority to act as a wholesale power supplier by Order of this Commission, dated October 22, 1980.

Q. What is KEPCo's purpose?

A. KEPCo was organized primarily for the purpose of developing and providing an electrical supply for the use of its Members. KEPCo works to supply power that is reliable and at the lowest reasonable cost. By aggregating the requirements of the Members, KEPCo can achieve benefits for its Members that would not be available to individual Members.

Q. What power resources does KEPCo have to supply its Member's power needs?

A. KEPCo provides power to its Members from four basic resources. First, KEPCo owns a six percent, or seventy megawatts, undivided share of the Wolf Creek Generating Station (Wolf Creek) with its two partners, Kansas Gas and Electric a subsidiary of Westar Energy, Inc., (Westar) and Kansas City Power & Light Company (KCP&L), who each own forty-seven percent of the plant.

Second, KEPCo also owns the Sharpe Generating Station, a twenty megawatt, oil-fired station comprised of ten, two-megawatt units.

Third, KEPCo receives power from two Federal Power Marketing Administrations of the U. S. Department of Energy. It receives one hundred megawatts of peaking power from the Southwestern Power Administration and about fourteen megawatts from the Western Area Power Administration.

Fourth, KEPCo purchases power from several other utilities under long-term power contracts. These utilities currently include Westar, Sunflower Electric Power Corporation (Sunflower) and KCP&L.

Finally, KEPCo is a 3.53% (30 MW) participant in the latan 2 project, a coal-fired generation unit currently under construction by KCP&L. This capacity should become part of KEPCo's portfolio in mid-2010.

Q. What services does KEPCo provide for its Members in connection with the power supply function?

A. In meeting its contractual obligations to the Members of providing for all of their electrical power needs at a reasonable cost, KEPCo: performs all resource acquisition (generation) and delivery (transmission) functions for the Members; conducts power supply planning activities; represents KEPCo at the Kansas Corporation Commission (KCC), Federal Energy Regulatory Commission

(FERC), the Nuclear Regulatory Commission (NRC) and other regulatory agencies; represents KEPCo's ownership interest in Wolf Creek with the Wolf Creek Nuclear Operating Company (WCNOC); represents KEPCo and its Members at the Southwest Power Pool (SPP); works to insure that the Members are served with reliable power; and provides any other services that are requested and approved by the Members and the Board.

Q. **How does KEPCo deliver the power it procures for the Members?**

KEPCo owns no transmission facilities. Instead, it purchases transmission services for much of its load from the SPP. In addition, KEPCo still continues to directly purchase some transmission service from certain Kansas utilities for part of its load.

Q. **What are the major issues causing KEPCo to seek a rate adjustment at this time?**

A. Driving the need for a rate adjustment are a number of factors which collectively have negatively impacted KEPCo's financial position since its last rate change in February 2002, resulting from Docket No. 01-KEPE-1106-RTS. These negative impacts are now to a point where KEPCo may not be able to meet the financial performance requirements of its mortgage with the Federal Government without this requested relief.

First, it has been almost six years since the last KEPCo rate change and most elements of KEPCo's cost of providing service to its Members have gone up to some degree, including KEPCo's operating costs which have risen due to the inflation of wage and benefit costs and increases in almost all other costs of doing business.

Second, and more importantly, as KEPCo's future power supply has been and continues to change, the demand costs paid by KEPCo to its power suppliers have or will be going up significantly. For example, KEPCo recently entered into a power supply contract with Sunflower Electric Power Corporation that includes significantly higher demand charges.

An additional change in KEPCo's power supply picture, that is not yet effective, but which will have significant impact, is a new power supply contract with Westar which has been negotiated, signed, and filed at the FERC and which is now pending approval there in Docket No. ER07-1344. This contract will significantly increase KEPCo's demand costs for purchased power from Westar, which cannot be collected from the Members under KEPCo's current M-9 tariff, with a corresponding reduction in energy costs that will pass to the Members under KEPCo's energy cost adjustment (ECA) mechanism. Also, the demand costs under this new contract will be subject to an annual adjustment, which KEPCo would not be able to recover from KEPCo's Members under M-9. Given the magnitude of this issue, KEPCo is requesting that the KCC allow an annual demand adjustment mechanism be added to its tariff.

It should be noted that KEPCo previously had cost adjustment mechanisms for both demand and energy costs in its rate, however these had been eliminated by the KCC, at KEPCo's own request, in Docket No. 90-KEPE-162-TAR, effective January 1, 1990, when future power supply costs appeared to be stable. This worked reasonably well until energy markets became very volatile and energy prices rose dramatically. In KEPCo's last rate case, an ECA mechanism was requested and approved by this Commission, and must be maintained in any new tariff. Now, it is necessary, due to the variable nature of future demand costs, for KEPCo to request a demand adjustment mechanism be added to its tariff, as well.

Q. What test year is KEPCo using as the basis for this application?

A. KEPCo is using a calendar test year ending December 31, 2006, which has been appropriately weather normalized.

Q. What process did KEPCo go through to settle on the proposed rate adjustment?

A. Driven by KEPCo's low cash position, its actual financial performance in 2006 and the need to meet financial performance requirements under KEPCo's mortgage with the Federal Government and the National Rural Utilities Cooperative Finance Corporation (CFC), the KEPCo Board decided in late 2006 to move forward with a full rate case. KEPCo then retained the services of C. H. Guernsey & Company (Guernsey) to assist the Board and the Members in the development of an appropriate revenue requirement and rate design for KEPCo. KEPCo then went through an exhaustive rate study process over several months in 2007. Mr. Carl Stover and Mr. David Naylor were instrumental in this process and will testify on behalf of KEPCo in this proceeding. This process addressed all aspects of its need for an adequate revenue requirement and an appropriate rate design for KEPCo's Members.

The Board had its first rate workshop at its meeting of February 15-16, 2007 and met to address rates on April 18-19, May 16-17, July 18-19, August 15-16, September 19-20, October 17-18, November 14-15 and December 19-20, 2007. At the first meeting on February 15-16, 2007, the Board of Trustees adopted Rate Guidelines to establish the fundamental objectives for the rates to be adopted. A copy of those Rate Guidelines is included as Exhibit SEP-3.

Making rate change decisions, both in revenue requirements and rate design, are likely the most difficult decisions a G&T Board makes. It is difficult because the Members are both the Board and the consumers of the G&T. One of the most important Rate Guidelines adopted was the requirement that a two-thirds majority vote, or fourteen votes, would be needed to revise KEPCo's rates. The super majority vote is important in attempting to reach a consensus among the Members for any rate change.

Q. Did the Board review and approve a financial plan and goals for this rate case?

A. Yes. Mr. J. Bertram Solomon of GDS Associates developed a 2007 Financial Plan and Analysis of Margin Requirements (Financial Plan) for KEPCo to aid the Board of Trustees in settling on a revenue requirement for KEPCo in this case. Mr. Solomon made a full presentation to the Board in which he recommended that KEPCo establish a reasonable level of margin for the rate case by using a debt service coverage ratio (DSC) goal of 1.2 with an appropriate demand-related purchased power cost adjustment mechanism for the rate case.

On August 15, 2007 the Board of Trustees unanimously adopted the consultant's recommendation of the use of a 1.2 DSC goal for KEPCo and adopted KEPCo's updated Financial Plan, as prepared and recommended by Mr. Solomon.

Q. How did the Board arrive at the revenue requirement of $107,876,815 to ask the Commission to approve?

A. KEPCo's proposed revenue requirement is based on the 2006 weather-normalized test year, with certain appropriate *pro forma* adjustments. Using the 1.2 DSC also resulted in a requested margin for KEPCo of $6,819,950. The development of the revenue requirement is covered in detail in the testimony of Ms. Coleen Wells, KEPCo's Vice President of Finance and Controller. Dr. Robert Bowser, KEPCo's Vice President of Regulatory and

Technical Services, will testify on the weather normalization of KEPCo's purchased power expense and the Member sales revenue. Mr. Solomon will testify on the development of KEPCo's Financial Plan and the DSC and margin recommendations. KEPCo's consultants from Guernsey were essential to this process and will also testify.

Through a series of votes over a three-month period, the Board approved a revenue requirement of $107,876,815 for the rate case filing with the KCC. This revenue requirement is a 5.3% increase in revenue when compared to revenues using KEPCo's M-9 tariff and the weather normalized 2006 test year.

Q. What is the significance of the DSC goal?

A. Since KEPCo is owned by its ratepayers, there is no reason to determine a "rate of return" from a rate base. KEPCo's sources of capital have been loans and other financing and credit support from the Federal Government through the Rural Electrification Administration, now called the Rural Utilities Service (RUS), and the CFC. KEPCo's mortgage with RUS and CFC requires that KEPCo maintain a DSC of not less than 1.0, measured as the average of the DSC in the highest two out of the last three years, as security for the mortgagee, RUS, and to establish rates to cover KEPCo's expenses and provide for reasonable working capital. Because of the capital structure of a cooperative and the mortgage requirements of RUS, the DSC is of great significance. It establishes the margin and working capital available for KEPCo.

Q. Did KEPCo include the revenues and expenses related to any subsidiary operations in this filing?

A. No. KEPCo has only one subsidiary operation, KEPCo Services, Inc. (KSI), which is a provider of engineering services to KEPCo's

Members and others. All financial impacts of this subsidiary have been removed from the revenue requirement in this case.

Q. How did the Members and the Board arrive at a consensus?

A. KEPCo Staff and Guernsey discussed many possible rate design options with the Board and the Members. Guernsey provided the Members with numerous computer runs that showed the effect of the rate design proposals on each Member's system. The meetings were open and there was considerable discussion among the Members over each issue.

There was general agreement over most issues, such as the base and excess demand concept, the need and application of the ECA and DCA clauses, etc. Many issues were debated at length such as how to establish an appropriate tilt and the effects of that on each Member system. Mr. Stover will discuss these issues in his testimony.

In the end, the Trustees began to make motions and to vote on many of the rate options. That process involved many discussions among Members and compromises and trade-offs between Members until the final votes were taken. At the October meeting, the rate study was completed and the revenue requirement and rate design were agreed upon. However, this was modified by further action of the Board in November as the result of a delay in receiving FERC approval of KEPCo's new power supply contract with Westar. In that meeting, the Board approved the new rate study with an appropriate revenue requirement and rate design using KEPCo's current power supply contract with Westar by adopting Board Resolution No. 07-27. This resolution passed with all in agreement, but with two abstentions. A certified copy of this resolution is attached as Exhibit SEP-4.

Q. Are KEPCo's proposed rates the same for all Members?

A. Yes. KEPCo is proposing a uniform rate for all its Members. This continues the format adopted in KEPCo's current M-9 tariff.

Q. Does the requested rate design affect certain Members more than others?

A. Yes. Because each Member has a different load factor, each bears a different impact from any two-part rate which utilizes both a demand and an energy charge. However, KEPCo is requesting a remedy to mitigate that impact. In adopting Resolution No. 07-27, the Board approved including in the rate filing a one-year phase-in of the effects of any Member's rate increase that is above the average rate increase approved by the Commission. This is similar to the request made in KEPCo's last rate filing where a three-year phase-in was requested and approved by the KCC.

Q. Please describe the proposed phase-in.

A. We are requesting that the Commission approve phasing-in that part of any individual Member's increase that is above the average rate increase approved by the Commission, as follows: all Members who have an increase in excess of the average rate increase will pay the average increase for the first year, and the full amount thereafter. Mr. Stover will supply the details of the phase-in in his testimony.

Q. How will KEPCo handle any under-collection of the requested revenue requirement as a result of the phase-in?

A. KEPCo is requesting that any under-collection amounts from the phase-in not be assessed to any Members, but that it be treated in a manner that would reduce KEPCo's margin in the calendar years the phase-in is in effect.

Q. Who will be testifying on the rate design approved by the Board?

A. Mr. Stover will describe the development of the proposed M-10 Tariff, describe the development of the proposed Demand Cost Adjustment, and supply the details of the phase-in. Mr. Naylor will testify to the development of the functional cost of service, the Board's decision regarding the High Voltage Discount, Rural Energy Credit and Economic Development Rider, and the revenue requirement which will serve as the basis for the rate design.

Q. When is KEPCo requesting any rate changes to be approved by the Commission?

A. Because of the importance of this rate change to KEPCo's financial condition and cash position, KEPCo is requesting that the Commission grant this rate increase as soon as possible.

Q. Will granting of the requested 1.2 DSC target level by the Commission resolve KEPCo's financial problems?

A. In the long run, yes. We expect calendar year 2009 to see KEPCo in very healthy financial condition. However, there is a potential short term problem remaining.

Q. Please explain.

A. The DSC requirement contained in our mortgage is based on a calendar year. If the Commission utilizes the statutory time period allowed to complete a rate case, we would expect the new rates to go into effect on September 1, 2008. The remaining four months of the year may not be enough to bring the DSC to the required level.

Q. What does KEPCo request to guard against failing to meet the DSC test?

A. As explained in more detail in Mr. Stover's testimony, the KEPCo Board, in its meeting on December 19 and 20, 2007, approved a request to put into effect a small level of interim rate relief to help insure that KEPCo meets the DSC mortgage requirement in 2008, to be effective June 1, 2008, in the amount of two mills per kWh of energy delivered to the Members until such time as the final rates go into effect. Because the sole reason for the interim relief is to assure that KEPCo will meet its mortgage-required DSC level in calendar year 2008, KEPCo would refund to its Members any amounts collected through the interim relief not actually required to meet the budgeted DSC level for 2008 of 1.1. A copy of the Resolution approving this request is attached to my testimony as Exhibit SEP-5.

Q. Does the filing justify a permanent increase in the energy cost of that degree?

A. Yes. As a result of the requested shift of some demand related costs to the energy charge, as explained by Mr. Stover, the energy charge is expected to increase by more than that amount. In any event, the overall rate increase needed is significantly more than that amount.

Q. If the Commission does not order the requested interim relief, does KEPCo have an alternative request?

A. Yes, KEPCo would then request that, in its order on the merits of the rate request, the Commission authorize a temporary addition to KEPCo's rate of two mills per kWh of energy to be collected from the effective date of the rate change through the end of 2008. As with the interim relief, because the sole reason for the adder is to assure that KEPCo will meet its mortgage-required DSC level in calendar year 2008, KEPCo would refund to its Members any amounts collected through the adder not actually required to meet the budgeted DSC level for 2008 of 1.1. Again, this request is detailed in the testimony of Mr. Stover.

Q. Did the Board approve another alternative?

A. Yes. Because the risk of not meeting the DSC is the result of having the new rates only in effect from September 1 through the end of the year, the Board authorized, as an alternative, that the KCC expedite treatment of the rate request so that the new rates could go into effect on July 1, 2008, rather than September 1 as would be the result if the entire statutory time period is used. The additional revenue derived from the earlier effective date should alleviate the risk of failing to meet the DSC target.

Q. Thank you.

Ark Valley Electric Cooperative Association, Inc.
South Hutchinson, KS.

Bluestem Electric Cooperative, Inc.
Wamego, KS.

Brown-Atchison Electric Cooperative Association, Inc.
Horton, KS.

Butler Rural Electric Cooperative Association, Inc.
El Dorado, KS.

Caney Valley Electric Cooperative Association, Inc.
Cedar Vale, KS.

CMS Electric Cooperative, Inc.
Meade, KS.

DS&O Rural Electric Cooperative Association, Inc.
Solomon, KS.

Flint Hills Rural Electric Cooperative Association, Inc.
Council Grove, KS.

Heartland Rural Electric Cooperative, Inc.
Girard, KS.

Leavenworth-Jefferson Electric Cooperative, Inc.
Mc Louth, KS.

Lyon-Coffey Electric Cooperative, Inc.
Burlington, KS.

Ninnescah Electric Cooperative Association, Inc.
Pratt, KS.

Prairie Land Electric Cooperative, Inc.
Norton, KS.

Radiant Electric Cooperative, Inc.
Fredonia, KS.

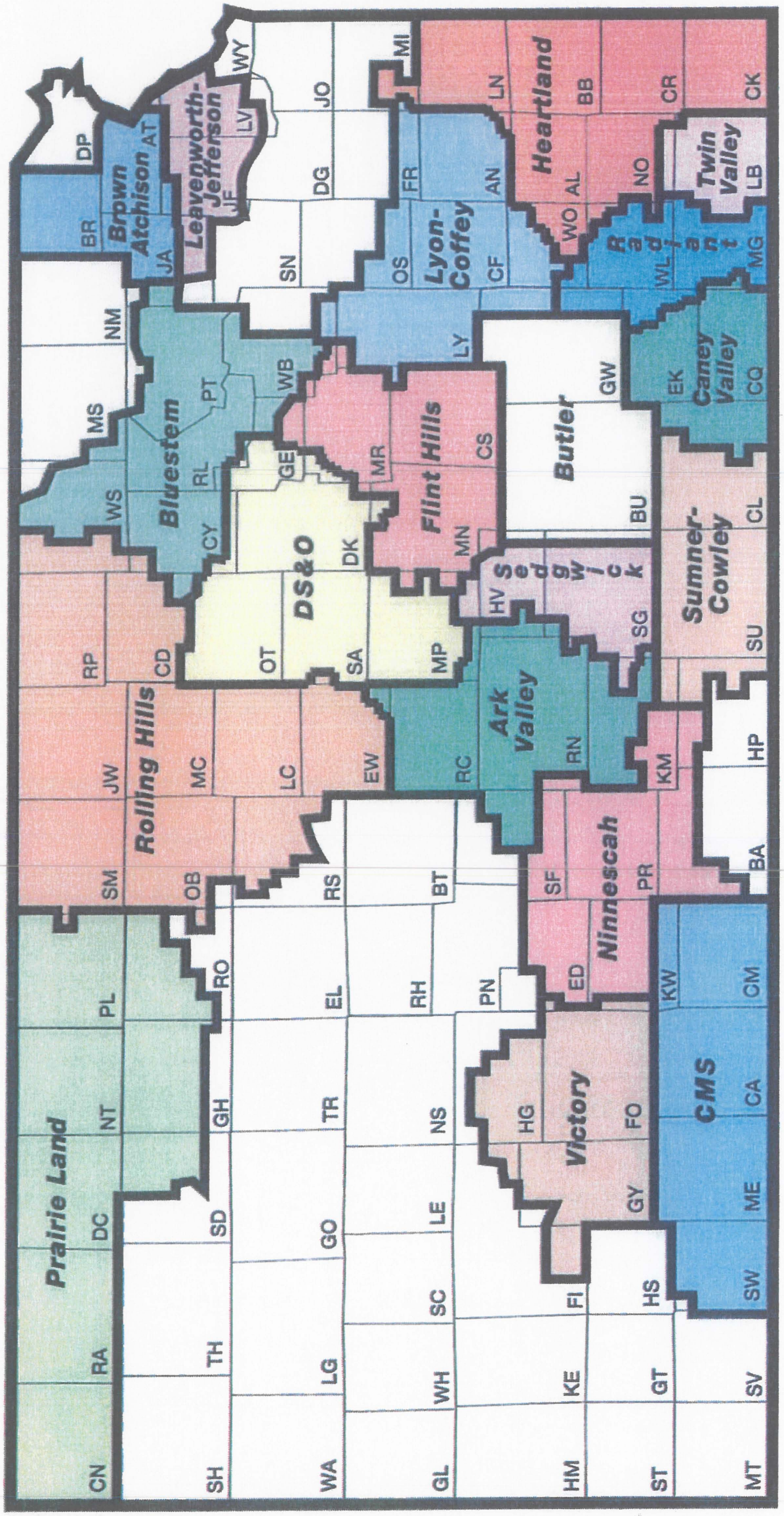
Sedgwick County Electric Cooperative Association, Inc.
Cheney, KS.

Rolling Hills Electric Cooperative, Inc.
Mankato, KS.

Sumner-Cowley Electric Cooperative, Inc.
Wellington, KS.

Twin Valley Electric Cooperative, Inc.
Altamont, KS.

Victory Electric Cooperative Association, Inc.
Dodge City, KS.


Heartland
Twin Valley
Radiant
Lyon-Coffey
Brown Atchison
Leavenworth-Jefferson
Bluestem
Flint Hills
Butler
Caney Valley
Sumner-Cowley
DS&O
Sedgwick
Ark Valley
Rolling Hills
Ninnescah
Prairie Land
Victory
CMS
DP BR AT JA LV JF WY JO DG SN MI LN BB CR CK AL NO WO LB WL MG FR AN OS CF LY GW EK CQ NM MS WS PT WB RL CY GE MR CS BU CL DK MN HV SG SU RP CD OT SA MP JW MC LC EW RC RN KM HP SM OB RS BT SF PR BA PL RO EL RH PN ED KW CM NT GH TR NS HG FO CA DC SD GO LE GY ME FI HS SW RA TH LG SC WH KE GT SV CN SH WA GL HM ST MT

KEPCo RATE GUIDELINES

February 14, 2007

The Board of Trustees of KEPCo hereby adopts the following Rate Guidelines to establish the fundamental objectives that KEPCo's rates are designed to achieve and maintain. They are as follows:

1. KEPCo's wholesale power rates to its Members must be set to produce (1) revenues which shall be sufficient to meet the cost of operation and maintenance, (2) maintain a reasonable level of working capital, (3) meet all applicable mortgage requirements and (4) ensure KEPCo will maintain the financial viability necessary to meet its power supply responsibilities to its Members.

2. KEPCo's rate design should be fair and equitable to all Members, recognizing that any rate design will require that judgments and compromises be made.

3. If changes in rate design would result in significant changes in annual power costs to individual Members, measures, such as rate phase-in or others, should be used as a means to transition to revised rates.

4. The rate design should promote stability to the extent practicable but with the recognition that facts and circumstances may dictate the need for adjustments caused by fuel and purchased power cost changes.

5. KEPCo's rate design should reflect KEPCo's power supply environment and the costs of providing service to the Members in that environment.

6. KEPCo's rate design should be understandable and reasonable to administer.

7. KEPCo's rate design should provide appropriate price signals to the Members and encourage the efficient use of system generation and transmission resources.

8. KEPCo's rate design should allow Members flexibility in designing their retail rates and in the development of optional or special rate and marketing programs.

9. KEPCo's rate design should, to the extent practicable, be indifferent to emerging technologies.

10. To the extent possible, any rate design changes should be adopted based on consensus among KEPCo's Members and result in a rate design that promotes the overall interests of KEPCo for the benefit of its Members. A two-thirds (13) majority vote of the Board will be required to revise KEPCo's rates.

11. Any revision to KEPCo's rate must be developed so that it will meet applicable regulatory requirements and receive the approval of the Kansas Corporation Commission (KCC).

CERTIFICATION

I, J. Michael Peters, do hereby certify that I am the duly appointed and qualified Assistant Secretary of Kansas Electric Power Cooperative, Inc. and that the following is a true and correct copy of the Resolution duly adopted by the Board of Trustees of Kansas Electric Power Cooperative, Inc. at its Board of Trustees Meeting held November 15, 2007:

RESOLUTION NO. 07-27
AUTHORIZING RATE CASE APPLICATION

WHEREAS, the Kansas Electric Power Cooperative, Inc. (KEPCo) is an electric cooperative organized under the laws of the State of Kansas and is authorized to engage in the business of an electric utility under a Limited Certificate of Convenience and Authority issued by the Kansas Corporation Commission (KCC) on October 22, 1980; and,

WHEREAS, KEPCo provides wholesale electric power to its 19 Member electric distribution cooperatives pursuant to Wholesale Power Contracts with each of its Members; and,

WHEREAS, in November of 2006, due to the high cost of natural gas, drought in the SWPA footprint, and the probable effects of the Sunflower PPA and Westar PPA, the KEPCo Board of Trustees decided there would be a need to file a rate case within the next 12 months; and,

WHEREAS, the KEPCo Board of Trustees met on January 18, 2007 and a motion was made to select C. H. Guernsey & Co. to perform a rate study; and,

WHEREAS, the KEPCo Board of Trustees met on February 15, 2007, when it adopted Rate Guidelines to establish the fundamental objectives for the rates to be adopted, including that "A two-thirds (13) majority vote of the Board will be required to revise KEPCo's rates;" and,

WHEREAS, the KEPCo Board of Trustees met with consultants from C. H. Guernsey & Co. during Board meetings held by KEPCo on February 15-16, April 18-19, May 16-17, July 18-19, August 15-16, September 19-20, and October 17-18, all in the year 2007, to try to reach decisions regarding the revenue requirement and rate design that would comply with Section 4.15 of its Mortgage with the United States Government, Section 4(b) and 4(c) of the

Wholesale Power Contract with each of its Members, its own Rate Guidelines, and its policies; and,

WHEREAS, at its July 18-19, 2007, Board of Trustees meeting, the Board passed motions to: 1) retain the Economic Development Rider in the rate design at the current level; 2) retain the Rural Energy Credit in the rate design at the current level; 3) retain the High Voltage Discount at levels currently in place in the rate design; and 4) include the institution of a Delivery Point Charge in the rate design; and,

WHEREAS, at its August 15-16, 2007, Board of Trustees meeting, the Board passed unanimously motions to: 1) include an annual demand adjuster in the rate design; 2) adopt proposed changes to Policy Bulletin No. 9, Financial Policy; 3) approve Resolution 07-21, adopting the 2007 KEPCo Financial Plan designed to comply with Section 4.15 of its Mortgage with the United States Government, Section 4(b) and 4(c) of the Wholesale Power Contract with each of its Members, its own Rate Guidelines, and its policies; 4) use a Debt Service Coverage (DSC) level of 1.2 in the rate study which set the revenue requirement to be used; 5) include all fuels in the Energy Cost Adjustment; and 6) continue the usage of the five-day coincident peak in the rate design; and,

WHEREAS, at its October 17-18, 2007, Board of Trustees meeting, the Board passed motions to: 1) use a capital substitution methodology to shift demand costs into energy recovery, resulting in a 39.8% tilt of demand costs into the energy rate in the rate design and 2) use rate design Option 2, which would continue the use of a base and excess rate design, but with the base demand updated using data from the 2006 test year, and that KEPCo's tariff include language to provide that if a Member lost 20% of its load, the Member could make a request to the KEPCo Board that their base demand be reduced; and,

WHEREAS, as a result of delay in achieving approval of the new power supply contract with Westar, the rate calculations previously considered and approved by the Board required modification using the existing power supply contract with Westar and such modification was made and presented to the Board at this meeting; and

WHEREAS, because KEPCo's purchased power demand costs will significantly increase at the time the new power supply contract with Westar is fully approved and becomes effective, KEPCo should request that the annual demand adjuster approved at the August Board meeting operate to provide a one-time adjustment to KEPCo's demand rate coincident with the implementation of the new Westar power supply contract.

WHEREAS, it is desirable and fair to phase in the rate change by charging no more than the average rate increase to all Members when the rates go into effect and the balance of any rate increase in the subsequent year,

NOW, THEREFORE, BE IT RESOLVED that the KEPCo Staff is directed to file an Application with the KCC by December 31, 2007 requesting approval for KEPCo to adjust its rates using a 2006 test year, a Member revenue requirement of $106,957,234.00, a capital substitution methodology to tilt demand costs into the energy rate, the rate design designated as Option 2, an annual demand cost adjuster with the ability to reflect the Westar power supply contract change when it occurs and a two-year phase in of the rate increase.

And that the action taken and Resolution adopted as above set out has never been rescinded, altered, amended, modified or repealed, and is on this date in full force and effect.

IN WITNESS WHEREOF, I hereby set my hand and attached the seal of the Corporation this 21st day of December, 2007.

KANSAS ELECTRIC POWER COOPERATIVE INC. CORPORATE SEAL KANSAS

J. Michael Peters, Assistant Secretary

CERTIFICATION

I, J. Michael Peters, do hereby certify that I am the duly appointed and qualified Assistant Secretary of Kansas Electric Power Cooperative, Inc. and that the following is a true and correct copy of the Resolution duly adopted by the Board of Trustees of Kansas Electric Power Cooperative, Inc. at its meeting held on December 19, 2007:

RESOLUTION NO. 07-28

AUTHORIZING REQUEST FOR INTERIM RATE RELIEF

WHEREAS, the Kansas Electric Power Cooperative, Inc. (KEPCo) is an electric cooperative organized under the laws of the State of Kansas and is authorized to engage in the business of an electric utility under a Limited Certificate of Convenience and Authority issued by the Kansas Corporation Commission (KCC) on October 22, 1980; and,

WHEREAS, at the regular meeting of the Board of Trustees on November 15, 2007, the Board directed KEPCo Staff to file an Application with the KCC by December 31, 2007 requesting approval for KEPCo to adjust its rates to achieve a revenue requirement of $106,957,234; and

WHEREAS, under normal procedures increased rates may not go into effect until September 1, 2008; and

WHEREAS, the increased rates applied for the period September 1 through December 31, 2008 may be inadequate to achieve an adequate Debt Service Coverage ratio (DSC) under KEPCo's mortgage covenants; and

WHEREAS, it is in the best interests of KEPCo to seek additional relief from the KCC to assure that KEPCo will not fail to achieve its DSC requirement; and,

WHEREAS, the KEPCo Staff has presented several alternative modes of additional relief that it could request of the KCC.

NOW, THEREFORE, BE IT RESOLVED that the KEPCo Staff is directed to file a motion with the KCC, in conjunction with the Application requesting approval for KEPCo to adjust its rates, previously authorized, seeking, in the alternative, interim rate relief consisting of a two mills per kWh addition to KEPCo's energy charge for the period June 1, 2008 through August 31, 2008; a two mills per kWh adder to the energy charge resulting from the rate application for the period September 1, 2008 through December 31, 2008; or expedited treatment of KEPCo's rate Application such that the rates could go into effect July 1, 2008. Be it further resolved that if either the interim rate or the rate adder is approved by the KCC, that a refund obligation be requested that would require refunds of any amounts collected thereunder that caused KEPCo to achieve a DSC for calendar year 2008 to exceed 1.10.

The above Resolution was adopted unanimously as above set out and has never been rescinded, altered, amended, modified, or repealed, and is on this date in full force and effect.

IN WITNESS WHEREOF, I have hereunto set my hand and attached the seal of this Corporation this 21st day of December, 2007.

J. Michael Peters, Assistant Secretary

(Corporate Seal)