

**Compliance Plan
Westar Energy, Inc.
Docket No. IN03-02-000**

APPENDIX A

COMPLIANCE PLAN FOR WESTAR ENERGY, INC.

This Compliance Plan ("Compliance Plan") responds to specific issues and recommendations arising from a non-public, formal investigation in Docket No. IN03-02-000 conducted by the Federal Energy Regulatory Commission's ("FERC's" or "Commission's") Division of Enforcement, Office of Market Oversight and Investigations ("Enforcement").

Westar Energy, Inc. ("Westar") shall implement this Compliance Plan, including its referenced internal policies and procedures for Westar, to resolve issues that have arisen regarding compliance with the FERC's applicable statutes, rules, and regulations ("FERC Rules").

This Compliance Plan applies to Westar and to any successor companies owned or controlled by Westar. This Compliance Plan shall become effective 30 days after the issuance of the Commission's Order approving the Stipulation and Consent Agreement ("Agreement") without modification ("Issuance Date") and shall remain effective for three years after the Issuance Date. This Compliance Plan is part of the Commission's Order approving the Agreement. Enforcement agrees to promptly review any internal policies and procedures required in this Compliance Plan to be submitted to Enforcement for its prior review and authorization; Enforcement shall not unreasonably withhold approval of such matters submitted for its consideration.

Westar may request that the Commission modify this Compliance Plan during its three-year term. Upon the expiration of the three-year term, all obligations under this Compliance Plan shall cease unless otherwise noted; provided, however, that Westar shall remain responsible for complying with the Federal Power Act and FERC Rules. In addition, nothing in this Compliance Plan relieves Westar from complying with the Federal Power Act and FERC Rules now in effect and as they may be amended.

Although the Compliance Plan covers alleged violations of Order No. 889, codified at 18 C.F.R. § 37.4 (2003), the Compliance Plan is prospective in nature and reflects that the Commission has issued revised Standards of Conduct in Order No. 2004, et. seq., codified at 18 C.F.R. Part 358 (2004).

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For any of the items in this Compliance Plan for which Westar is required to perform a quarterly review or audit and submit the results to Enforcement, Enforcement may reduce, without further Commission action, the frequency of the review or audit requirement from quarterly to semi-annually or to annually at any time following the first year of the Compliance Plan. Enforcement will consider reducing the frequency of required reviews or audits based on whether Westar has successfully implemented the Compliance Plan procedures for the requirements that are the subject of the review or audit.

I. Commitment to FERC Regulatory Compliance

Through implementation of this Compliance Plan, including the internal policies and procedures provided for in this Compliance Plan, Westar commits to establishing and maintaining the regulatory compliance training and regulatory risk control systems specified in this Compliance Plan to facilitate Westar's compliance with applicable FERC Rules concerning Standards of Conduct.

II. Standards of Conduct Chief Compliance Officer (CCO)

A. Westar has designated Peggy Loyd as its Chief Compliance Officer (CCO), as required under section 358.4(e)(6) of the Commission regulations. The CCO will be the contact person for the Commission Staff for Westar's Standards of Conduct compliance issues. The CCO will be responsible for coordinating Westar's implementation of this Compliance Plan during its term. Dennis Reed shall work under the CCO's direction and shall be responsible for day-to-day compliance with the Standards of Conduct, including updating Westar's OASIS. The CCO may also direct others under her supervision to perform any of the activities required under this Compliance Plan. Westar may designate a replacement CCO during the term of this Compliance Plan but will notify Enforcement of the name and contact information for its new CCO within five days of the effective date of the change.

B. The CCO, in addition to the foregoing and in addition to other responsibilities specified in sections III through IX, below, shall be responsible for the following:

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1. Addressing internal and external FERC regulatory compliance issues and coordinating with counsel and with the audit committees of the Board of Directors of Westar and any similar committees of Westar.
2. Maintaining a contemporaneous compliance log reflecting compliance issues and their resolution.
3. Overseeing all Open Access Same-time Information System ("OASIS") compliance postings, pursuant to 18 C.F.R. § 37.6, and monitoring the actions of the Southwest Power Pool ("SPP"), which maintains the OASIS servers, to help ensure active links are kept in place.
4. Maintaining contemporaneous detailed written records documenting the implementation of this Compliance Plan.

III. Implementation

- A. Westar will ensure strict adherence to and compliance with the Commission's Standards of Conduct and this Compliance Plan by adopting a policy requiring full compliance with the Standards of Conduct, all aspects of this Compliance Plan, and the procedures developed to implement this Compliance Plan.
- B. The policy requires the immediate identification and prompt correction of any practices deemed by the CCO to be inconsistent with the Commission's regulations, including the Standards of Conduct, or this Compliance Plan.
- C. If an employee of Westar commits any intentional violation, or a recurring and knowing violation, of the Standards of Conduct, the provisions of this Compliance Plan, or the procedures developed hereunder, such violation will result in appropriate disciplinary action against the employee, up to and including termination of employment, as permitted under governing collective bargaining

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agreements and other relevant contractual agreements. Westar will keep a record of such disciplinary actions involving employees.

- D. Westar will provide a copy of the policies identified in section III (A) to Enforcement, for approval, within 60 days of the Issuance Date. Within 30 days following approval by Enforcement, Westar will provide copies of the policies and procedures to "Transmission Function Employees," "Marketing and Energy Affiliate Employees," "Support Services Personnel," and "Officers and Directors" (collectively, "Transmission, Merchant, Support, Officer Employees" or "TMSOEs"):
1. The term "Marketing and Energy Affiliate Employees" means a) employees who engage in marketing, sales or brokering activities of natural gas or electric energy in interstate commerce as those terms are defined in 18 C.F.R. § 358.3(e); or b) employees of an affiliate of a Transmission Provider, save for exceptions enumerated at 18 C.F.R. § 358.3(d)(6), that: 1) engage in or are involved in transmission transactions in U.S. energy or transmission markets; or 2) manage or control transmission capacity of a Transmission Provider in U.S. energy or transmission markets; or 3) buy, sell, trade or administer natural gas or electric energy in U.S. energy or transmission markets; or 4) engage in financial transactions related to the sale or transmission of natural gas or electric energy in U.S. energy or transmission markets.
 2. The term "Support Services Personnel" means Westar employees that are shared between Westar's Transmission Provider and Marketing and Energy Affiliates, as provided for in 18 C.F.R. § 358.4(a)(4), including those employees who provide Information Technology (IT), accounting, contract administration, billing, software development, or legal services to support Marketing and Energy Affiliate Employees, as defined in the preceding paragraph, or Transmission Function Employees, as described in the following paragraph.

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3. The term “Transmission Function Employees” means Westar employees, contractors, consultants or agents of a Westar Transmission Provider who conduct transmission system operations or reliability functions, including, but not limited to, those who are engaged in a day-to-day duties and responsibilities for planning, directing, organizing or carrying out transmission-related operations as described in section 358.3(j) of the Commission’s regulations, but excluding field and maintenance employees that do not have access to transmission or customer information.
 4. The term “Officers and Directors” include officers and directors of Westar and any Marketing or Energy Affiliates (as defined in 18 C.F.R. § 358.3(a) and (d) (2004)).
 5. Capitalized terms not defined herein shall have the meanings set forth in C.F.R. § 358.3.
- E. The policy also provides for annual audits, as described in section IX.

IV. Hotline

Westar has established, and will maintain, a hotline that allows information and Standards of Conduct concerns to be provided anonymously to the CCO (“CCO Hotline”). This hotline may be accessed by calling a phone number common to other existing or future confidential reporting hotlines established by Westar’s parents or affiliates. Westar will maintain a record of calls made to the CCO Hotline relating to this Compliance Plan, the Standards of Conduct requirements and related regulations, and the CCO will prepare memoranda documenting and explaining how issues raised by such calls were resolved. Westar will provide copies of such memoranda to Enforcement within 10 days of the end of each calendar quarter. Westar may combine this hotline with any other hotline it currently has in place. Westar also shall post on its Intranet FERC's Hotline telephone number.

V. Training

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- A. Under this Compliance Plan, Westar will provide at least yearly training to TMSOEs regarding the Standards of Conduct requirements. Westar shall develop a written policy for FERC regulatory compliance training of TMSOEs that states measurable goals for compliance and specific consequences for non-compliance.

The training policy shall state that Westar commits to reinforce to TMSOEs the importance of full and unequivocal compliance with FERC Rules and to that end shall require annual FERC regulatory compliance training of an introductory, updating, or refresher nature, as appropriate. The policy shall also state appropriate disciplinary measures for employees who violate the policy.

Pursuant to section 358.4(e)(3) of the Commission regulations, Westar has developed written procedures for Standards of Conduct training. Westar will develop written procedures for the additional training identified above. The training procedures will provide for:

1. Notice to all employees that are subject to the training requirement of the schedule for their annual training and information regarding the CCO Hotline.
2. Development of a form for certification of attendance, agenda, outline, and handouts for the training required by this section.
3. Retention by Westar of certifications of attendance, agendas, outlines, handouts, and materials used in the training conducted under this section for a period of five years following the Issuance Date.
4. Posting of training materials on Westar's intranet along with the name of a contact person for questions regarding training. Thus, employees will have constant access to training materials should questions arise. The CCO will encourage employees to review the materials on a regular basis.

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5. Training employees who become subject to the training requirement during the interim period between annual training cycles as a result of commencement of new employment or intra-corporate transfer. Such employees will receive a copy of the Standards of Conduct, Compliance Plan policies and applicable procedures upon beginning to work in a position that requires training and within 30 days thereafter will complete live, taped, or on-line Standards of Conduct training.
 6. Training shall include detailed content on the appropriate roles of transmission agents and Transmission Function Employees in interacting with one another, and regarding the limits of transmission-related information that may be shared by Transmission Function Employees with agents and other third parties. Training of Marketing and Energy Affiliate Employees shall also include detailed content regarding the substance of the Market Behavior Rules described in Docket Nos. EL01-118-000 and 001, Market-Based Rate Tariffs and Authorizations, 105 FERC ¶ 61,218 (November 17, 2003), and the need for Marketing and Energy Affiliate Employees to comply fully with such rules, including the prohibition on practices such as wash trades or sleeves with no legitimate business purpose or that facilitate illegal conduct by others.
 7. Westar shall submit the training policy and its implementing procedures to Enforcement within 45 days of the Issuance Date.
 8. Westar shall notify TMSOEs of the FERC regulatory compliance training policy and procedures within 30 days after Enforcement has approved such policy and procedures.
- B. The CCO shall be responsible for the following:
1. Obtaining, from Westar's Human Resources ("HR") Department(s), a list of all TMSOEs.

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2. Notifying all TMSOEs of the time and place for FERC regulatory compliance training of an introductory, updating, or refresher nature, as appropriate, that shall be held every 12 months beginning no later than the later of (1) June 1, 2005, or (2) 30 days after FERC approves the training materials, and each 12-month period thereafter.
3. Providing an electronic or hard-copy of the written policy and procedures for FERC regulatory compliance training to each TMSOE when the employee is notified of the time and place for such training.
4. Developing electronic procedures for the tracking and verification of attendance and creating material to be used during the FERC regulatory compliance training.
5. Including in the training package information describing a "Hotline" (see section IV, above) through which Westar employees can anonymously report violations, if any, of FERC Rules.
6. Initially, training materials will be submitted 45 days after the Issuance Date for Enforcement's approval, and 30 days prior to commencement of training thereafter.
7. Maintaining all certifications of attendance and materials used in the FERC regulatory compliance training.
8. No later than the end of each year, comparing the certifications of attendance to the list of TMSOEs to determine whether each such employee participated in the FERC regulatory compliance training.
9. Notifying the HR Department(s) of any TMSOEs who did not participate in the FERC regulatory compliance training, so the training for the individual may be rescheduled.

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10. Making recommendations to Westar's HR Department(s) regarding disciplinary measures for employees involved in violations, if any, of FERC Rules.
11. Updating the training materials as warranted based upon modification to the Standards of Conduct or clear Commission precedent and posting of any updated training materials on its intranet.
12. In general, assuring that Westar's training program provides adequate and effective training in the FERC Rules and the importance of compliance with them.

- C. Westar may combine the FERC regulatory compliance training with other types of employee training and may provide training and training materials via e-mail or the Intranet with testing, so as to ensure participation by persons who must receive training.
- D. Pursuant to section 358.4(e)(4) of the Commission regulations, Westar has distributed the written procedures for ensuring compliance with the Standards of Conduct. In addition, consistent with Order No. 2004-A, Westar has provided a copy of its written procedures to the person designated to receive service of such procedures.

VI. Information Sharing Prohibitions

Consistent with 18 C.F.R. § 358.5(a) and (b) (2004), Westar will ensure that Transmission Function Employees adhere to rules governing disclosure of transmission and customer information to Marketing and Energy Affiliate Employees.

- A. Circulation of bulletin regarding off-OASIS Website communications:

Westar shall immediately circulate to TMSOEs a bulletin instructing such persons that:

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1. FERC Order No. 2004, *et. seq.*, the Standards of Conduct, and Westar Transmission Providers' Standards of Conduct Procedures as posted on Westar's OASIS prohibit, except in certain very limited emergency situations, Westar Transmission Function Employees from preferentially providing any transmission information to employees of Marketing Affiliates or Energy Affiliates other than via OASIS communications;
 2. Except as permitted by Order No. 2004, Westar Marketing and Energy Affiliate Employees will not have access to, or attempt to elicit through off-OASIS communications, any off-OASIS transmission information (including information relating to pending transmission requests) from Transmission Function Employees; and
 3. All employees, including Support Services Personnel and Officers and Directors, must comply with a strict "no-conduit" rule prohibiting them from providing or otherwise making available any transmission or transmission customer information to Westar Marketing and Energy Affiliate Employees. Any employee with access to transmission or customer information will be trained regarding the information disclosure prohibitions.
- B. Restriction of access to transmission areas at, and to databases of, Westar Transmission Providers:
1. Westar will restrict and monitor the access of its Marketing and Energy Affiliates Employees to Westar's transmission control room or similar facilities and to databases containing information regarding Westar's transmission system or transmission customers. Westar will also restrict and monitor the access of its Transmission Function Employees to work areas of its Marketing and Energy Affiliates.

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2. With respect to the Transmission Control Room and other transmission areas, Westar shall review facilities procedures to ensure that: (i) during normal business hours, no Westar Marketing and Energy Affiliate employees will have unescorted access to the transmission areas; (ii) during non-business hours, access cards will not enable Westar Marketing and Energy Affiliates Employees to have access to the transmission areas; and (iii) that non-affiliated persons shall be treated in the same manner.
3. Pursuant to section 358.4(e)(3) of the Commission regulations, Westar has developed, implemented and posted, as of September 20, 2004, written procedures regarding access of employees of Westar's Marketing and Energy Affiliates to Westar's transmission areas or databases and regarding access of Westar's Transmission Function Employees to work areas of its Energy Affiliates. Enforcement will review the adequacy of such procedures for purposes of this Compliance Plan within 30 days of the Issuance Date.
4. On a quarterly basis, the CCO will review a sampling of electronic communications between Transmission Function Employees and Marketing and Energy Affiliate Employees. A report summarizing the review shall be submitted to Enforcement within 30 days following the review, including a description of any improper communications and remedial steps taken.

C. Review of certificates of attendance:

Westar shall ensure that, pursuant to Compliance Plan sections V(A) and V(B), Westar's Standards of Conduct procedures have been provided to, and related compliance certificates, have been executed annually by, all TMSOEs, and that these actions have been taken with respect to such newly hired employees within 60 days of their hiring date.

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- D. Posting of improperly disclosed transmission information
 - 1. Westar will develop written procedures for promptly posting any transmission information that is preferentially disclosed to a Marketing or Energy Affiliate. Westar will submit the procedures to Enforcement for approval within 60 days of the Issuance Date. Westar will implement the procedures within 30 days of Enforcement's approval or by such other date set forth in the approved procedures.
 - 2. Westar will develop written procedures for reviewing on a quarterly basis compliance with the requirements governing disclosure of non-public transmission information, including access to transmission areas and databases. Westar will submit such procedures to Enforcement for review and approval within 60 days of the Issuance Date. Westar shall implement the procedures within 30 days of Enforcement approval or by such other date set forth in the approved procedures.

- VII. Affiliate Access to Customer Information
 - A. Westar will grant an affiliate acting as an agent for a Westar customer access to information regarding such customer only upon receiving a designation of the affiliate as an agent for the customer. Upon notification that a designation of agency involving an affiliate of Westar and a Westar customer is terminated or no longer effective, Westar will promptly terminate the affiliate's access to information regarding such customer and notify each party, in writing, accordingly.
 - B. Westar will develop written procedures for reviewing or auditing on a quarterly basis the designations of Westar's affiliates as agents on file and verifying that Westar's affiliates acting as agents are covered by currently valid designations of agency on file with Westar. Westar will submit the procedures to Enforcement for approval within 60 days of the Issuance Date. Westar will implement

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such procedures within 30 days of Enforcement's approval or by such other date set forth in the approved procedures.

VIII. Organization Charts

- A. Westar shall develop a written policy for assuring that Westar's corporate and employee organization charts are posted on Westar's Intranet and Internet websites accurately in the manner required by 18 C.F.R. Part 358. The policy shall contain measurable goals and specific consequences for non-compliance. The policy shall further address periodic monitoring of Westar-related links on the OASIS maintained by the SPP.

The policy shall state that Westar shall require the corporate and employee organization charts on its websites to be updated as required by 18 CFR § 358.4 and other applicable Commission rules.

- B. Westar shall submit the organization charts policy and its implementing procedures to Enforcement within 60 days after the Issuance Date for approval.
- C. The CCO shall be responsible for the following:
1. Requiring notification to the CCO of a change in corporate structure within one business day after the effective date of a change.
 2. Requiring notification to the CCO of a change of employee status within one business day after the effective date of the change.
 3. Changing the Westar website postings within seven business days after a material change in corporate structure or employee status occurs, as required by FERC Rules.
 4. On a quarterly basis, requesting a complete corporate structure listing from Westar's Corporate Secretary.

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5. On a quarterly basis, requesting a complete employee listing from Westar's HR Department(s).
6. On a quarterly basis, confirming that Westar's website's corporate structure and employee postings are accurate by comparing them to the listings obtained from Westar's Corporate Secretary and the Westar's HR Department(s). The CCO shall ensure that such postings accurately reflect its current: (i) organizational structure; (ii) employee names, titles, and functional relationships for both supervisory personnel and reporting line positions; and (iii) job descriptions.
7. Identifying any organizational change website postings that require correction or posting.
8. Submitting, on a quarterly basis, a report to Enforcement describing any problems noted and the corrective actions, if necessary, taken.
9. Maintaining all documents related to the foregoing work.

IX. Auditing

- A. Westar will audit or review on a yearly basis Westar's implementation of, and overall compliance with, this Compliance Plan. Such reviews or audits may be conducted in conjunction with reviews or audits provided for elsewhere in this plan. Westar will develop written procedures for conducting such audits or reviews. Westar will submit these procedures to Enforcement for review and approval within 60 days of the Issuance Date. The procedures will include the audit or review methodologies Westar intends to use. Westar will implement the procedures within 30 days of Enforcement's approval or by such other date set forth in the approved procedures.
- B. Westar will retain, for five years following the Issuance Date, the results of each audit or review conducted and all work papers, notes,

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memos, reports, and any other documents (including any drafts). For each audit or review, Westar will prepare and submit to Enforcement, a memorandum describing the results and any action taken in response to the results of the audit or review within 30 days of the completion of the audit or review.

- C. The CCO is responsible for:
1. Requiring a yearly internal audit of compliance with the Compliance Plan to determine if Westar's employees abided by the Compliance Plan.
 2. Requiring Westar's Internal Audit Department ("IA Department") to submit the risk assessment and audit program to Enforcement for approval prior to the beginning of the audit process.
 3. Requiring the IA Department to maintain complete and accurate records of each audit in accordance with The Institute of Internal Auditors Standards to the extent applicable to the audit contemplated herein.
 4. Reviewing each audit finding, determining which recommendations Westar will implement, and documenting in the audit record why Westar did not implement any recommendations it decided not to implement.
 5. Requiring the IA Department to submit, under oath, all of its findings to the CCO, Enforcement, and Westar's Board of Directors (including an explanation of why Westar did not implement any recommendations it decided not to implement) no later than 90 days after the end of each audit year.
 6. Requiring that Westar complete those actions required by the audit within 30 days after submission of the audit report and maintain all working papers and audit records until the next audit by the Commission.