

**WESTERN RESOURCES, INC.
CORPORATE GOVERNANCE
SCHEDULE OF AUTHORIZATIONS**

INTRODUCTION

I. OVERVIEW

The Board of Directors ("Board") of Western Resources, Inc. (the "Company") has delegated the day-to-day management of the Company to the Chairman, President and Chief Executive Officer ("CEO"), as it deems appropriate, except for those matters reserved to the Board by law, the Articles of Incorporation and other matters reserved to the Board by Board resolutions. The Board currently holds 5 regular meetings each year.

The CEO will delegate (through a Schedule of Authorizations) certain responsibilities and authority to the Executive Officers.

II. MANAGEMENT OF WESTERN RESOURCES, INC.

The Company is a corporation organized and existing under the laws of the state of Kansas. The Company does business through its divisions and subsidiaries including Westar Energy, KGE and Westar Industries. The property and business of the Company are controlled and managed by its Board as prescribed in its By-laws and Articles of Incorporation. Except as provided by law, Board resolution, or the Company's Articles and By-laws, the Board has delegated to the CEO general charge and direction of the Company with full authority to carry on its business.

The Board, by resolution, may appoint from among its own members such committees as it may deem appropriate. Each such committee shall have and may exercise such powers as the Board delegates to that committee. At present, the Board has designated certain directors to constitute an Audit and Finance Committee, a Human Resources Committee, a Corporate Public Policy Committee, and a Nominating Committee.

III. BOARD OF DIRECTORS

The Board currently consists of 8 members and holds 5 regular meetings annually based on a schedule approved in the previous year. The meetings are held at the Company's office at 818 S. Kansas Avenue, Topeka, Kansas, or at a location otherwise designated by the Chairman. The Chairman may also call such special meetings as deemed necessary.

The Board has general authority and responsibility to manage the business of the Company. It may delegate its authority, with certain exceptions, to the management of the Company. Federal and state law and the Company's Articles and By-laws require the Board to maintain control over the following matters, among others:

- a. Fill Board vacancies and nominate directors; appoint committees;
- b. Elect executive officers;
- c. Amend By-laws;
- d. Declare dividends; set record dates;

- e. Determine the number of directors;
- f. Approve releases of mortgaged property;
- g. Approve securities issuances and redemptions;
- h. Retain independent auditors and review audits;
- i. Set directors' fees;
- j. Designate registered agents and principal officers;
- k. Set guidelines for corporate contributions;
- l. Recommend actions for shareholder approval;
- m. Approve sinking fund and maintenance fund payments;
- n. Authorize certain acquisitions and dispositions of assets;
- o. Authorize salaries of CEO and Executive Officers;
- p. Approve annual budget;
- q. Approve funding level for each Affiliated Company.

The Board retains control over all other management functions except as delegated to management by resolution or as necessarily implied for the proper management of the Company.

IV. EXECUTIVE OFFICERS

The CEO and those Executive Vice Presidents, Senior Vice Presidents and other officers of the Company reporting directly to the CEO are designated as Executive Officers for purposes of the Schedule of Authorizations.

The Executive Officers shall consider all matters requiring approval and/or recommendation to the Board pursuant to the Schedule of Authorizations, or as otherwise directed by the CEO. The matters include by way of example:

- a. Capital, human resources, and expense budgets to be recommended to the Board;
- b. Regulatory matters;
- c. Legal matters;
- d. Financial matters;
- e. Personnel matters;
- f. Approval of new corporate programs, products, or services prior to implementation.

V. OFFICERS

The Officers shall consist of each Vice President, Corporate Secretary and Controller, or as designated from time to time by the Board.

The Officers shall consider all matters relating to the operations of the Company.

VI. MATTERS TO BE CONSIDERED BY THE EXECUTIVE OFFICERS

The Executive Officers shall be advised of and informed of matters affecting the Company. At their meetings, the Executive Officers shall review and discuss such matters including, but not limited to, the following:

- a. New corporate programs, products, or services prior to implementation;
- b. Construction budget;
- c. Purchase or sale of plant, property, and inventory;

- d. Rate and regulatory matters;
- e. Legislative matters;
- f. Personnel matters;
- g. Legal matters;
- h. Capital, human resources, and expense budgets;
- i. Real estate matters.

VII. DELEGATION OF AUTHORITY

Subject to such policies and limitations established by the Board, the CEO has general charge and direction of the Company with authority to carry on its business. All such matters within the authority of the CEO may be delegated to other officers and employees of the Company. Such delegations are contained within the Company's Schedule of Authorizations.

Delegation of authority requires the completion and submission of Form SOA #1 to the Controller.

VIII. AFFILIATED COMPANY OPERATIONS

The management and direction of each Affiliated Company of the Company is vested in the Board of the Affiliated Company. The Board of the Affiliated Company will delegate the day-to-day management to the CEO or President of the Affiliated Company, as it deems appropriate, except for those matters reserved to the Board by law, its Articles or By-laws and other matters reserved to the Board by Board resolutions. The Boards will meet as directed by the CEO of the Company or as otherwise provided in the Bylaws of the Affiliated Companies.

The CEO or President of the Affiliated Company has the authority to delegate (through a Schedule of Authorizations) certain responsibilities and authority to other management of the Affiliated Company.

The management of each Affiliated Company shall have appropriate authority to facilitate the achievement of the projects for which it is responsible. The Board of each Affiliated Company shall provide policy guidance and assistance to the management of the Affiliated Company.

The property and business of each Affiliated Company is controlled by its Board as prescribed in its By-laws and Articles of Incorporation. Except as provided by law, Board resolution or the Affiliated Company's By-laws, the Board has delegated to the CEO or President of the Affiliated Company general charge and direction of the Company with full authority to carry on its business.

The Board, by resolution, may appoint from among its own members such committees as it may deem appropriate. Each such committee shall have and may exercise such powers as the Board delegates to that committee.

Except as otherwise provided in the by laws or articles of the Affiliated Company, the Board of each Affiliated Company shall consist of at least three members. The meetings are held at a location designated by the CEO. The CEO may also call such special meetings and telephone calls as deemed necessary.

The CEO or President of each Affiliated Company has general authority for the business of the Affiliated Company. It may delegate its authority, with certain exceptions, to the management of the Affiliated Company. Federal and state law and the Affiliated Company's Articles and By-laws require the Board to maintain control over the following matters, among others:

- a) Fill Board vacancies and nominate directors; appoint committees;
- b) Elect executive officers;
- c) Amend By-laws, subject to shareholder review;
- d) Retain independent auditors and review audits;
- e) Set guidelines for corporate contributions;
- f) Recommend actions for shareholder approval;
- g) Creation of new subsidiaries of the Affiliated Company (Note: Prior to establishing any new subsidiary, consultation with the Corporate Secretary of the Company is mandatory);
- h) Approve annual budget of the Affiliated Company.

The CEO or President of each Affiliated Company shall consider all matters requiring its approval and/or recommendation to the Board pursuant to the Schedule of Authorizations. Otherwise, these individuals have the authority for the management of the Company as directed by the Board.

IX. RESPONSIBILITY

Each Officer is in charge of a particular discipline or function under the direction of the appropriate Executive Officer or CEO. Each such officer is delegated authority as is necessary to ensure that Company policies and positions relating to his or her specific discipline or function are implemented.

Each such officer is responsible for the management of issues that impact the Company; creation of fundamental strategy for the direction of the Company and implementation of that strategy; formulation and management of significant policies affecting the operation of the Company; and other such activities as may be directed by the CEO and the appropriate officer. To the extent that significant policy initiatives are adopted, such policies must be approved by the appropriate officer.

X. COORDINATION

The respective officers, senior managers, and employees within their departments at corporate headquarters and within the operating divisions and Affiliated Companies will interact with and coordinate their activities with the appropriate counterparts as the need arises to ensure efficient operation of the Company's activities.

1 SECTION 1—APPLICATION, DEFINITIONS AND USE

1.1 SCOPE

Subject to such policies and limitations as the Board may establish, the CEO shall have general charge and direction of the Company with authority to carry on its business. Within such limitations as are established by the Board, the CEO has the responsibility and the authority to determine the titles, salaries, and duties of others in the Company and also the authority to delegate to others in the Company as much authority as is considered proper. The CEO may delegate to the officers and other employees authority to act for the Company as set forth in this schedule. This schedule shall not affect the authority conferred upon any officer by the Company's By-laws. This schedule may be amended from time to time by the CEO, subject to the following limitations established by the Board:

- (a) No increase of the CEO authority may be made without approval of the Board.
- (b) No increase of the authority of the Executive Officers and other Officers in excess of \$1 million may be made without approval of the Board.

This schedule will be maintained in the Controller's office.

1.2 PRIOR DELEGATION SUPERSEDED

This schedule supersedes all prior delegations of authority made by or under the authority of the CEO. Subject to the limitations specified in this schedule, existing practices and routines will continue in effect until changed or canceled.

1.3 USE OF AUTHORITY DELEGATED

The authority delegated to each level of management will be exercised only in connection with the operations and activities of their respective organizations. The authority delegated is permissive and not mandatory. Any officer may restrict or limit the authority of any employee in his/her organization. It is expected that employees to whom authority is delegated will, before taking action pursuant to such authority, discuss with higher supervision any unusual or especially important matter. Employees in one department are expected to confer with those in other departments on matters affecting their joint responsibilities or activities.

1.4 DESIGNATION OF TITLES

The designation of a title opposite any item in this schedule will have the effect of including the titles of all supervisors in the direct line of organization above the title designated. It will also apply to the position carrying the same responsibilities under an acting title. If the word "and" is used between titles, both must authorize the item.

1.5 DELEGATION OF AUTHORITY

a. During Temporary Absences

The CEO may, during a temporary absence, delegate authority to any corporate officer. Any officer, director or manager may during his/her temporary absence

delegate to a subordinate the authority to act for him/her during such absence. Any management person to whom authority has been delegated during a temporary absence of the delegator may not further delegate this authority.

b. For Indefinite Period

Any officer may delegate with the approval of his/her immediate supervisor all or any part of his/her authority to employees in his/her organization except for delegations under Section 2—Employee Matters and Section 6—Finance and Other Matters. Permanent delegations must be renewed annually.

NOTE TO SECTION 1.5:

Delegation of authority requires the completion and submission of Form SOA #1 to the Controller.

1.6 LIMITATIONS UNDER TEMPORARY DELEGATION

Any employee acting under a temporary delegation of authority will not have authority:

To approve his/her own expense account.

To employ or discharge exempt employees or authorize other payroll changes affecting exempt employees.

To further delegate the authority delegated in 1.5 (a).

1.7 EXECUTION OF INSTRUMENTS

Any instrument issued under the Company's corporate seal must be executed by an officer. The authority to authorize and/or execute a contract or other instrument carries with it the authority to authorize any payments required by it. Except as otherwise provided in this schedule, the authority to authorize a payment carries with it the authority to execute a contract or other instrument obligating the Company to a total amount no greater than that payment.

1.8 CANCELLATIONS

Unless otherwise indicated in this schedule, the authority to authorize a contract or agreement or to execute an instrument carries with it like authority to either cancel or modify it. In general, the concurrence of the same departments should be obtained for the cancellation or modification as is required for the original approval.

1.9 DEPARTMENTAL INSTRUCTIONS

Each level of management will have authority to issue such departmental instructions as he/she may consider necessary to specify limitations upon the exercise of the authority herein delegated and the procedure to be followed in his/her department in exercising such authority. Two or more members of management may issue such joint practices as they may consider necessary to specify the procedure to be followed with respect to matters affecting their respective departments. Such instructions and practices may limit the authority delegated but may not increase or otherwise alter such authority.

1.10 TITLE CHANGES

When a title of an employee is changed to a title not listed in Section 1.11 of the schedule and the employee's pay grade and area of responsibility remain the same, such employee shall continue to exercise the authority of the previous title.

1.11 DEFINITIONS

For purposes of this schedule, the following definitions are used:

EXECUTIVE OFFICERS: The term "Executive Officers" (Exec. Officers) includes any of the following:

- Chairman, President and Chief Executive Officer ("CEO")
- Chief Strategic Officer ("CSO")
- Chief Financial Officer and Treasurer ("CFO")
- Any Executive or Senior Vice President
- Any Vice President reporting directly to the CEO

NOTE TO SECTION 1.11

The term "Applicable Executive Officer" is defined as the officer with primary responsibility for the associated business unit.

OFFICERS: The term "Officer" includes any of the following:

- Any Vice President
- Corporate Secretary
- Controller

NOTE TO SECTION 1.11

The term "Applicable Officer" is defined as the officer with primary responsibility for the associated department.

ASSISTANT OFFICERS: The term "Assistant Officer" includes any of the following:

- Assistant Vice President
- Assistant Secretary
- Assistant Treasurer
- Assistant Controller

DIRECTOR: The term "Director" means:

- Exempt employees with a pay grade of C, B, or A.

MANAGER: The term "Manager" means:

- Exempt employees with a pay grade of E, DD or D.

REPRESENTATIVE: The term "Representative" means:

Exempt employees with a pay grade of G or F.

ASSOCIATE: The term "Associate" means:

Exempt employees with a pay grade of H and I or below.

AFFILIATED COMPANIES: Westar Industries, Inc., Westar Aviation, Inc., Protection One, Inc. and all current or future majority owned subsidiaries of each or of the Company.

AUTHORIZE: Granting permission to proceed with a specific activity, such as a purchase, payment contribution, compensation, claim settlement, write-off, or execution of a contract or other instrument.

EXECUTE: The ability to sign a contract or other instrument to carry out the declared intent of another. The authority to execute a contract or other instrument carries with it the authority to empower Contract Administration to execute that same instrument on one's behalf.

INVESTMENT AND BENEFITS COMMITTEE: The term "Investment and Benefits Committee" means a committee appointed by the CEO for the purposes of administering the benefit programs of the Company.

APPROVED BUDGET: The term "approved budget" means the budget adopted and authorized by the Board for the current year.

2 SECTION 2—EMPLOYEE MATTERS

Final authorization for exempt payroll changes may not be delegated at any time.

2.1 EMPLOYMENT AND PAYROLL CHANGES

To authorize the employment of persons for exempt and non-exempt positions included in the approved budget and to fix rates of pay; change rates of pay, title, or location; make upgrades and promotions, demotions, and transfers; and make other payroll changes except as limited by this document.

- a. For employees where treatment involves initial employment, promotion, or a change in title, location, department, or basic salary rate and such treatment is in accordance with the Company's Compensation Policy

..... Applicable Exec. Officer

NOTES TO SECTION 2.1:

- (1) Payroll changes for Managers, Directors, Officers, Executive Officers and CEO must be reviewed by the Vice President, Business Services prior to approval.
- (2) Except as provided by the By-laws and Board resolutions, Board authorization will not be required for designation or change of title, location, or department of an officer.
- (3) Payroll activity involving the Executive Officers must be approved by the Board.
- (4) Payroll activity involving Officers other than Executive Officers must be authorized by the CEO.
- (5) Salary rates, salary treatment, and intervals that are outside the provisions in the authorized Compensation Policy must be approved by the Vice President Business Services.

2.2 LAYOFFS AND DISMISSALS

All employees

- a. To suspend temporarily any employee Director
- b. To indefinitely suspend any employee Applicable Officer
- c. To lay off or dismiss any employee Applicable Officer
with advice of Human Resources and Legal
- d. To lay off, dismiss, or indefinitely suspend Director Applicable Exec. Officer
- e. To lay off or dismiss Officers CEO

2.3 TERMINATION ALLOWANCES

To authorize payment of termination allowances to:

a. Employees Covered by Collective Bargaining

Employees covered by the collective bargaining agreement where payment is not in accordance with such agreement Vice President
(Business Services)

b. Other Non-exempt Employees

All other non-exempt employees where payment is in accordance with the collective bargaining agreement or with established Company practices
..... Vice President
(Business Services)

c. Exempt Employees

All exempt employees where termination payment is to be made
..... Vice President
(Business Services)

2.4 SUPPLEMENTAL COMPENSATION

a. Monetary Compensation—Incentive Awards

To establish monetary compensation programs or schedules and working practices involving incentive awards or recognition awards not requiring Board approval, such as cash, gift certificates, savings bonds, or any other monetary value incentives for sales or other purposes Applicable Exec. Officer

b. Non-monetary Compensation

To establish non-monetary compensation programs involving incentive awards, recognition awards, or promotional "give away" items to employees for sales, attendance, or other purposes and total estimated amount of all awards in program for any one year period:

- i. Does not exceed \$1,000 Director
- ii. Does not exceed \$5,000 Applicable Officer
- iii. Does not exceed \$10,000 Applicable Exec. Officer
- iv. Exceeds \$10,000 CEO

2.5 NON-BARGAINED FOR EMPLOYEES AND RETIREES

a. Compensation and Other Benefit Programs

To establish and amend wage and salary schedules and wage and salary guides, to make general changes in wage and salary levels, to establish or amend benefit and income protection programs, to establish working practices, and to establish general practices covering compensation and programs applicable to all employees and retirees not covered by collective bargaining agreements CEO

b. Compensation for Officers shall be approved by the CEO.

2.6 RELATION WITH UNIONS

a. Negotiations and Contracts

To authorize negotiations and contract with unions regarding rates of pay, hours, and conditions of employment, including pensions and benefit and income protection programs for all employees covered by collective bargaining agreements

..... Vice President
(Business Services)

2.7 MATTERS IN LABOR ARBITRATION

a. Arbitration

To authorize the use of the "Arbitration" provision of the current Labor Agreement where the matter in dispute has been processed through the "Formal Grievance" procedure Applicable Exec. Officer

b. Disposition of Complaints

To settle or otherwise dispose of employee complaints which have been processed through the "Formal Grievance" procedure and which have been submitted to Arbitration:

i. Arbitration cases involving the dismissal or the disciplinary suspension of any employee Applicable Officer

ii. All other cases Applicable Exec. Officer

2.8 WORKING FUNDS

a. Temporary Advances

To advance Company funds for Company business to an employee where the period does not exceed 60 days and the advance:

i. Does not exceed \$500 Director

- ii. Does not exceed \$2,500 Applicable Officer
- iii. Does not exceed \$5,000 Applicable Exec. Officer
- iv. Exceeds \$5,000 CEO

NOTE TO SECTION 2.8:

No employee may approve a temporary advance for themselves.

2.9 LEAVES OF ABSENCE

To authorize leaves of absence to employees, subject to conditions set forth by the Human Resources Department and where the absence:

- i. Does not exceed 60 calendar days Director
- ii. Does not exceed 6 months Applicable Officer
- iii. Exceeds 6 months Vice President
(Business Services)

2.10 EMPLOYEE BENEFITS AND RELATED MATTERS

a. Workers' Compensation

To authorize payments applicable to employee claims under Workers' Compensation Laws Manager
(Safety and Compliance)

b. Claim Contested

Where payment is in the nature of a compromise settlement of a contested claim and total settlement (including any amounts previously paid for which the Company is entitled to a credit):

- i. Does not exceed \$10,000 Manager
(Safety and Compliance)
- ii. Does not exceed \$25,000 Director
(H.R.)
- ii. Exceeds \$25,000 Vice President
(Business Services)

2.11 RELOCATION

- a. Authorization for relocation of existing employees or new hires
 - Applicable Exec. Officer

- b. All expenses submitted in connection with both management and non-management relocation will be authorized as follows:
 - i. Movement of Household Goods
 - (1) Approval of purchase order for movement of household goods
 - Director (H.R.)

 - ii. Other Expenses
 - To authorize payments and reimbursements in connection with relocation:
 - (1) Does not exceed \$1,000 Director (H.R.)
 - (2) Exceeds \$1,000 Applicable Exec. Officer

NOTE TO SECTION 2.11:

Officer moving expenses must be approved by the CEO.

3 SECTION 3—SERVICE MATTERS

3.1 REGULATED SERVICES NOT PROVIDED FOR IN OTHER SCHEDULE SECTIONS

a. Intrastate and Interstate Power Pools and Arrangements with Other Utilities

To authorize and execute arrangements with other utility companies and Intrastate and Interstate Power Pools with respect to the furnishing of service in accordance with policies and settlement arrangements

..... Applicable Exec. Officer

b. Gas Transmission and Transportation Agreements with Gas Suppliers

To authorize and execute arrangements with other gas suppliers with respect to the furnishing of service in accordance with policies and settlement agreements

..... Applicable Exec. Officer

3.2 SPECIAL CONSTRUCTION

a. To authorize and execute contracts or arrangements with individual customers to provide special service or equipment designed for particular purposes, to determine the specific charges where the tariffs provide that such charges shall be based on cost, and to authorize such special equipment or service where the gross plant expenditures:

- i. Do not exceed \$50,000 Director
- ii. Do not exceed \$100,000 Applicable Officer
- iii. Do not exceed \$500,000 Applicable Exec. Officer
- iv. Exceeds \$500,000 CEO

NOTE TO SECTION 3.2:

In accordance with section 1.7, contracts must be executed by an officer. This authority is contingent upon appropriate authorization of the contract requisition (see Section 1.11, Definitions, Execute).

3.3 NON-REGULATED PRODUCTS OR SERVICES NOT PROVIDED FOR IN OTHER SCHEDULE SECTIONS

a. First Time Offering

To offer for the first time a non-regulated product or service (including trials)

..... Applicable Exec. Officer

b. Establish Terms and Rates

To establish, withdraw, or change rates and terms and conditions for a non-regulated product or service which was authorized in 3.3 (a)

..... Applicable Exec. Officer

3.4 AFFILIATE TRANSACTIONS

a. Providing Services to an Affiliate

i. To authorize and execute first time contracts for provision of services or products between the Company and any affiliate CEO

ii. To establish, withdraw, or change rates for a contract previously authorized in 3.4 (a) (i) where the total increase/decrease:

(1) Does not exceed \$100,000 Applicable Officer

(2) Exceeds \$100,000 Applicable Exec. Officer

iii. To authorize annual price renewals of contracts previously authorized in 3.4 (a) (i) or (ii) and where the terms and conditions and rates have remained the same Applicable Officer

b. Purchasing from an Affiliate

i. To authorize and execute first time contracts for purchasing of goods and services from any affiliate CEO

ii. To establish, withdraw, or change rates for a purchasing contract previously authorized in 3.4 (b) (i) where the total increase/decrease:

(1) Does not exceed \$100,000 Applicable Officer

(2) Exceeds \$100,000 Applicable Exec. Officer

iii. To authorize annual price renewals of contracts previously authorized and where the terms and conditions and rates have remained the same

..... Applicable Officer

3.5 CUSTOMER ACCOUNTS

a. Uncollectible Charges and Adjustments

To adjust customers' accounts to correct charges and to write off charges for service, custom work, and other items where the amount of the adjustment, correction, or write-off, together with taxes:

i. Does not exceed \$2,500 Manager

- ii. Does not exceed \$10,000 Director
- iii. Exceeds \$10,000 Applicable Officer

NOTE TO SECTION 3.5 (a):

Customer representatives may authorize the transfer of charges from one customer's account to another account or make charges collectible at a different address.

b. Refunds of Deposits and Overpayments

To refund a customer deposit plus interest or an overpayment on a customer's account where the amount:

- i. Does not exceed \$1,000 Representative
- ii Exceeds \$1,000 Manager

3.6 AGENCY RELATED CONTRACTS

a. Collection

To authorize the preparation of contracts with Collection Agencies for collection of unpaid final amounts Applicable Officer

b. Payment

To authorize the preparation of contracts with payment agencies for collection of payments and deposits of the Company Director

4 SECTION 4—PLANT MATTERS

4.1 APPROPRIATIONS

a. Construction Program

To appropriate funds through the annual budget for the construction and acquisition of utility plant and properties. Board

b. Operations and Maintenance Program

To appropriate funds through the annual budget for the operation and maintenance of utility plant and properties Board

4.2 CONTRACTS FOR CONSTRUCTION, MAINTENANCE, CONSULTING AND OTHER SERVICES

a. Contract Requisitions

To authorize contract requisitions for specific contracts and blanket contracts with others (contractors) for labor and/or services such as construction, maintenance, line clearance, consulting, engineering, janitorial, lawn maintenance, snow removal, etc., where the total estimated contract payment:

- i. Does not exceed \$25,000 Representative
- ii. Does not exceed \$50,000 Manager
- iii. Does not exceed \$100,000 Director
- iv. Does not exceed \$500,000 Applicable Officer
- v. Does not exceed \$1,000,000 Applicable Exec. Officer
- vi. Exceeds \$1,000,000 CEO

NOTE TO SECTION 4.2 (a):

In accordance with section 1.7, contracts must be executed by an officer. This authority is contingent upon appropriate authorization of the contract requisition (see Section 1.11, Definitions, Execute).

b. Contract Change Orders

To authorize contract change orders for increases in gross expenditures which further increase previously authorized gross expenditures by 10% or more where the previously authorized amount and contract change order amount combined:

- i. Does not exceed \$50,000 Manager
- ii. Does not exceed \$100,000 Director

- iii. Does not exceed \$500,000 Applicable Officer
- iv. Does not exceed \$1,000,000 Applicable Exec. Officer
- v. Exceeds \$1,000,000 CEO

NOTE TO SECTION 4.2 (b):

If change order amount is less than 10% of previously authorized amount, authorized approval is based on the change order amount only.

c. Blanket Contract Job Release

To execute blanket contract job releases where the estimated sum:

- i. Does not exceed \$25,000 Representative
- ii. Does not exceed \$50,000 Manager
- iii. Does not exceed \$100,000 Director
- iv. Does not exceed \$500,000 Applicable Officer

Requisitions for procurement of equipment, materials and supplies require the same authorizations as those for contracts. Procurement of equipment, materials and supplies is covered in Sections 4.5b, 4.13, 4.14, 4.15, and 4.17.

4.3 WORK ORDERS

The term "work orders" includes specific work orders and blanket work orders. Specific work orders cover individual undertakings involving expenditures or retirements of individual units of property. Blanket work orders are issued annually to cover undertakings involving routine expenditures or plant retirements of units of property.

a. Blanket Work Orders

Blanket work orders authorized by the approved budget for plant additions or retirements. Director

b. Specific Work Order

Specific work orders for acquisition, construction, retirement, or abandonment of utility plant including land, building, and general equipment which are included in the approved budget and:

- i. Do not exceed \$50,000 Manager
- ii. Do not exceed \$100,000 Director
- iii. Do not exceed \$500,000 Applicable Officer
- iv. Do not exceed \$1,000,000 Exec. Officer

- v. Do not exceed \$10,000,000 CEO
 - vi. Exceeds \$10,000,000 Board
- c. Unanticipated Construction
- Construction projects that increase the annual construction budget of the Exec. Officer and require the preparation of a specific work order but are not included in the approved budget are classified as Unanticipated Construction. Approval of construction projects classified as Unanticipated Construction when the expenditure:
- i. Does not exceed \$100,000 Applicable Exec. Officer
 - ii. Does not exceed \$1,000,000 CEO
 - iii. Exceeds \$1,000,000 Board

NOTES TO ENTIRE SECTION 4.3:

- (1) A work order is not considered to be a form of a contract.
- (2) In the event of an exchange of property, the authorization required shall be determined by the value of the property acquired or the value of the property disposed of, whichever requires the higher authorization.
- (3) Deeds and other conveyances of real estate must be executed by an officer.
- (4) If the project under Section 4.3 (c) does not increase the annual construction budget of the Exec. Officer member, such member will have the same level of authorization as stated in Section 4.3 (b). However, it is expected that individual projects not related to routine operations will be discussed and coordinated with higher supervision.

4.4 REVISED WORK ORDERS

a. Specific Work Orders

To authorize revised work orders for combined changes of gross expenditures or plant retirements which further increase previously authorized gross expenditures or plant retirements by 10% or more where the previously authorized estimates and supplemental estimates combined:

- i. Do not exceed \$50,000 Manager
- ii. Do not exceed \$100,000 Director
- iii. Do not exceed \$500,000 Applicable Officer
- iv. Do not exceed \$1,000,000 Applicable Exec. Officer
- v. Exceeds \$1,000,000 CEO

b. Blanket Work Orders

To authorize supplemental estimates for increases in gross expenditures or plant retirements under a blanket work order which further increase previously authorized gross expenditures or plant retirements by 10% or more where the previously authorized amount and the supplemental estimate combined:

- i. Do not exceed \$100,000 Director
- ii. Do not exceed \$500,000 Applicable Officer
- iii. Do not exceed \$5,000,000 Applicable Exec. Officer
- iv. Do not exceed \$10,000,000 CEO
- v. Exceeds \$10,000,000 Board

4.5 ADVANCE AUTHORIZATION

To authorize an undertaking so that the commencement of work, contract engineering, or the ordering of materials can take place before approval of the work order where the project involves the providing of utility service except that covered in Section 4.2 which:

- i. Do not exceed \$500,000 Applicable Officer
- ii. Do not exceed \$1,000,000 Applicable Exec. Officer
- iii. Exceeds \$1,000,000 CEO

4.6 REAL ESTATE

a. Options to Purchase

To acquire options to purchase real estate and authorize payment of earnest money pending approval of purchase where the earnest money payment:

- i. Does not exceed \$25,000 Manager
(Facilities Mgt.)
- ii. Does not exceed \$50,000 Director
(Facilities Mgt.)
- iii. Does not exceed \$250,000 Applicable Officer
- iv. Does not exceed \$500,000 Applicable Exec. Officer
- v. Exceeds \$500,000 CEO

b. Purchase or Sale of Real Estate

To execute contracts or other written agreements for the purchase or other acquisition or for the sale or other disposition of real estate excluding in-place

plant where the purchase or sale is included in the approved budget and the price:

- i. Does not exceed \$25,000 Manager
(Facilities Mgt.)
- ii. Does not exceed \$50,000 Director
(Facilities Mgt.)
- iii. Does not exceed \$250,000 Applicable Officer
- iv. Does not exceed \$500,000 Applicable Exec. Officer
- v. Exceeds \$500,000 CEO

NOTES TO SECTION 4.6 (b):

- (1) The Board of Directors has delegated limited authority to release property from the Company's indenture to Executive Officers. This authority is limited to transactions of \$1 million or less not to exceed \$5 million in the aggregate for any calendar year.
- (2) In accordance with section 1.7, contracts must be executed by an officer. This authority is contingent upon appropriate authorization of the contract requisition (see Section 1.11, Definitions, Execute).

c. Real Estate Rentals

To authorize and execute the lease of the Company's real estate or the real estate of others where the total lease amount:

- i. Does not exceed \$50,000 over the term of the lease and the term does not exceed 5 years Manager
(Facilities Mgt.)
- ii. Does not exceed \$100,000 over the term of the lease and the term does not exceed 5 years Director
(Facilities Mgt.)
- iii. Does not exceed \$500,000 Applicable Officer
- iv. Does not exceed \$1,000,000 Applicable Exec. Officer
- v. Exceeds \$1,000,000 CEO

NOTE TO SECTION 4.6 (c):

In accordance with section 1.7, contracts must be executed by an officer. This authority is contingent upon appropriate authorization of the contract requisition (see Section 1.11, Definitions, Execute).

4.7 RIGHTS-OF-WAY AND EASEMENTS

a. Acquisition

To acquire on behalf of the Company rights-of-way on, over, or under the property of others, subject to an authorized work order where the amount to be paid is a single lump sum which:

- i. Does not exceed \$25,000 Manager
(Facilities Mgt.)
- ii. Does not exceed \$50,000 Director
(Facilities Mgt.)
- iii. Does not exceed \$250,000 or is an annual rental which does not exceed \$50,000 Applicable Officer
- iv. Does not exceed \$500,000 or is an annual rental which does not exceed \$100,000 Applicable Exec. Officer
- v. Does not exceed \$5,000,000 or is an annual rental which does not exceed \$500,000 CEO
- vi. Exceeds \$5,000,000 or is an annual rental which exceeds \$500,000 Board

b. Grant/Release

To grant easements over lands of the Company or release Company easements and rights-of-way over lands of others Applicable Officer

4.8 ATTACHMENTS AND LEASE OF PLANT FACILITIES

a. Contracts

To authorize and execute contracts or arrangements with others for the attachment of circuits to poles, bridges, or other supporting structures and the leasing of other plant facilities except real estate agreement or renewal and the amount:

- i. Does not exceed \$25,000 Manager
- ii. Does not exceed \$50,000 Director
- iii. Does not exceed \$250,000 Applicable Officer
- iv. Does not exceed \$500,000 Applicable Exec. Officer
- v. Exceeds \$500,000 CEO

NOTE TO SECTION 4.8:

In accordance with section 1.7, contracts must be executed by an officer. This authority is contingent upon appropriate authorization of the contract requisition (see Section 1.11, *Definitions, Execute*).

4.9 INVENTORY ADJUSTMENTS

a. Outside Plant Supplies

To authorize the adjustment (monthly or annual) and disposition (including junking) of inventory differences of materials and supplies or merchandise where the amount of the net adjustment:

- i. Does not exceed \$1,000 Manager
- ii. Does not exceed \$5,000 Director
- iii. Exceeds \$5,000 Applicable Officer

4.10 CUSTOM WORK ORDERS FOR REIMBURSEMENT

a. Changes, Rearrangements, and Moves

To authorize custom work orders relating thereto for changes, rearrangements, and moves of Company lines, meters, services, and other properties at the request of others and the restoration and repair of Company properties damaged by others and to issue special bills for work at their request, where the estimated expenditure:

- i. Does not exceed \$25,000 Representative
- ii. Does not exceed \$50,000 Manager
- iii. Does not exceed \$100,000 Director
- iv. Does not exceed \$500,000 Applicable Officer
- v. Exceeds \$500,000 Applicable Exec. Officer

4.11 COMPUTER HARDWARE PURCHASES

a. Computer Hardware

To authorize procurement requisitions or execute agreement for the purchase of minicomputer hardware (including initial operating system software) where the item is included in the approved budget and the amount for a single product to be in a single lump sum or during a three year lease term:

- i. Do not exceed \$50,000 Director (IT)
- ii. Do not exceed \$250,000 Vice President (IT)

iii. Exceeds \$250,000 Applicable Exec. Officer

b. Computer Hardware Maintenance

To authorize contract requisitions or execute agreements for computer hardware maintenance by others which are included in the approved budget and where the annualized amount involved during the term of agreement:

i. Does not exceed \$50,000 Director (IT)

ii. Does not exceed \$250,000 Vice President (IT)

iii. Exceeds \$250,000 Applicable Exec. Officer

NOTE TO SECTION 4.11:

Information Technology is to be consulted prior to any acquisition of computer related hardware or software to promote compatibility with Company systems and for potential pricing advantages.

4.12 COMPUTER SOFTWARE ACQUISITIONS, SUPPORT AND CONTRACT PROGRAMMING

a. STANDARD Software

To authorize procurement requisitions or execute agreements for the purchase of prepackaged computer software included in the approved budget which is defined as a STANDARD software package by Information Technology where the amount for a single product is to be paid in a single lump sum or during a three year lease term:

i. Does not exceed \$50,000 Director (IT)

ii. Does not exceed \$250,000 Vice President (IT)

iii. Exceeds \$250,000 Applicable Exec. Officer

b. NON-STANDARD Software

To authorize procurement requisitions or execute agreements for the purchase of prepackaged computer software included in the approved budget which is defined as a NON-STANDARD software package by Information Technology where the amount for a single product is to be paid in a single lump sum or during a three year lease term:

i. Does not exceed \$10,000 Manager (IT)

- ii. Does not exceed \$50,000 Director (IT)
- iii. Does not exceed \$250,000 Vice President (IT)
- iv. Exceeds \$250,000 Applicable Exec. Officer

c. Large Server Software

To authorize procurement requisitions or execute agreements for the purchase of prepackaged computer software included in the approved budget for use with large servers where the amount for a single product is to be paid in a single lump sum or during the lease term:

- i. Does not exceed \$100,000 Director (IT)
- ii. Does not exceed \$500,000 Vice President (IT)
- iii. Exceeds \$500,000 Applicable Exec. Officer

d. Vendor Computer Programming

To authorize contract requisitions or execute agreements for computer programming, enhancements, system design, processing, data conversion or consultation, the cost of which is included in the approved budget where the annual amount:

- i. Does not exceed \$100,000 Director (IT)
- ii. Does not exceed \$250,000 Vice President (IT)
- iii. Exceeds \$250,000 Applicable Exec. Officer

NOTE TO SECTION 4.12:

Information Technology is to be consulted prior to any acquisition of computer hardware or software or entering into any contract for computer programming to ensure compatibility with Company systems or for potential pricing advantages.

4.13 PROCUREMENT OF EQUIPMENT, MATERIALS AND SUPPLIES

To authorize requisitions for procurement, whether by purchase or by lease, of all operating, office and construction equipment, including major items of equipment for electric generating stations, substations, transmission lines, fleet equipment, computer hardware and software, and all materials and supplies including items carried in stores needed to extend, replace or repair Company property, where the total estimated amount:

- i. Does not exceed \$25,000 Representative
- ii. Does not exceed \$50,000 Manager
- iii. Does not exceed \$100,000 Director
- iv. Does not exceed \$500,000 Applicable Officer
- v. Does not exceed \$1,000,000 Applicable Exec. Officer
- vi. Exceeds \$1,000,000 CEO

**5 SECTION 5—MATTERS INVOLVING CLAIMS AND LIABILITIES AND
RELATIONSHIPS WITH GOVERNMENT BODIES**

5.1 CLAIMS AGAINST THE COMPANY

To settle or otherwise dispose of claims against the Company, other than claims related to personnel issues, Environmental Laws, and purchasing claims concerning damaged, defective, or missing goods:

- i. Does not exceed \$5,000 Representative
(Claims)
- ii. Does not exceed \$15,000 Manager
(Claims)
- iii. Does not exceed \$50,000 Director
(Legal)
- iv. Does not exceed \$1,000,000 Gen. Counsel or Corp. Sec.
- v. Exceeds \$1,000,000 CEO

NOTE TO SECTION 5.1:

The Gen. Counsel or Corporate Secretary may require concurrence before any particular claim or item of litigation is settled or otherwise paid.

5.2 CLAIMS BY THE COMPANY AGAINST OTHERS

a. Special Bills to Others

To issue special bills to others for work occasioned by reason of damage to utility plant and property by others, other than those pertaining to purchasing claims concerning damaged, defective, or missing goods where the amount of the bill:

- i. Does not exceed \$25,000 Manager
(Claims)
- ii. Does not exceed \$50,000 Manager (Claims)
and Dir. Lev. Atty.
- iii. Does not exceed \$1,000,000 Gen. Counsel or Corp. Sec.
- iv. Exceeds \$1,000,000 CEO

b. Disposition of Claims (Excl. Cust. Accts.)

i. The claim is not in litigation and the amount by which the original claim is reduced:

- (1) Does not exceed \$500 Associate (Claims)
- (2) Does not exceed \$1,000 Representative (Claims)
- (3) Does not exceed \$25,000 Manager (Legal)
- (4) Does not exceed \$50,000 Dir. Lev. Atty.
- (5) Does not exceed \$1,000,000 Gen. Counsel or Corp. Sec.
- (6) Exceeds \$1,000,000 CEO

ii. The claim is in litigation and the amount by which the original claims is reduced:

- (1) Does not exceed \$10,000 Atty.
- (2) Does not exceed \$50,000 Dir. Lev. Atty.
- (3) Does not exceed \$1,000,000 Gen. Counsel or Corp. Sec.
- (4) Exceeds \$1,000,000 CEO

c. Disposition of Claims (Customer Accounts)

To settle, charge off, or otherwise dispose of claims by the Company against others involving customers' accounts where the claim is in litigation and the amount by which the original claim is reduced:

- i. Does not exceed \$5,000 Atty.
- ii. Does not exceed \$10,000 Dir. Lev. Atty.
- iii. Does not exceed \$50,000 Gen. Counsel or Corp. Sec.
- iv. Exceeds \$50,000 CEO

5.3 LEGAL PROCEEDINGS

To institute, defend, or otherwise participate in legal, equitable, or administrative proceedings (with representation by the Legal Department) except as otherwise specifically provided:

a. Proceedings for the collection of money including damages due the Company where the amount due:

- i. Does not exceed \$10,000 Atty.
- ii. Does not exceed \$100,000 Dir. Lev. Atty.
- iii. Does not exceed \$1,000,000 Gen. Counsel or Corp. Sec.
- iv. Exceeds \$1,000,000 CEO

NOTE TO SECTION 5.3 (a):

The Gen. Counsel or Corporate Secretary must concur before any legal proceeding is instituted.

b. Emergency Cases

Summary actions and other proceedings necessary to protect Company property or employees in emergency cases Atty.

c. Eminent Domain

Proceedings for the exercise of the powers of eminent domain or for the purpose of acquiring property, rights-of-way, easement, or other rights in property needed in connection with the construction or maintenance of this Company's plant Atty.

d. Protest of Tax Payments

Proceedings to protest payment of state and local taxes and to recover such taxes paid under protest Dir. Lev. Atty.

e. Other

All other proceedings General Counsel or Corp. Sec.

5.4 INSURANCE

a. Purchase, Renewal, or Cancellation

To authorize expenditures with respect to the purchase or renewal of insurance (including fidelity bonds) of any kind or the complete cancellation of the same where the annual premium:

- i. Does not exceed \$100,000 Manager (Insurance)
- ii. Exceeds \$100,000 Applicable Officer

b. Cancellation—Coverage in Force

To cancel any insurance coverage already in force for the purpose of replacing it with new coverage under the above provisions Applicable Officer

5.5 FRANCHISES

a. With Governmental Bodies

To negotiate and contract with municipalities and other governmental bodies with respect to franchises, regulatory ordinances, and similar arrangements

..... Director

NOTE TO SECTION 5.5:

Franchise agreements must be signed by an officer.

5.6 CITY SPECIAL TAX ORDINANCES

a. With Governmental Bodies

To contract with municipalities and other governmental bodies with respect to city special taxes, gross receipts taxes, and similar taxes

..... Director
(Tax)

NOTE TO SECTION 5.6:

In accordance with section 1.7, contracts must be executed by an officer. This authority is contingent upon appropriate authorization of the contract requisition (see Section 1.11, Definitions, Execute).

5.7 AD VALOREM TAXES

a. Rendition of Property

To authorize the making of renditions of the Company's property for ad valorem tax purposes:

i. To state Tax Commissions Director
(Tax)

ii. To local tax bodies where the amount to be rendered:

(1) Does not exceed \$5,000,000 Director
(Tax)

(2) Exceeds \$5,000,000 Applicable Officer

b. Assessments

To accept ad valorem tax assessments:

i. Made by state Tax Commission Applicable Officer

ii. Made by local tax bodies other than improvement districts where the amount of assessment:

- (1) Does not exceed \$5,000,000 Director (Tax)
- (2) Exceeds \$5,000,000 Applicable Officer
- iii. Made by an improvement district Director (Tax)

5.8 TAX PAYMENTS

To authorize payment of taxes:

- a. Ad Valorem
 - Ad valorem taxes based on an accepted assessment where the amount of the payment:
 - i. Does not exceed \$100,000 Director (Tax)
 - ii. Exceeds \$100,000 Applicable Officer
- b. Improvement District
 - Improvement district taxes Director (Tax)
- c. Payroll/Other Company
 - Taxes based upon payrolls and taxes imposed upon the Company Manager (HR)
- d. Customer/Employee
 - Taxes imposed upon customers or employees but required to be collected or withheld by the Company Manager (H.R. or Tax)
- e. Income
 - Federal, state, and city income tax payments Director (Tax)
- f. Other
 - All other federal, state, and city taxes and all other special taxes where the amount of the payment:
 - i. Does not exceed \$100,000 Director (Tax)
 - ii. Exceeds \$100,000 Applicable Officer

g. Interstate Purchases

Taxes self-reported by Company on all interstate purchases Director
(Tax)

NOTE TO SECTION 5.8:

Payments of taxes more than 30 days in advance of their final due date for reason other than to take advantage of discounts shall be approved by the Controller.

5.9 TAX RETURNS AND DECLARATIONS OF TAX

To authorize tax returns and declarations for:

a. Income/Franchise

Federal, state, and city income tax and state franchise tax Director
(Tax)

b. Gross Receipts

City and state gross receipts tax Director
(Tax)

c. Payroll/Other Company

Taxes based upon payrolls and taxes imposed upon the Company
..... Manager
(HR)

d. Customer/Employee

Taxes imposed upon customers or employees but required to be collected or withheld by the Company Manager
(Tax)

e. Settlement of Audits

To authorize the settlement of audit finding when the total additional assessment:

i. Does not exceed \$100,000 Director
(Tax)

ii. Does not exceed \$500,000 Applicable Officer

iii. Does not exceed \$1,000,000 Applicable Exec. Officer

iv. Exceeds \$1,000,000 CEO

6 SECTION 6—FINANCES AND OTHER MATTERS

The authority delegated by Section 6 may not be further delegated under 1.6 except during temporary absences.

6.1 COMPANY GENERAL CASH FUND

a. Payments

To make payments from Company funds by use of a mechanical signing device or otherwise, provided that each such payment is approved by the Treasurer or designated representative. Director
(Cash Mgmt.)

b. Bank Accounts

To authorize the opening or closing of Company bank accounts for any reason
..... Director
(Cash Mgmt.)

6.2 PAYMENTS

a. Bills and Vouchers

To authorize payment of a bill or voucher or to make periodical payments for expenses included in the approved budget, excluding payments provided for elsewhere in this schedule where the amount of payment:

- i. Does not exceed \$50,000 Representative
- ii. Does not exceed \$100,000 Manager
- iii. Does not exceed \$250,000 Director
- iv. Does not exceed \$1,000,000 Applicable Officer
- v. Does not exceed \$5,000,000 Applicable Exec. Officer
- vi. Exceeds \$5,000,000 CEO

NOTES TO SECTION 6.2 (a):

- (1) Each bill, voucher or request for payment shall bear the certification or approval of at least one other employee before payment is authorized by the designated employee or official.
- (2) Payments of bills and invoices of a recurring nature that do not exceed \$1,000 may be delegated to clerical employees at the discretion of representative level employee. Bills and invoices of a recurring nature would include such items as utility bills, pest control, collection agency fees, freight, janitorial services, linen service and trash service. Non-recurring payments would include professional fees, seminars,

software, subscriptions, expense reports, visa card statements, mileage, meals, petty cash and services assigned to specific work requests.

- (3) Delegation of authority requires the completion and submission of SOA #1 to the Controller.

b. Other Utilities and Power Pool Arrangements

To authorize payments to other utilities and power pools provided that the contract has been approved Director

c. Gas Transmission and Transportation Arrangements

To authorize payments to gas suppliers provided that the contract has been approved Director

d. Pension Fund/Savings Plans

To authorize payments to trustees of the Pension Trust Fund and Savings Member of the Investments and Benefits Committee

e. With Associated Contracts

To authorize payments in accordance with properly approved commitment contracts excluding fuel and purchased gas where all conditions precedent to payment have been met and where the amount of payment:

- i. Does not exceed \$25,000 Associate
- ii. Does not exceed \$50,000 Representative
- iii. Does not exceed \$100,000 Manager
- iv. Does not exceed \$250,000 Director
- v. Does not exceed \$1,000,000 Applicable Officer
- vi. Exceeds \$1,000,000 Applicable Exec. Officer

f. Fuel and Purchased Gas Contracts

To authorize payments in accordance with properly approved commitment contracts for fuel contracts where all conditions precedent to payment have been met and where the amount of payment:

- i. Does not exceed \$50,000 Representative
(Gen. and Mktg.)
- ii. Does not exceed \$100,000 Manager
(Gen. and Mktg.)
- iii. Does not exceed \$250,000 Director
(Gen. And Mktg.)

iv. Does not exceed \$15,000,000 Applicable Officer

v. Exceeds \$15,000,000 Applicable Exec. Officer

g. Payment of Fees

To authorize payment of debenture trustee, transfer agent, and paying agent
..... Director
(Cash Mgmt.)

h. Commission assessments

To authorize payments in accordance with commission assessments and
contractual requirements Director
(Regulatory)

6.3 LOANS, PROMISSORY NOTES, COMMERCIAL PAPER AND LETTERS OF CREDIT

a. Promissory Notes and Commercial Paper

i. To borrow from any bank or trust company from time to time for the
business of the Company for a term of not more than 12 months and in
maximum amounts approved by the CEO and the Board
..... Director
(Cash Mgmt.)

ii. To issue and sell from time to time for the business of the Company
short-term unsecured promissory notes by use of facsimile signature or
otherwise, the maturity of which shall not exceed 12 months in maximum
amounts approved by the CEO and the Board Director
(Cash Mgmt.)

iii. To repay loans from banks and trust companies and to repay short-term
promissory notes Director
(Cash Mgmt.)

iv. To authorize disbursement of interest on loans and promissory notes
..... Director
(Cash Mgmt.)

v. To authorize disbursement of commercial paper back-up lines of credit
fee payments Director
(Cash Mgmt.)

b. Letters of Credit

To authorize expenditures and to execute all necessary documents to secure
letters of credit in connection with any transaction properly authorized under this
schedule Director
(Cash Mgmt.)

6.4 CONTRIBUTIONS

a. Approval—All Types

To approve individual charitable contributions within approved contributions levels, including donations of surplus and general equipment amount or fair market value:

- i. Does not exceed \$1,000 annually Foundation Board
- ii. Does not exceed \$10,000 annually CEO
- iii. Exceeds \$10,000 annually Board

6.5 APPROVAL OF MEMBERSHIPS

To approve Company sponsored memberships included in the approved budget:

a. Company—Trade or Business

Where membership is in a trade or business organization and is held in the name of the Company and where the amount:

- i. Does not exceed \$5,000 Applicable Officer
- ii. Does not exceed \$10,000 Applicable Exec. Officer
- iii. Exceeds \$10,000 CEO

b. Individual—Civic, Service, or Professional

Where membership is in a civic, service, or professional organization and is held in the name of an individual employee and the amount of initial membership fee plus one year's dues:

- i. Does not exceed \$250 Director
- ii. Exceeds \$250 Applicable Officer

c. Other—Including Increases

All other memberships including increases Applicable Exec. Officer

6.6 CONTRIBUTIONS TO INDUSTRIAL FUNDS AND COMMUNITY INTEREST ORGANIZATIONS

a. Approval—Industrial Funds

To approve contributions to industrial funds for the purpose of developing commercial and business interest of a community:

- i. Where payment is properly chargeable as operating expense:
 - (1) Does not exceed \$1,000 annually Foundation Board
 - (2) Does not exceed \$10,000 annually CEO
 - (3) Exceeds \$10,000 annually Board
- ii. Where purchase of stocks, bonds, and other securities of value is involved—all amounts Applicable Exec. Officer

b. Approval—Community Interest Organizations

To approve contributions to community interest organizations where stimulation of business occurs where payment is properly chargeable as operating expense:

- i. Does not exceed \$1,000 annually Foundation Board
- ii. Does not exceed \$10,000 annually CEO
- iii. Exceeds \$10,000 annually Board

6.7 VOTING STOCK OWNED IN OTHER CORPORATIONS

a. Voting

- i. To vote stock owned by this Company in other corporations at any meeting of stockholders or otherwise exercise rights and powers incident to stock ownership or to designate a subordinate to exercise such powers. Applicable Officer

6.8 SALE OR TRANSFER OF STOCKS, BONDS OR OTHER SECURITIES

a. Sales or Transfer

To sell, assign, transfer, and deliver any stocks, bonds, or any other securities registered in the name of the Company or owned by it or to which it may be entitled where the value of the securities:

- i. Any amount CEO

b. Disbursement of Semi-annual Interest

To authorize disbursement of semi-annual interest on bonds Director
(Cash Mgmt.)

c. Payment of Dividends

To authorize the payment of dividends approved by the Board
..... Director
(Cash Mgmt.)

6.9 DISPOSITION OF COMPANY OWNED SECURITIES DETERMINED TO BE WORTHLESS

a. To authorize the charging off of Company owned securities determined to be worthless where the unrecovered cost at time of charge off:

i. Any amount Controller

6.10 TEMPORARY INVESTMENTS

a. Surplus Company Funds

To make temporary investments of surplus Company funds for periods not to exceed 90 days. Director
(Cash Mgmt.)

6.11 SERVICE CHARGES

a. Bank Service Charges

To authorize payment of bank service charges Director
(Cash Mgmt.)

6.12 TRAVEL

To authorize travel outside of the United States for business purposes where the cost of such travel including transportation, lodging, and incidental expenses:

i. Any amount Applicable Exec. Officer

7 SECTION 7—RISK MANAGEMENT OF POWER AND OTHER COMMODITIES TRADING

7.1 REASONS FOR RISK MANAGEMENT

Risk management practices are utilized by the Company's Commodity Trading organization in order to quantify, measure and minimize risk in power, gas, oil, coal and any other trading activities. It is the intent of the Company to limit the risk exposure of counterparty non-performance in power trading transactions. In all cases, the Company will structure transactions to ensure that there is adequate recourse in the event of counterparty non-performance.

7.2 GUIDELINES

a. Authority Limits

Authority limits are based on total dollar potential loss amounts of the MTM (Marked to Market) portfolio. The total dollar limit is determined by a daily MTM valuation performed by a Risk Manager, and does not represent the notional value of trades.

Authority limits based on total year to date losses settled and Marked-to-Market Portfolio (MTM Net Book Dollar Limits):

- i. Does not exceed \$250,000 Senior Director
(Bulk Power Marking)
- ii. Does not exceed \$2,000,000 Senior Vice President
(Commodity Strategy)
- iii. Does not exceed \$5,000,000 CEO
- iv. Exceeds \$5,000,000 Board

b. Authority limits based on Total Notional Portfolio and premiums associated with any option (Notional Value Transaction Limits):

- i. Does not exceed \$1,000,000 Senior Director
(Bulk Power Marketing)
- ii. Does not exceed \$4,000,000 Senior Vice President
(Gen. and Mktg. or Commodity Strategy)
- iii. Exceeds \$4,000,000 CEO

7.3 LIQUIDATION PROCEDURES

The Senior Vice President Commodity Strategy will independently mark the book and have the authority to liquidate positions to comply with defined limits or align activities with the corporate risk threshold. Any time positions are liquidated, the Commodity Strategy Department will document and report actions taken to the Risk Oversight Committee.

8 SECTION 8—AFFILIATED COMPANY OPERATIONS

8.1 SCOPE OF AUTHORITY

The level of authority provided for within Sections 2 through 6 of the Company's Schedule of Authorizations shall apply to each Affiliated Company with the exception of those areas identified in Section 8. This is intended to apply to Affiliated Companies in which a Schedule of Authorizations does not exist.

8.2 APPOINTMENT OF BOARD OF DIRECTORS

The Board of Directors of each Affiliated Company will be made up of the Chairman and CEO of the Affiliated Company or the President of the Affiliated Company, and at least two members of the management of the Company appointed by the CEO of the Company. Replacements of Board members will be recommended by the Affiliated Company Board of Directors and authorized by the CEO of the Company, acting on behalf of the Company as the Stockholder of the Affiliated Company.

8.3 APPOINTMENT OF OFFICERS

Officers of the Affiliated Company may be appointed by the recommendation of the Chairman and CEO, or President of the Affiliated Company and authorized by its Board of Directors.

8.4 EMPLOYMENT AND PAYROLL CHANGES

To authorize the employment of persons for positions included in the approved budget and fix rates of pay; change rates of pay, title or location; make upgrades and promotions, demotions and transfers; and make other payroll changes except as limited by this document.

a. Officers

Payroll activity involving officers of the Affiliated Companies other than the President or CEO. Payroll changes of the CEO or President may only be authorized by the Board of Directors of the Affiliated Company.

..... President or CEO of Affiliated Company

b. Professional Staff

For Professional Staff, where treatment involves initial employment, promotion, or change in title, location, department or basic salary rate and such treatment is in accordance with the current practices of the Affiliated Company.

..... Applicable Officer

c. Hourly Staff

For hourly staff employees where treatment on initial employment and on subsequent changes is in conformity with the current practice of the Affiliated Company in establishing wage levels.

..... President

NOTES TO SECTION 8.4:

- (1) Salary rates, salary treatment and intervals that are outside the current employment practices of the Affiliated Company must be approved by the CEO or President of the Affiliated Company.

8.5 EMPLOYEE CONTRACTS

To authorize the execution of an employee contract which commits the Company to the employment of an individual for a period of:

- i. Not more than one year CEO or Pres. of Affiliated Company
- ii. For more than one year Applicable Exec. Officer

8.6 COMPENSATION PLANS

Establishment or changes made to Compensation Plans affecting substantially all employees must be authorized by the Board of Directors of the Affiliated Company.

8.7 EMPLOYEE BENEFIT PLANS

The adding, deleting or changing of the provisions of the Employee Benefit Plans must be approved by the Board of Directors of the Affiliated Company.

NOTE TO SECTION 8.7:

All Employee Benefit Plans and Compensation Plans must be reviewed by the Company's Human Resources Department prior to adoption to avoid incompatibility with the Company's plan status.

8.8 EMPLOYEE BENEFIT PLAN ADMINISTRATORS

The changing of an Employee Benefit Plan administrator must be approved by the Board of Directors of the Affiliated Company. This will include but will not be limited to Savings Plan Administrators, Medical Coverage Administrators and Insurance Carriers.

NOTE TO SECTIONS 8.6, 8.7 AND 8.8:

All changes to the Compensation and Benefit Programs must be reviewed by the parent company to assure compliance with Internal Revenue Service and ERISA, EEOC and other federal and state regulations.

8.9 SERVICE CONTRACTS

To authorize the execution of a contract for services such as engineering, financial, accounting, janitorial, office equipment maintenance, aircraft maintenance, temporary services, etc. and such amount is included in the approved budget.

- i. Where the term of the contract is less than one year and the total amount of the contract is less than \$10,000.

..... Director

- ii. Where the term of the contract is less than one year and the total amount of the contract is less than \$50,000.

..... Applicable Officer

- iii. Where the term of the contract is less than one year and the total amount of the contract is less than \$100,000.

..... CEO or Pres. of Affiliated Company

- iv. Where the term of the contract is greater than one year or the total amount of the contract is greater than \$100,000.

..... Affiliated Company Board of Directors

NOTES TO SECTION 8.9:

- (1) Prior to obtaining accounting or financial services, the Controller of the Company shall be consulted for purposes of assuring no conflicts of interest exist.
- (2) In accordance with section 1.7, contracts must be executed by an officer. This authority is contingent upon appropriate authorization of the contract requisition (see Section 1.11, Definitions, Execute).

8.10 LEGAL SERVICES

To authorize the execution of a contract for legal services from outside law firms.

..... CEO or Pres. of Affiliated Company

NOTE TO SECTION 8.10:

Prior to obtaining outside legal services, consultation with the General Counsel or Corporate Secretary of the Company is mandatory.

8.11 COMMITMENTS OF THE COMPANY

Any commitments of the Company funds must be authorized by the CEO of the Company and are limited by the authority delegated by the Board of the Company. This authority cannot be delegated.

8.12 FORMATION OF SUBSIDIARIES

Any new subsidiary shall be approved by the Chairman and CEO of the Affiliated Company. Funding of the subsidiaries must be authorized by the Board of Directors of the Affiliated Company.

NOTE TO SECTION 8.12:

Prior to incorporation of any new subsidiary, the Corporate Secretary of the Company shall be notified in writing of the purpose of the subsidiary, and consulted with, regarding formation and structure, to assure no conflicts with the Company's corporate governance and regulatory status.

Western Resources, Inc.
Schedule of Authorizations (SOA)
Delegation of Authority
SOA #1

Subject to such policies and limitations established by the Board of Directors, the Executive Officers have general charge and direction of the Company with authority to carry on its business. All such matters within the authority of the Executive Officers may be delegated by them to other officers and employees as provided for in the Schedule of Authorizations for permanent absences, temporary absences, payment of recurring bills and invoices, or other special circumstances.

This form must be completed, approved, and submitted to the Controller, Topeka General Office, before delegation of authority is authorized.

Type of Delegation:

<u>SOA Section</u>	<u>Permanent Delegation (Y/N)</u>	<u>Temporary Delegation (Y/N)</u>	<u>Dates for Temporary Delegation</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Person the Delegation is Made To:

Name: _____

Title: _____

Approved By:

Print Name

Signature

Title: _____

Date: _____

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Western Resources, Inc.
Schedule of Authorizations
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