

MINUTES OF THE HOUSE ENERGY AND UTILITIES COMMITTEE

The meeting was called to order by Vice-Chairman Rob Olson at 9:00 A.M. on March 14, 2007 in Room 241-N of the Capitol.

All members were present except:

Oletha Faust-Goudeau- excused
Vaughn Flora- excused
Tom Hawk- excused
Dan Johnson- excused
Forrest Knox- excused
Annie Kuether- excused
Peggy Mast- excused
Judy Morrison- excused
Don Myers- excused
Rob Olson- excused

Committee staff present:

Mary Galligan, Kansas Legislative Research
Renaë Hansen, Committee Assistant

Conferees appearing before the committee:

Others attending:

Four others.

The committee took a walking tour of Westar Energy and was able see the control room where electricity is bought and sold by the company and the transmission grid control room. Additionally, the Chief Executive Officer, James Haines, (Attachment 1), gave the committee and staff an overview of Westar Energy and the make up of its' current customer base and the different sources of energy that are used to supply electricity to those customers. Mr. Haines also let the committee see some of the upcoming proposed changes for the company.

The next meeting is scheduled for March 15, 2007.

Meeting adjourned.



March 2007

Legislative Update



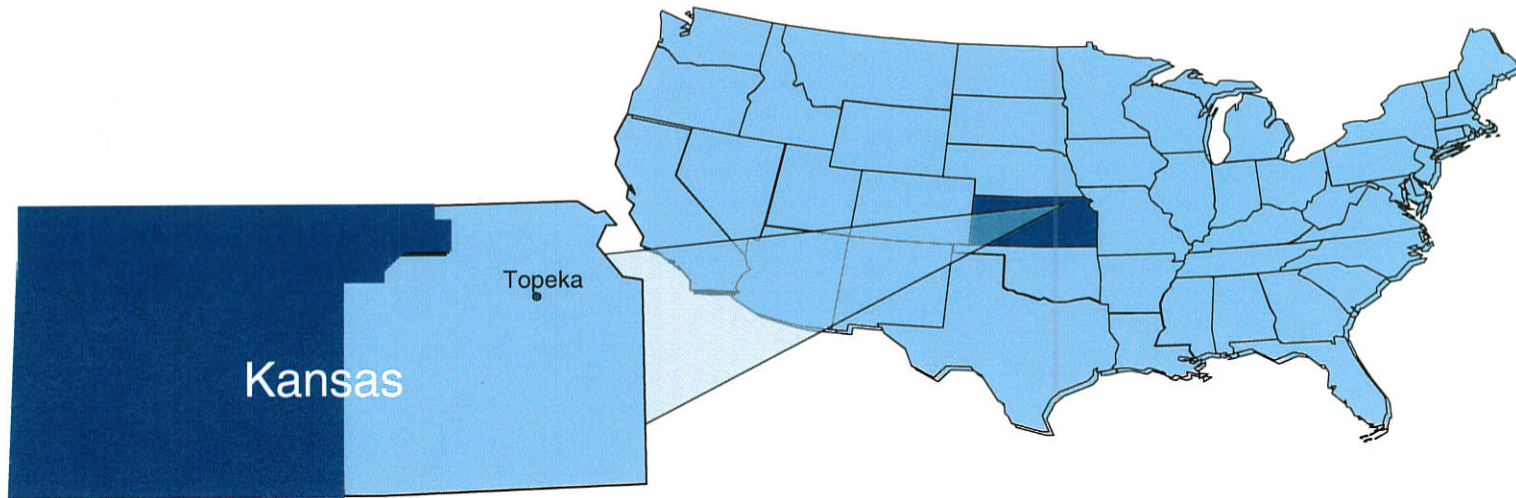
Forward-Looking Statements Disclosure

The following presentation contains some “forward-looking statements” with respect to Westar Energy, Inc.’s (“Westar”) future plans, expectations and goals, including management’s expectations with respect to future operating results and dividend growth. The Private Securities Litigation Reform Act of 1995 has established that these statements qualify for safe harbors from liability.

Although we believe that the expectations and goals reflected in such forward-looking statements are based on reasonable assumptions, all forward-looking statements involve risk and uncertainty. Therefore, actual results could vary materially from what we expect. Please review our Annual Report on Form 10-K for the period ended December 31, 2006 for important risk factors that could cause results to differ materially from those in any such forward-looking statements. 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 except as required by applicable laws or regulations.



Vertically Integrated Kansas Utility



■ Key Operational Facts:

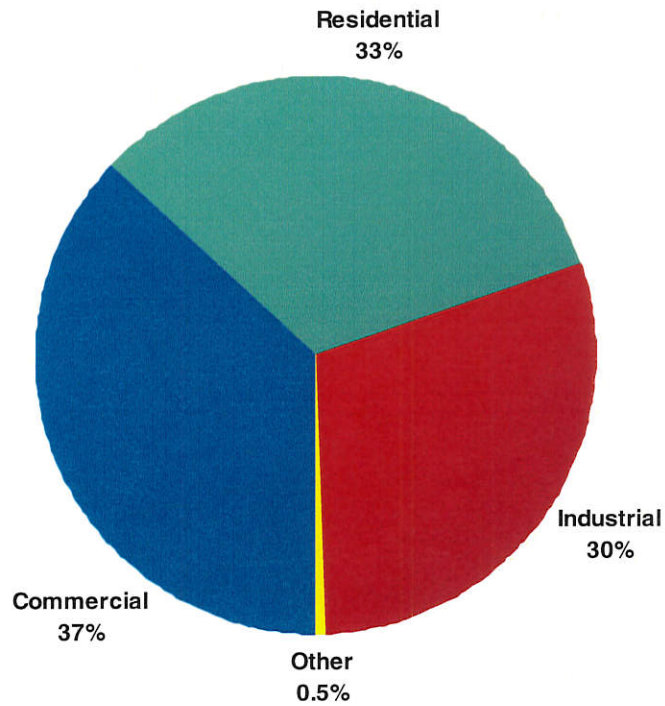
- ◆ ≈ 669,000 customers
- ◆ More than 6,000 MW of generation
- ◆ 11,000 sq mile service territory
- ◆ 33,000 miles of T & D
- ◆ 2,200 employees
- ◆ Kansas retail market remains fully regulated
- ◆ ≈ \$2.3 billion market cap



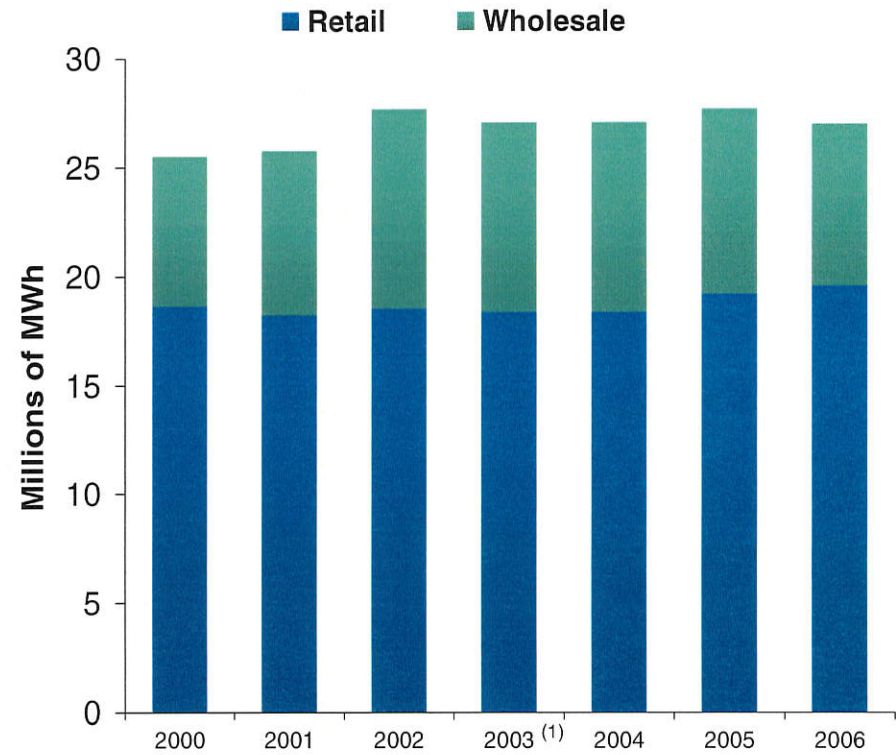
Diverse Revenue Base

Retail Sales by Class

12 months ended December 31, 2006



MWh by Year



(1) Reflects sale in August 2003 of 10,000 rural retail customers.

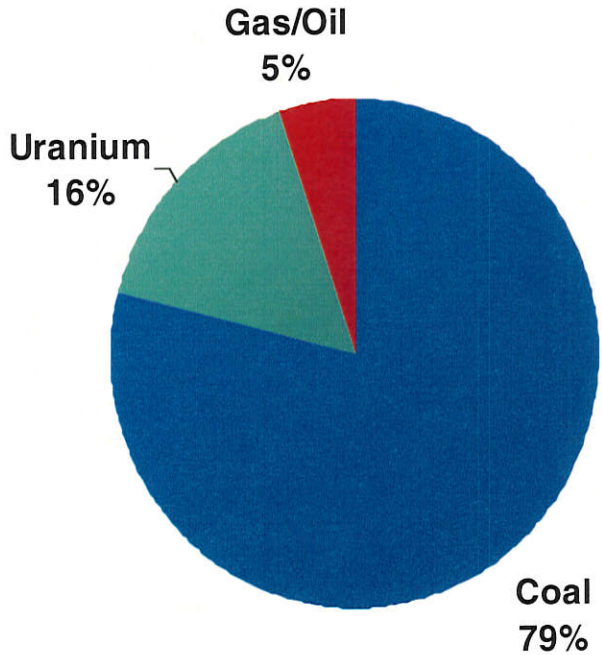
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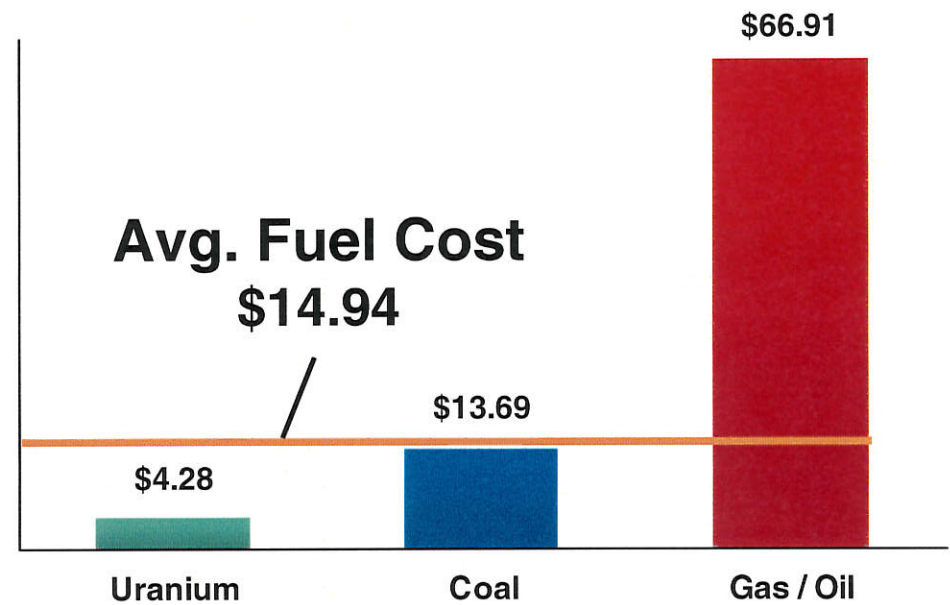
Low-Cost Generation

Twelve months ended December 31, 2006

Sources of Energy



Fuel Cost by Source
\$/MWh (a)

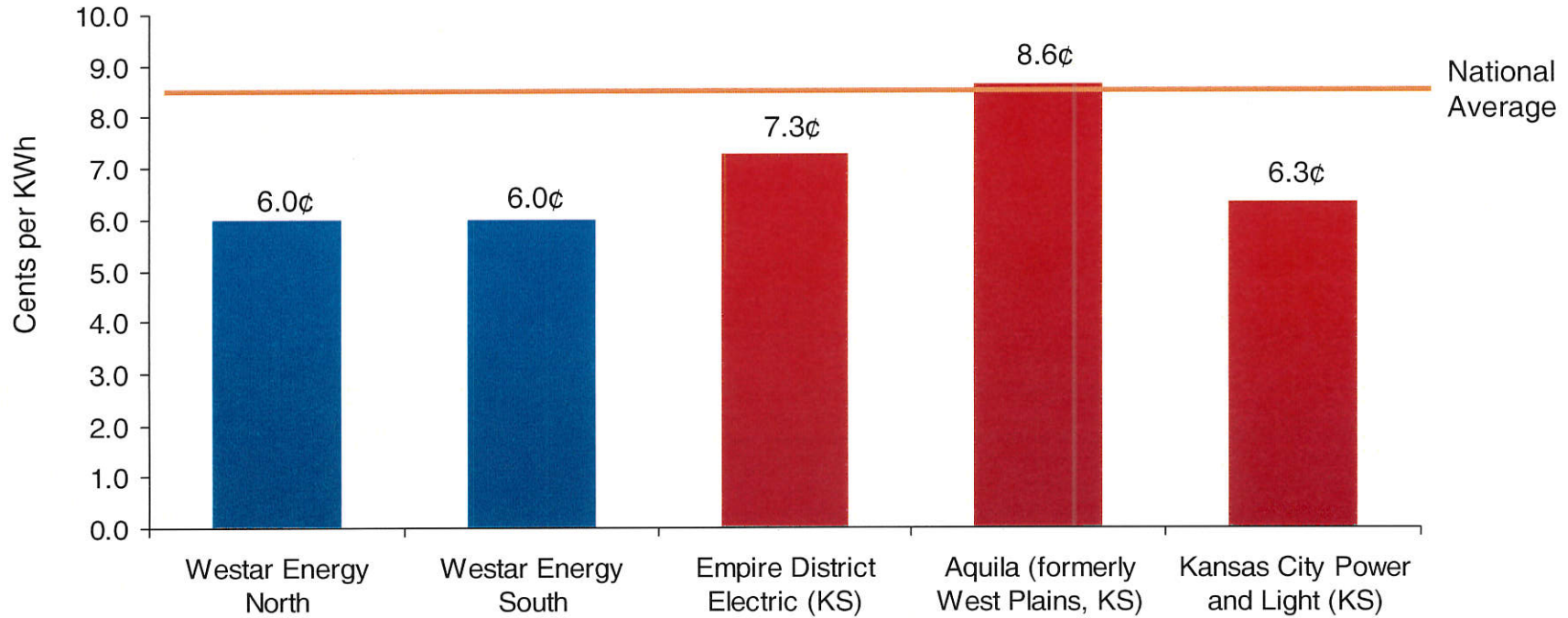


(a) Average fuel cost by source



Low Retail Utility Rates

- Lowest rates in Kansas
- Below the national average of 8.5¢

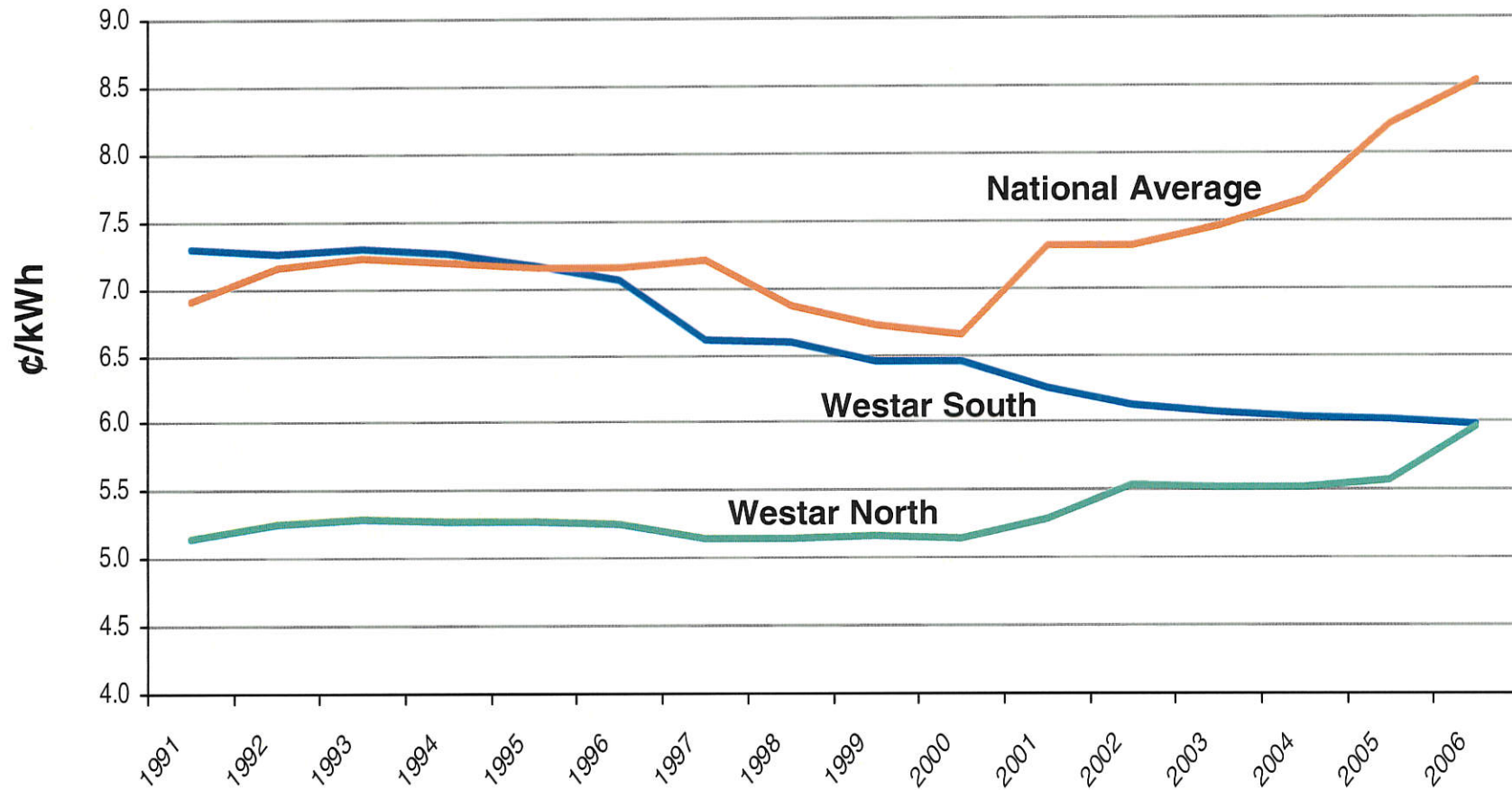


Source: EEI July 1, 2006



Convergence of North and South Rates

Average Retail Rates

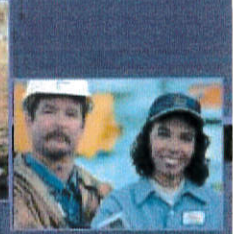


2006 rates reflect retail rates for 12 months ended June 30, 2006



Native Retail Load

- Predictable residential customer growth of about 1% per year
 - ◆ Consistent trend for more than 10 years
 - ◆ Typically translates into \approx 2.0-2.5% retail MWh
- Enjoying above-trend industrial and large commercial growth
 - ◆ Refineries
 - ◆ Recovery in aerospace
 - ◆ Westar has benefited from military's BRAC process at Fort Riley
- Fuel clause
 - ◆ Sends more accurate price signal to customers
 - ◆ Rates more accurately reflect cost



Crossroads

- National energy debate
 - ◆ Sufficient electricity
 - ◆ Impact on climate
 - ◆ Dependence on foreign oil

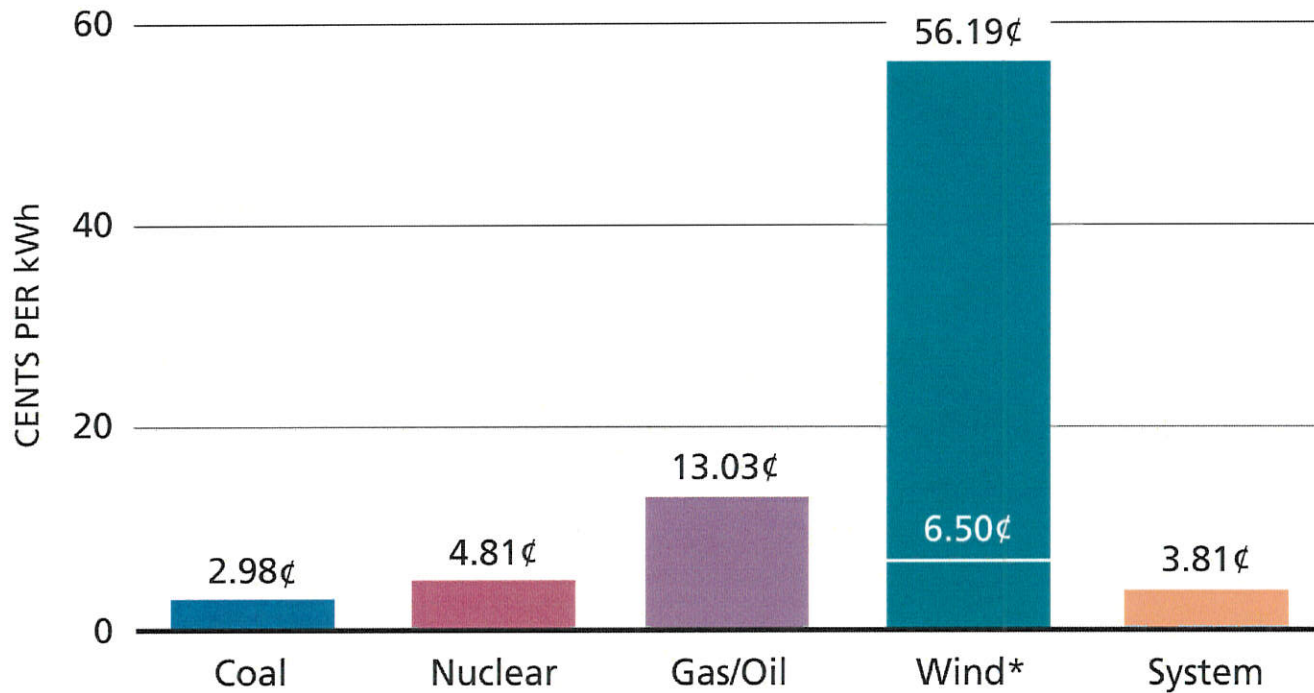
- Power plant life cycle vs. energy policy life cycle
 - ◆ Capital at risk for decades
 - ◆ Policy cycle can be less than a decade



Kansas debate: coal vs. wind

2006 Busbar Costs

All Units at Share. Excludes Spring Creek.



*Not representative of typical market costs. Market costs are about 6.5¢ per kWh.

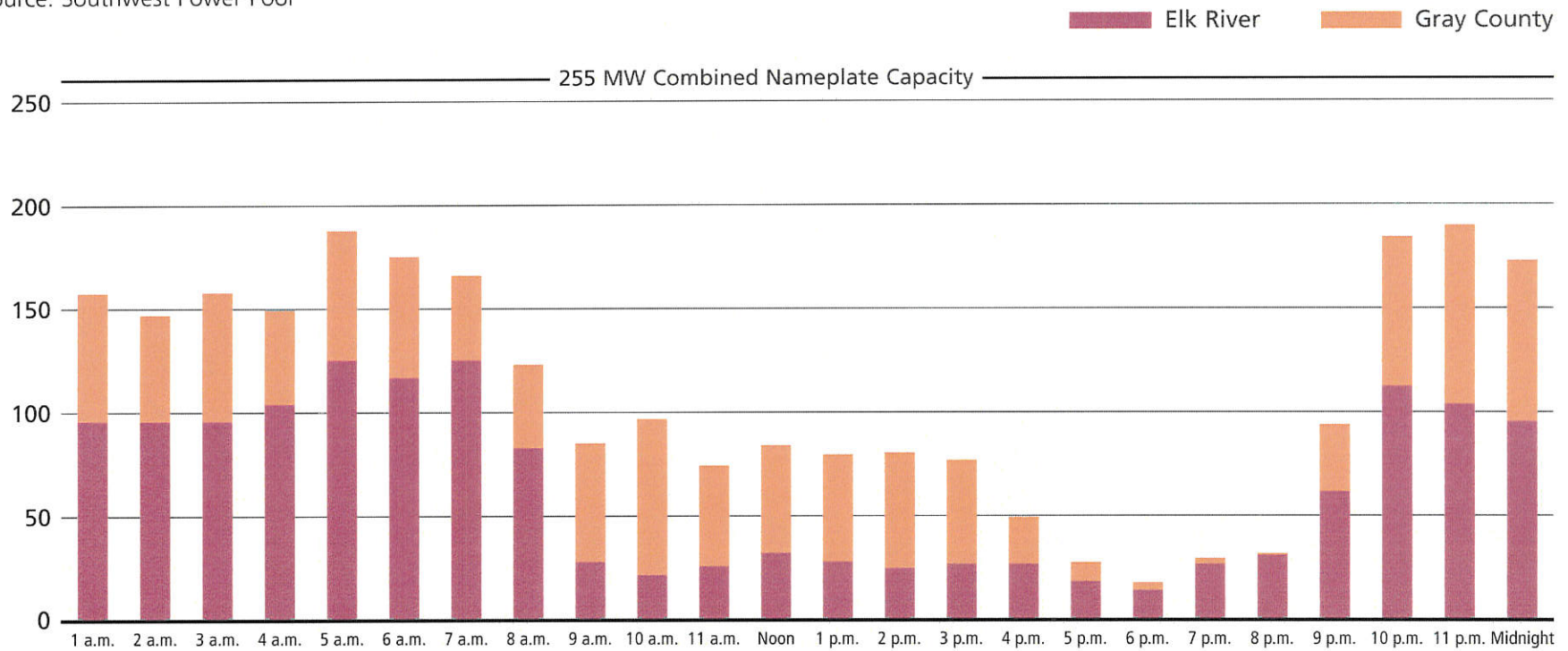


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Kansas debate: coal vs. wind

Wind Farm Output July 19, 2006

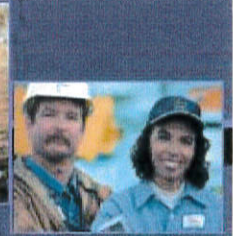
Source: Southwest Power Pool



Going forward



- Sustainable policy approach
 - ◆ Coal and uranium must have role
 - ◆ Carbon dioxide must be addressed
- Decisions need to be grounded in science and economics
- Results may not be popular
- No grand solution
- Solution not likely at state or even regional level



Westar's plan

- Fully aware of ongoing debate
- Customer needs must be addressed
- Provide information when and where appropriate
- Support of regulators and lawmakers required to navigate successfully
- Substantial investment in upcoming years



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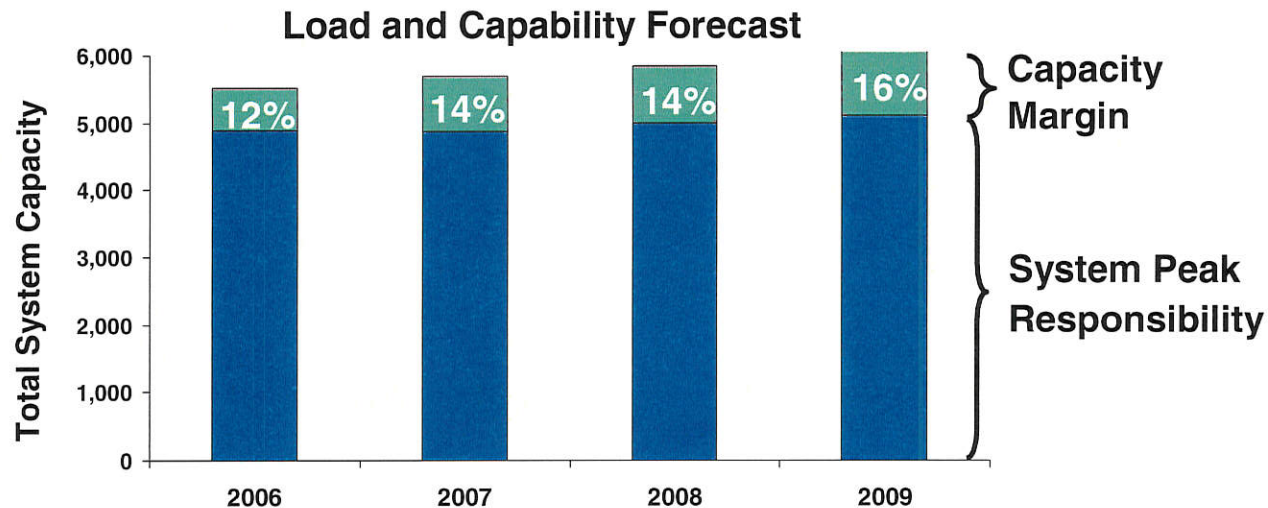
Planned Generation Additions

■ Peaking capacity

- ◆ Spring Creek – 225 net MW in 2006
- ◆ Emporia Energy Center - \approx 300 MW by summer 2008
- ◆ Emporia Energy Center - \approx 300 MW by summer 2009
- ◆ Estimate need for another \approx 300 MW between 2010 and 2012

■ Baseload capacity

- ◆ 600 to 800 MW need identified by middle of next decade





Emporia Energy Center

- Ground breaking March 12
- Operation begins in two phases – summer 2008 and 2009
- Predetermination request seeks the following ratemaking principles and treatment:
 - ◆ The approximate 600 MW of peaking capacity from EEC is needed
 - ◆ The estimated plant cost of \$318 million included in rate base
 - ◆ Planned rate review in 2008 based on 2007
 - ◆ Depreciation treatment
 - ◆ Order due by June 18



Renewable Resources Bid Request

- Proposals sought for up to 500 MW of electricity from renewable resources
 - ◆ Proposals for Westar to own after project developed and constructed
 - ◆ Proposals may offer other options including PPA
- Any renewable sources considered
- Expect most proposals will be wind
- Proposals are due April 2, 2007



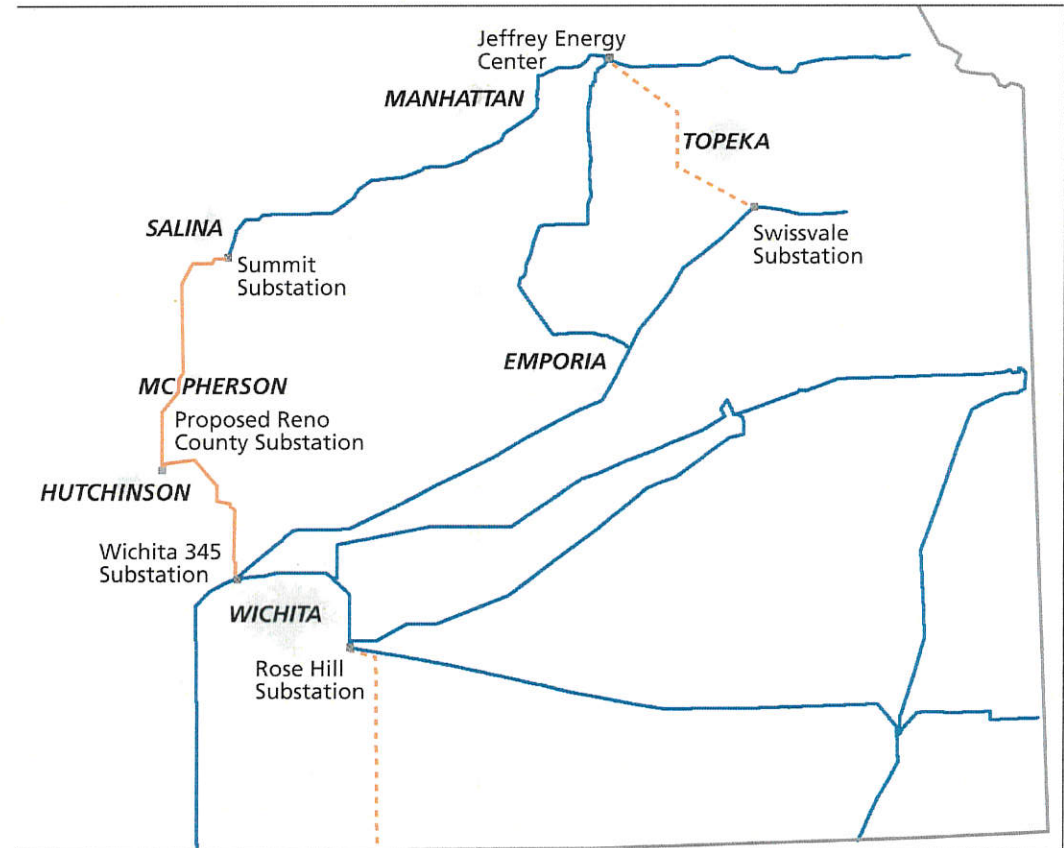
Energy Efficiency/DSM Programs

- Energy efficiency task force formed in 2006
- Five programs under consideration
 - ◆ High efficiency heat pump program with mandatory direct load control
 - ◆ High efficiency residential/commercial water heating heat pump program with mandatory direct load control
 - ◆ Residential and commercial direct load control program for Central A/C, electric water heaters, swimming pool pumps and other interruptible devices
 - ◆ “Kansas for Energy Efficiency” program for senior citizens and low income households
 - ◆ Large residential and commercial energy efficiency targeted audits with possible rebates



Planned Transmission Projects

- Wichita to Hutchinson
 - ◆ Approximately 35 miles
- Hutchinson to Salina
 - ◆ Approximately 51 miles
- Wichita to Oklahoma
 - ◆ 50 miles
- Jeffrey Energy Center to Swissvale Substation
 - ◆ 50 miles
- Other projects “inside regional footprint”



Projects have not been engineered, so detailed estimates are not available for identified projects.



Siting Permit for Transmission Line

- Seek a siting permit to construct 345 kV transmission line
 - ◆ Phase one from near Wichita to Hutchinson (approx. 35 miles)
 - ◆ Phase two from Hutchinson to Salina (approx. 51 miles)
- Public input in route selection
- Necessary to remove major constraint in transmission system
- An order is due on this matter May 16, 2007



Planned Environmental Investment

- Westar expects to add significant rate base related to controlling air emissions
 - ◆ Estimated to be \approx \$745 million over 8 to 10 year planning horizon
 - ◆ Driven by Clean Air Act
 - ◆ Illustrative projects:
 - Scrubbers and SCRs at LaCygne
 - Scrubbers and low-NOx burners at JEC
 - Bag houses and mercury removal equipment



Forecast Capital Expenditures

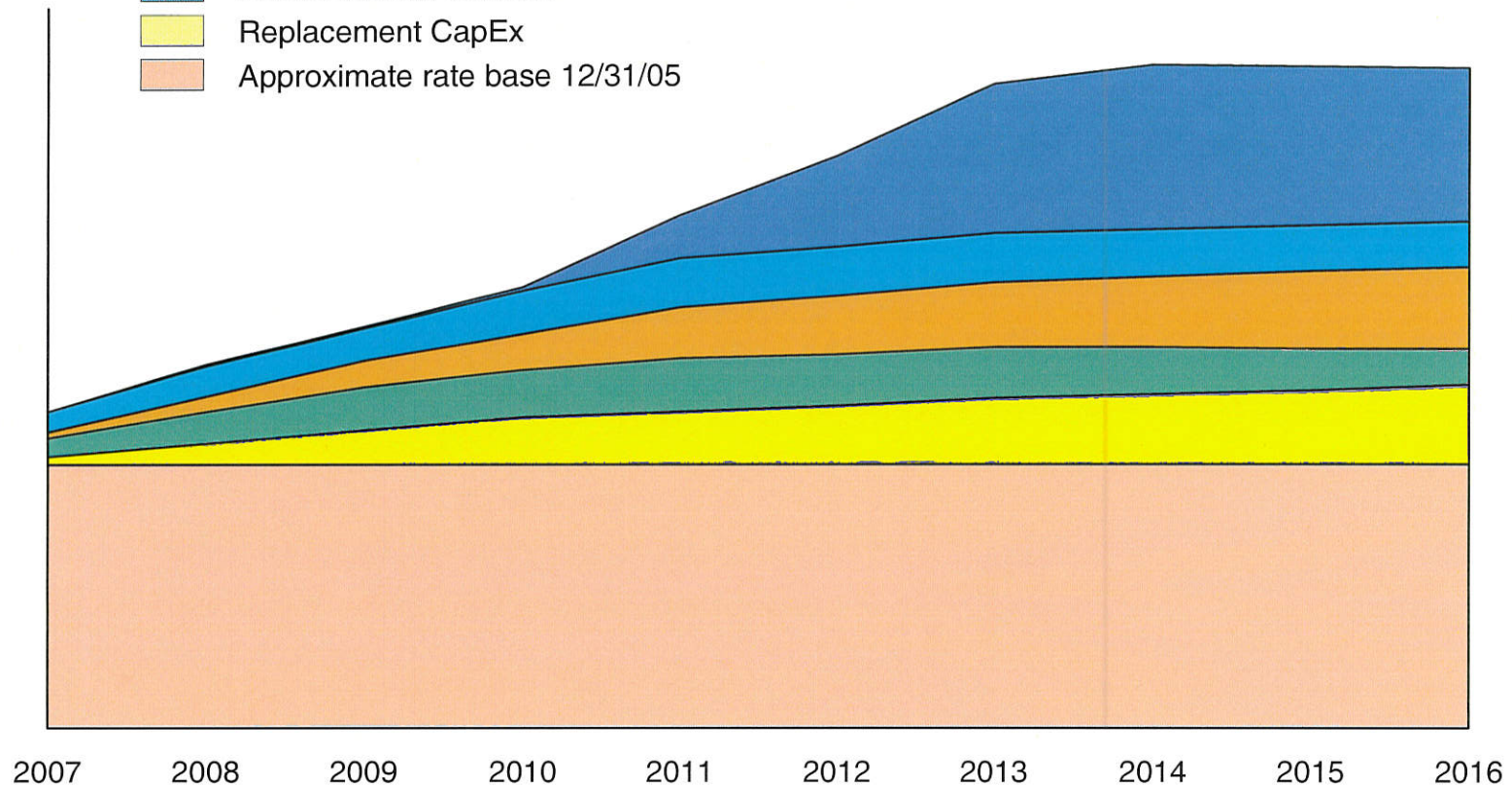
| | Actual 2006 | 2007 | 2008 | 2009 |
|----------------------------|-------------------|-------------------|-------------------|-------------------|
| | | (In Thousands) | | |
| Generation: | | | | |
| Replacements and other | \$ 51,343 | \$ 93,005 | \$ 133,534 | \$ 145,199 |
| Additional capacity | 74,552 | 213,537 | 116,843 | 33,652 |
| Environmental | 47,103 | 191,987 | 168,268 | 128,428 |
| Nuclear fuel | 25,716 | 31,517 | 19,420 | 19,901 |
| Transmission | 31,537 | 65,310 | 104,656 | 137,366 |
| Distribution: | | | | |
| Replacements and other | 38,409 | 37,106 | 56,742 | 73,794 |
| New customers | 64,161 | 56,175 | 57,467 | 58,788 |
| Other | 12,039 | 47,643 | 18,597 | 16,633 |
| Total capital expenditures | <u>\$ 344,860</u> | <u>\$ 736,280</u> | <u>\$ 675,527</u> | <u>\$ 613,761</u> |

As reported in December 31, 2006 Form 10-K



Illustrative Rate Base Expansion Plan

- Baseload generation
- Peaking generation
- Transmission network
- Environmental controls
- Replacement CapEx
- Approximate rate base 12/31/05





What does this mean for customers?

- Utilities nationwide are in a building cycle
- Westar's plan for the future will ensure customers continue to have access to safe, reliable electric energy at reasonable prices
- Our rates will increase but remain favorable compared with the national average
- Important that utility regulation is positive and well informed