

Approved: March 28, 2003 Carl Dean Holmes
Date

MINUTES OF THE HOUSE COMMITTEE ON UTILITIES.

The meeting was called to order by Chairman Carl D. Holmes at 9:09 a.m. on February 6, 2003 in Room 519-S of the Capitol.

All members were present except: Representative Nile Dillmore

Committee staff present: Mary Galligan, Legislative Research
Dennis Hodgins, Legislative Research
Mary Torrence, Revisor of Statutes
Jo Cook, Administrative Assistant

Conferees appearing before the committee:

John Wine, Kansas Corporation Commission
Cynthia Claus, Kansas Corporation Commission
Brian Moline, Kansas Corporation Commission
James Haines, Westar Energy

Others attending: See Attached List

Chairman Holmes welcomed the Tom Day, Acting Executive Director for the Kansas Corporation Commission, who introduced the three commissioners to the committee, John Wine, Chairman, Cynthia Clause, Commissioner and Brian Moline, Commissioner. In turn, each provided a brief personal history and told of their experiences and a Commissioner. They responded to questions from the committee.

The House Committee recessed and was joined by the members of the Senate Utilities Committee.

Senate Utilities Chairman, Stan Clark, welcomed James Haines, President and Chief Executive Officer for Westar Energy. Mr. Haines provided an update to the joint committee on the company's current status (Attachment 1). He told of the new management in place and detailed the major events of 2002. Mr. Haines then spoke about the company's response to the Corporation Commission restructuring orders, including the announcement that they had filed a comprehensive plan with the Commission outlining how the company intends to reduce debt and become exclusively an electric utility (Attachment 2). Mr. Haines responded to questions from members of the joint committee.

The joint committee recessed and the House Committee reconvened.

The Kansas Corporation Commission Commissioners responded to additional questions from the committee.

The meeting adjourned at 10:58 a.m.

The next meeting will be Friday, February 7, 2003 at 9:00 a.m.

JOINT MEETING HOUSE AND SENATE UTILITIES COMMITTEES GUEST LIST

DATE: February 6, 2003

NAME	REPRESENTING
Joe Duck	KCBPU
George Barbee	M DIA
Dave Hoffmann	KEC
LES EVANS	WINDPOWER, INC
Jusan Cunningham	KCC
Cynthia Claus	KCC
Stere Johnson	Kansas Gas Service
MARK SCHREIBER	Westar Energy
Ron Gaches	GBA
JO Lory	Apulla, Inc.
Pos Kern	Hein Law Firm Ltd
Glenda Carter	M BIA
TOM DAY	KCC
Cynthia Smith	GPE
Denny Burgess	Westar
Hal Hudson	NFIB/KS
Karen Barone	Men law firm
David Prince	Curb.



House & Senate Utilities Committees 2003 Update

Presented by

James Haines, Westar Energy, President & Chief Executive Officer

February 6, 2003

HOUSE UTILITIES

DATE: 2-6-03

ATTACHMENT 1

2-1

Westar Energy overview

- Kansas' largest electric energy provider
- More than 647,000 customers
- More than 20,000 shareholders are Kansans
- Service territory covers more than 11,000 square miles
- Nearly 6,000 megawatts of generation capacity
 - Coal 3,349 MW
 - Uranium 550 MW
 - Natural gas/oil 1,253 MW
 - Natural gas 640 MW
 - Diesel 83 MW
 - Wind 1.2 MW
- Almost 35,000 miles of transmission and distribution lines
- 1,982 employees with annual payroll of nearly \$106 million (utility only)
- About \$145 million annually in state and local taxes



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New management

- Jim Haines, president and chief executive officer
 - Most recently, adjunct professor and Skov Professor of Business Ethics at The University of Texas at El Paso
 - Retired from El Paso Electric Company in November 2001, after six years as the CEO and president
 - Left Westar Energy in 1996 as executive vice president and chief operating officer
- Bill Moore, executive vice president and chief operating officer
 - Most recently, senior managing director and senior adviser for Saber Partners, LLC, a financial advisory firm in the energy and power industries
 - Left Westar Energy in 2000 as executive vice president and chief financial officer
- Mark Ruelle, executive vice president and chief financial officer
 - Most recently, four years as senior vice president and chief financial officer of Sierra Pacific Resources and one year as president of its Nevada Power Company unit
 - Served Westar Energy in various financial planning and management positions from 1986 to 1997
- Jim Ludwig, vice president, public affairs
 - Previously served as Westar Energy senior director, regulatory affairs and director, governmental relations

Major events of 2002

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- Ice storm
 - January and February of 2002
 - Worst in Westar Energy's history
 - Edison Electric Institute awarded Westar Energy an Emergency Response Award
 - 116,000 customers affected
 - Power restored to 50% the first day
 - 80% within three days
 - 100% within nine days
 - Damage covered about 4,000 square miles
 - \$18.5 million cost

Major Events of 2002

- Sale to Midwest Energy
 - KCC hearings scheduled for April
 - Will affect about 10,000 customers over 895 square miles in central and western Kansas
 - Requires KCC and FERC approval
 - Initiated by Midwest Energy
 - 42 towns affected
 - 13 Westar Energy employees affected; all offered equivalent jobs at Midwest Energy
- KCC's ordered restructuring (discussed in detail later)
- Capital market challenges

9-1

Major Events of 2002

- U.S. Attorney's investigation
 - September
 - Aircraft use, annual shareholder meetings, David Wittig and Westar Energy generally
 - Board appointed a special committee
 - Debevoise & Plimpton hired to conduct an independent investigation
 - That investigation continues
- FERC subpoena
 - December
 - Trades with Cleco (Central Louisiana Electric Company) and its affiliates
 - To its knowledge, Westar Energy has not violated FERC, SEC or any other rules and regulations
 - These transactions and other marketing and trading activities recently reviewed in KCC-ordered audit; no irregularities found
 - Westar Energy continues to work with FERC to resolve investigation

KCC Restructuring Orders

- Westar Energy agrees with the spirit and intent of the KCC restructuring orders
- Restructuring plan filed with the KCC this morning
- Paramount goal: continue safe, adequate, reliable and affordable service
- Problem: \$2 billion of excess debt
- To succeed, we must get a fair value for the assets we sell. This requires time and flexibility. Mandated deadlines and specific directives will only bring out vultures and bottom-fishers.
- Plan includes quarterly progress reports to KCC
- Structured to achieve directives in the shortest time consistent with capturing reasonable value
- How will we shed our excess debt?
 - Sale of ONEOK stock
 - Sale of other non-utility assets, such as Protection One and Protection One Europe
 - Cash flow from operations
 - Dividend cut
 - Stock issue
- Important objective: shield utility customers from non-utility investments
- Ultimate objective: return to being a pure Kansas electric utility

5.1

Financial issues

- Reduced debt by \$150 million during 2002
- In addition in the past month, we have:
 - Eliminated unnecessary corporate entities
 - Placed our European security operations for sale
 - Negotiated an arrangement with ONEOK for orderly disposition of our ONEOK interest
 - \$300 million, net of tax, from the transaction immediately available for debt reduction
 - Balance can be more readily sold
 - Retained advisers to explore opportunities regarding Protection One
- Refinancing of existing debt
 - In May and June of 2002, issued \$1.5 billion of new debt, proceeds of which retired \$1.2 billion of maturing debt
 - \$150 million of maturities in 2003 and about \$280 million in 2004

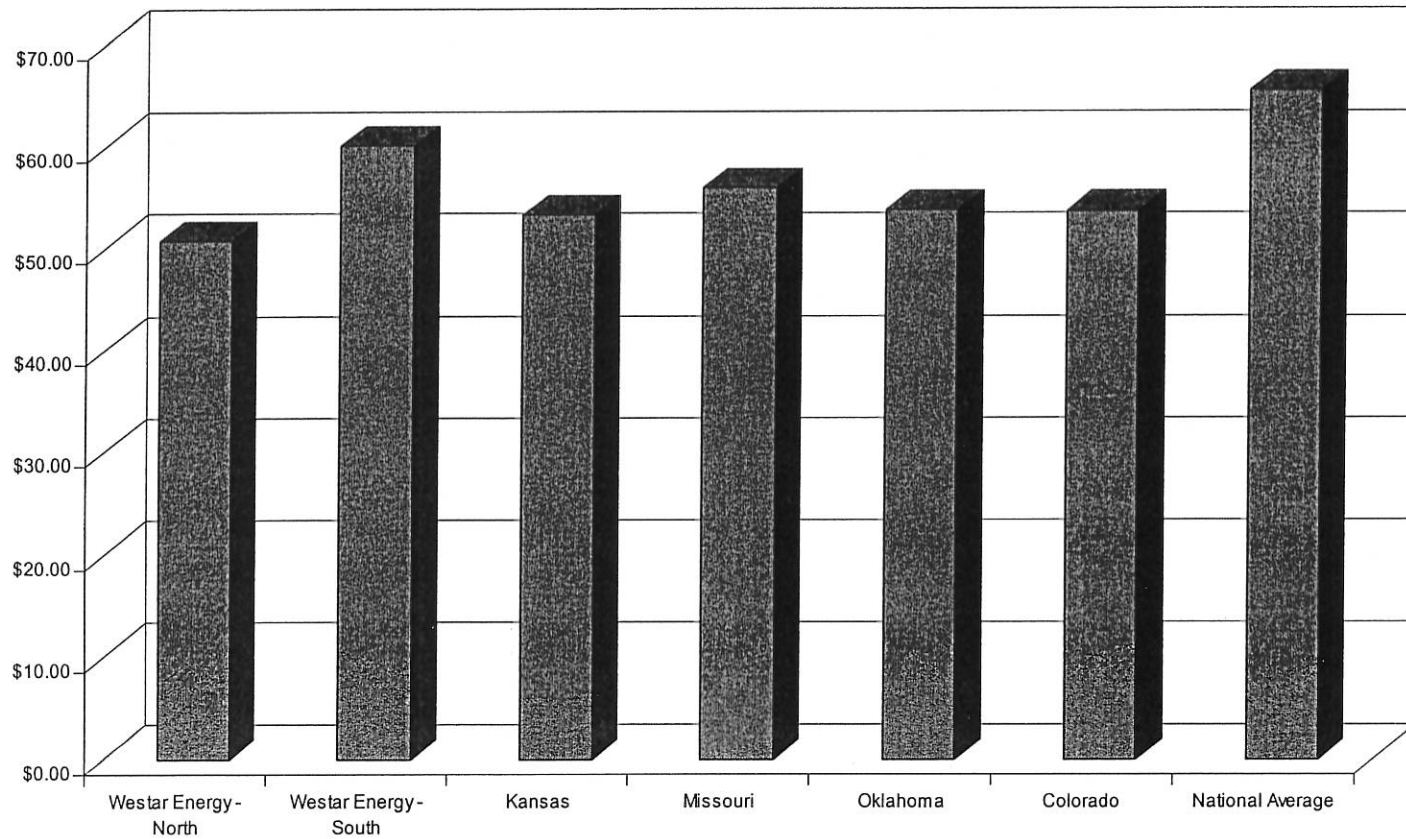
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Financial issues

- Electric usage by our top-10 industrial customers
(Note rate change: Interim rates effective Sept. 1, 2001; permanent rates effective June 4, 2002)
 - Sales
 - 2001: \$124.4 million
 - 2002: \$120.9 million
 - Change: -2.75%
 - Usage
 - 2001: 3.1 billion kWh
 - 2002: 2.9 billion kWh
 - Change: -5.05%
- Decline of the power marketing industry
 - New generation capacity
 - Financial problems of major players
- Lower rates and lower prices in the wholesale power market

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Residential rates

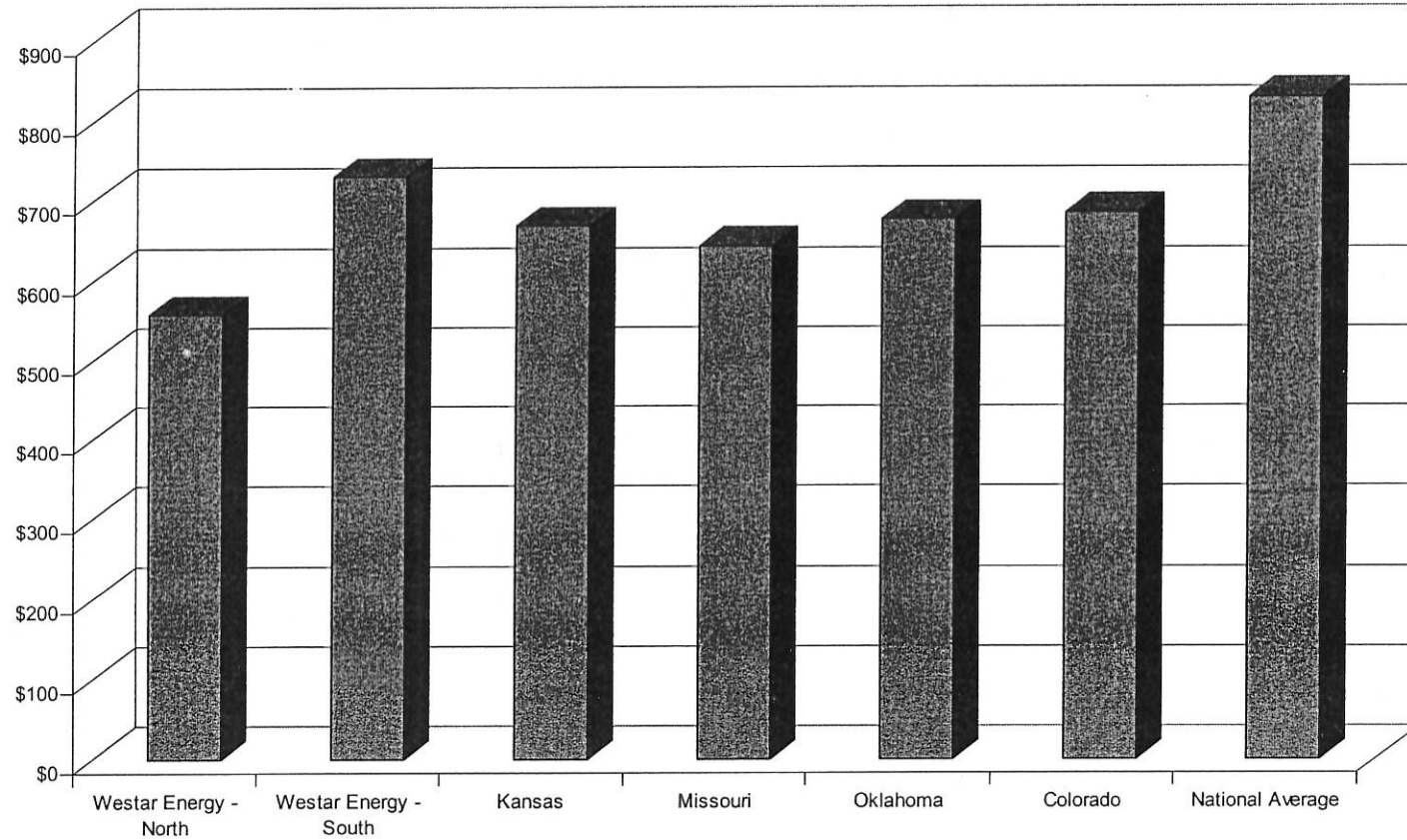


Monthly cost of Westar Energy bundled residential rates compared with averages for other states and the nation. Rates reflect 750 kWh usage.

Source: Edison Electric Institute (Annualized electric rates as of Jan. 1, 2002)



Commercial rates



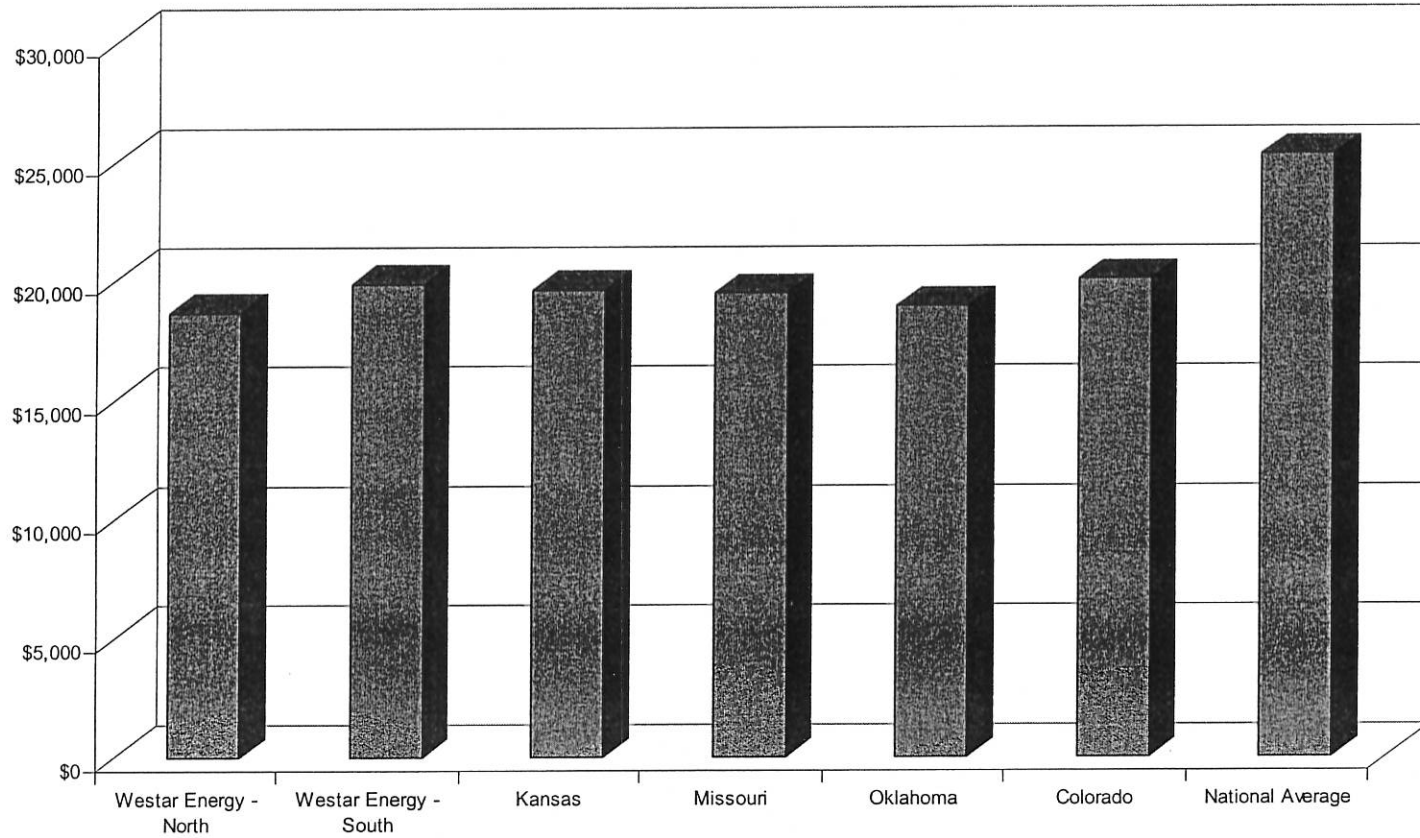
Monthly cost of Westar Energy bundled commercial rates compared with averages for other states and the nation. Rates are for 40 kW demand/10,000kWh consumption.

Source: Edison Electric Institute (Annualized electric rates as of Jan. 1, 2002)



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Industrial rates



Monthly cost of Westar Energy bundled industrial rates compared with averages for other states and the nation. Rates are for 1,000 kW demand/400,000kWh consumption.

Source: Edison Electric Institute (Annualized electric rates as of Jan. 1, 2002)



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2002 quality of service

- System reliability (Unless otherwise noted these figures do not include January ice storm)
 - Number of outages, number of customers interrupted, and total customer outage minutes were less than in any year since 1998
 - Completed tree trimming on 109 distribution circuits representing 2,507 miles of line. In addition, trees trimmed along 701 miles of 34.5 kV lines and 742 miles of transmission line (69kV and above).
 - The top causes for outage minutes: equipment failure; weather; trees; and animals
- Performance of energy centers
 - Met summer demand by breaking generation records, improving availability, reducing forced outage rates, and functioning safely
 - Base-load fossil-fuel plants exceeded megawatt hour output from previous summers and realized combined forced outage rate of only 1 percent
 - Jeffrey Energy Center, our largest, produced 16.7 million MWh in 2002 with a forced outage rate of 0.85 percent and an availability factor of 94 percent. (North American Electric Reliability Council average forced outage rate for similar units is 5 percent)
 - Other energy centers had similar performance records

11-1

2002 quality of service

- Introduction/expansion of online services
 - Online bill payment began in November 2001
 - Additional online services introduced throughout 2002 and continue to be developed
 - Examples include: starting and stopping service, reporting power outages and streetlight outages, payment agreements
 - More than 19,000 customers registered for online services
 - In a survey of 30 utilities by Meta Group, we earned best in class in technology for the automated calling system and online services
- Overall quality of service
 - Our system experienced fewer outages in 2002 than in 1999 through 2001
 - Edison Electric Institute Emergency Response Award for our recovery from the 2002 ice storm

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Looking ahead

- Within the next two years, you will find Westar Energy to be:
 - A stand-alone, Kansas public electric utility
 - A model of sound corporate governance with an easily understood and communicated business plan and financial statements
 - Providing a fair return for its investors, more than 20,000 of whom are Kansans
 - Working in cooperation with elected and appointed public officials to ensure that interests are fairly balanced



Media contact:

Karla Olsen
Senior Manager,
Media
Phone: 785.575.8401
news@wr.com

Investor contacts:

Mark Ruelle
Executive Vice President
& Chief Financial Officer
785.575.6530
mark_ruelle@wr.com

Paul Geist
Treasurer

785.575.1987
paul_geist@wr.com

Greg Greenwood
Executive Director,
Finance
785.575.1806
greg_greenwood@wr.com

**WESTAR ENERGY FILES PLAN WITH THE KCC TO REDUCE DEBT,
REFOCUS EXCLUSIVELY ON ELECTRIC UTILITY OPERATIONS**

Plan calls for sale of non-utility assets and dividend reduction

TOPEKA, Kan., Feb. 6, 2003 — Westar Energy, Inc. (NYSE:WR) today filed a comprehensive plan with the Kansas Corporation Commission outlining how the company intends to reduce debt and become exclusively an electric utility. The plan calls for Westar Energy to sell its non-utility and non-core assets, reduce its common dividend and refocus the company solely on its electric utility operations. Westar Energy's plan, when fully implemented, will reduce the company's debt to the level appropriate for Westar Energy's utility operations in accordance with the KCC's orders.

"When the plan is fully implemented, Westar Energy will be a pure electric utility company with a sound capital structure and investment grade credit quality, providing safe, adequate, reliable and affordable electric service to our Kansas customers," said James Haines, Westar Energy president and chief executive officer.

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HOUSE UTILITIES

DATE: 2-6-03

ATTACHMENT 2

Westar Energy files plan to restructure, reduce debt, page 2

Westar Energy is filing the plan to comply with an order issued by the KCC in late 2002.

Following are highlights of the plan:

- Since November 2002, Westar Energy has identified and has begun eliminating 12 organizational entities to simplify the company's structure. (see page 4 of Westar Energy Debt Reduction and Restructuring Plan — Executive Summary)
- The company has terminated or reversed agreements that might prevent or impede returning to being solely an electric utility. (p. 5)
- Westar Energy raised \$300 million for debt reduction through a sale of ONEOK stock to ONEOK on Feb. 5. (p. 8)
- Westar Energy's Board of Directors has established a dividend policy that will lower the common dividend by 37 percent to an indicated annual rate of \$0.76 per share from the current indicated rate of \$1.20 per share. Cash available from the dividend reduction will be used to reduce debt. (p. 10)
- The planned dividend reduction and the sale of ONEOK stock that closed Wednesday accomplish almost one-fifth of the targeted debt reduction.
- The company is in the process of selling Protection One Europe, and in cooperation with Protection One, Inc., is exploring strategic options for divesting its investment in Protection One North America. All net proceeds will be used to reduce debt. (p. 10)
- Westar Energy plans to sell all of its remaining shares of ONEOK stock in late 2003 and 2004. Net proceeds will be used to reduce debt. (p. 11-12, 14-15)

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Westar Energy files plan to restructure, reduce debt, page 3

- Orderly and deliberate implementation of the plan will allow Westar Energy to maximize proceeds from non-utility asset dispositions to reduce debt.
- If necessary to reach debt reduction targets, Westar Energy will issue new equity following the sale of its non-utility assets.
- Westar Energy will make periodic reports to the KCC to demonstrate progress and show that electric utility customers are being protected from risks associated with non-utility investments until these investments are divested.
- Target date for completing the plan is year-end 2004.

The plan was filed publicly. Only commercially sensitive information related to pricing and negotiating strategy for divesting non-utility investments was filed confidentially.

Westar Energy expects that a first quarter dividend of \$0.19 per share, consistent with the new dividend policy approved by its Board of Directors, will be declared in late February 2003.

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Westar Energy, Inc. (NYSE: WR) is a consumer services company with interests in monitored services and energy. The company has total assets of approximately \$7 billion, including security company holdings through ownership of Protection One, Inc. (NYSE: POI) and Protection One Europe, which have approximately 1.2 million security customers. Westar Energy is the largest electric utility in Kansas providing service to about 647,000 customers in the state. Westar Energy has nearly 6,000 megawatts of electric generation capacity and operates and coordinates more than 34,700 miles of electric distribution and transmission lines. Through its ownership in ONEOK, Inc. (NYSE: OKE), a Tulsa, Okla.- based natural gas company, Westar Energy has a 27.4 percent interest in one of the largest natural gas distribution companies in the nation, serving more than 1.4 million customers.

For more information about Westar Energy, visit us on the Internet at <http://www.wr.com>.

Forward-looking statements: Certain matters discussed here and elsewhere in this news release are "forward-looking statements." The Private Securities Litigation Reform Act of 1995 has established that these statements qualify for safe harbors from liability. Forward-looking statements may include words like we "believe," "anticipate," "expect" or words of similar meaning. Forward-looking statements describe our future plans, objectives, expectations or goals. Such statements address future events and conditions concerning capital expenditures, earnings, liquidity and capital resources, litigation, rate and other regulatory matters, possible corporate restructurings, mergers, acquisitions, dispositions, including the possible sale of the remainder of our ONEOK, Inc. stock, compliance with debt and other restrictive covenants, changes in accounting requirements and other accounting matters, interest and dividends, Protection One's financial condition and its impact on our consolidated results, environmental matters, changing weather, nuclear operations, ability to enter new markets successfully, events in foreign markets in which investments have been made and the overall economy of our service area. What happens in each case could vary materially from what we expect because of such things as electric utility deregulation or re-regulation; ongoing municipal, state and federal activities; future economic conditions; political, legislative and regulatory developments, including

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Westar Energy files plan to restructure, reduce debt, page 4

developments in the proceeding pending before the Kansas Corporation Commission and matters being investigated by the Securities and Exchange Commission and the Federal Energy Regulatory Commission; regulated and competitive markets; changes in the 10-year United States Treasury rates and the corresponding impact on the fair value of our call option contract; and other circumstances affecting anticipated operations, sales and costs. Any forward-looking statement speaks only as of the date such statement was made, and we do not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement was made.