

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

In the Matter of the Application of)
KANSAS GAS AND ELECTRIC COMPANY)
for an Order Authorizing the Issuance and) DOCKET NO. 16-KG&E-098-SEC
Pledge of Securities to Secure Its Obligations)
Related to Certain Pollution Control Refunding)
Revenue Bonds)

APPLICATION FOR AUTHORITY TO ISSUE AND PLEDGE SECURITIES

COMES NOW Kansas Gas and Electric Company (“KGE”), pursuant to K.S.A. 66-125, governing the issuance of securities and other evidences of indebtedness by utilities subject to the jurisdiction of the State Corporation Commission of the State of Kansas (the “Commission”), and hereby applies to the Commission for an Order and Certificate to incur indebtedness. In support of this Application, KGE represents to the Commission that:

1. KGE is a corporation duly organized and existing under the laws of the State of Kansas located at 818 South Kansas Avenue, Topeka, Kansas 66612. KGE is authorized to conduct the business of a public utility in the State of Kansas pursuant to the provisions of K.S.A. 66-101, et seq., and properly issued Certificates of Convenience and Authority from the Commission.

2. KGE proposes to enter into a transaction with the City of Burlington, Kansas (the “City”) for the issuance and sale of the City’s pollution control revenue bonds in a principal amount not to exceed \$50,000,000 (the “Pollution Control Bonds”). The proceeds from the sale of the Pollution Control Bonds would be used, together with funds from KGE, to refund \$50,000,000 aggregate principal amount of the City of Burlington, Kansas, Pollution Control

Refunding Revenue Bonds (Kansas Gas and Electric Company Project) Series 2004B-1 (the “Prior Bonds”).

The City, on behalf of KGE, issued new money bonds between 1983 and 1985 to finance the cost of KGE’s undivided interests in certain pollution control, sewage treatment and/or solid waste disposal facilities located at the Wolf Creek Generating Station in Coffey County, Kansas (the “Project”). KGE and the City have refinanced, refunded and remarketed the original bonds from time to time, including through the issuance of the Prior Bonds. The transactions associated with the issuance of the Prior Bonds were authorized by the Commission’s Orders dated June 11, 1991 in Docket No. 176,828-U; dated January 12, 2004 and May 25, 2004 in Docket No. 04-KG&E-506-SEC; and dated May 15, 2006 in Docket No. 06-KG&E-1188-SEC. The Commission from time to time has also authorized other transactions involving KGE and the City involving bonds outside the scope of this Application.

3. The Prior Bonds, which bear interest at a fixed rate of 4.85% per annum, mature June 1, 2031. The Prior Bonds can be refunded at par by the City and KGE on and after June 1, 2016 (the “Refunding Date”).

4. Kansas City Financial Corporation (the “Buyer”), an affiliate of UMB Bank, N.A., proposes to purchase the Pollution Control Bonds at a purchase price equal to 100% of the principal amount thereof (the “Purchase Price”). Under the proposed structure, and subject to applicable regulatory and municipal approvals, the City, KGE and the Buyer (collectively, the “Parties”) would negotiate and enter into definitive documentation for the Pollution Control Bonds (the “Transaction Documents”) on or prior to October 31, 2015. The Transaction Documents would provide for the following to occur:

(A) On the date on which the Transaction Documents are signed: (i) the Buyer would irrevocably commit to purchase the Pollution Control Bonds at the Purchase Price on or about the Refunding Date (subject to customary closing conditions and the absence of a material adverse change in the financial condition of KGE), (ii) KGE would pay to the Buyer an origination fee in the amount of \$150,000 and (iii) KGE would pay any transaction expenses incurred to date.

(B) On or around the Refunding Date, the Pollution Control Bonds would be delivered to the Buyer in exchange for the Purchase Price and the Prior Bonds would be refunded with such proceeds.

The Pollution Control Bonds would bear interest at a fixed rate of 2.50% for 10 years from the date of issuance. The Buyer would have a right to require the City and KGE to repurchase the Pollution Control Bonds on the 10 year anniversary of the issuance of the Pollution Control Bonds (the “Put Right”). If, however, the Buyer does not exercise the Put Right, the interest rate on the Pollution Control Bonds would reset to a fixed rate equal to 65% of the sum of the 7-year United States Treasury Rate at the time plus 1.75%. In addition, the Pollution Control Bonds would be continuously callable by the City and KGE at par after June 1, 2017. The Pollution Control Bonds would mature June 1, 2031.

5. The Pollution Control Bonds would have a maturity of not more than 120% of the life of the Project.

6. As a condition to the transaction, the Buyer would require KGE to pledge First Mortgage Bonds of KGE (the “New Pledge Bonds”) as collateral for the payment of principal and interest on the Pollution Control Bonds.

7. The New Pledge Bonds would be issued under KGE's Mortgage and Deed of Trust dated as of April 1, 1940, as amended and supplemented, and to be further supplemented by one or more supplemental indentures respecting the New Pledge Bonds. No public offering of the New Pledge Bonds would be made. The New Pledge Bonds would (A) be dated the same date as the Pollution Control Bonds and (B) bear interest at the same rate as and be redeemable at the same time, for the same purposes, in the same principal amounts and at the same prices, as the Pollution Control Bonds. The obligation of KGE to make payments with respect to the principal of and interest on the New Pledge Bonds would be satisfied and discharged to the extent that the then due principal of and interest on the Pollution Control Bonds has been satisfied.

8. In connection with the issuance and sale of the Pollution Control Bonds, KGE would continue to (A) lease the Project to the City, pursuant to a lease or supplemental lease for a term equal to the term of the Pollution Control Bonds, at a rental equal to the proceeds to the City from the sale of the Pollution Control Bonds, and (B) sublease the Project from the City, pursuant to a sublease or supplemental sublease for a term equal to the term of the Pollution Control Bonds for subrentals in amounts sufficient, together with other funds available for such purposes, to pay when due the principal of, and premium, if any, and the interest on the Pollution Control Bonds. The lease would provide that the proceeds from the sale of the Pollution Control Bonds would be deposited with a custodian and, when needed to retire the Prior Bonds, paid by the custodian to the trustee for such Prior Bonds or if issued coincident with such refunding, directly to the trustee for the respective Prior Bonds.

9. The City is authorized to issue the Pollution Control Bonds by the Kansas Industrial Revenue Bond Act, K.S.A. 12-1740, *et seq.*, as amended. The City would issue the

Pollution Control Bonds pursuant to an indenture or supplemental indenture of trust between the City and a trustee (the "Trustee"). Although the City would be the issuer of the Pollution Control Bonds, the credit of the City would not be pledged to their payment. The Pollution Control Bonds would be payable from the subleasing of the Project to KGE under the sublease. All sub-rental payments under the sublease would be assigned by the City to, and deposited directly with, the Trustee for the benefit of the holder of the Pollution Control Bonds.

10. The Pollution Control Bonds would be sold by the City to the Buyer pursuant to the Transaction Documents. KGE would pay an origination fee equal to \$150,000. Neither the City nor KGE would incur other underwriter or placement agent fees. KGE intends to amortize over the life of the Pollution Control Bonds the expense of issuance and the unamortized balance of Prior Bond expenses.

11. On the Refunding Date, the pledge bonds previously issued by KGE that secure the Prior Bonds would be retired. Accordingly, KGE's outstanding indebtedness would not increase as a result of the proposed transaction.

12. This transaction is necessary and required for the purposes stated in this Application and will not adversely affect KGE's ability to provide sufficient and efficient utility service to its customers.

13. The balance sheet of KGE showing its assets and liabilities as of June 30, 2015, is attached as Exhibit A.

14. The proposed issuance and pledge of the New Pledge Bonds, as well as the filing of this Application, will be authorized by resolutions adopted by the Board of Directors of KGE. Such resolutions will be provided when available.

15. KGE requests that the Commission issue its order herein not later than September 21, 2015, and that the order be effective upon issuance.

[Signature on following page]

WHEREFORE, Kansas Gas and Electric Company requests that the Commission issue an Order pursuant to K.S.A. 66-125 authorizing it to proceed with the proposed financing transaction.

DATED at Topeka, Kansas this 21st day of August, 2015.

Respectfully submitted,

KANSAS GAS AND ELECTRIC COMPANY



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KANSAS GAS AND ELECTRIC COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in Thousands)
(Unaudited)

	As of June 30, 2015	As of December 31, 2014
ASSETS		
CURRENT ASSETS:		
Accounts receivable, net of allowance for doubtful accounts of \$2,444 and \$2,859, respectively	\$ 106,400	\$ 106,843
Receivable from affiliates	49,415	156,002
Fuel inventory and supplies	110,701	103,349
Deferred tax assets	17,126	23,311
Prepaid expenses	7,520	5,363
Regulatory assets	39,221	21,752
Other	18,889	5,464
Total Current Assets	349,272	422,084
PROPERTY, PLANT AND EQUIPMENT, NET	4,155,633	4,038,561
PROPERTY, PLANT AND EQUIPMENT OF VARIABLE INTEREST ENTITY, NET	194,067	197,624
OTHER ASSETS:		
Regulatory assets	298,811	303,230
Nuclear decommissioning trust	191,934	185,016
Other	55,300	68,306
Total Other Assets	546,045	556,552
TOTAL ASSETS	\$ 5,245,017	\$ 5,214,821
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt of variable interest entity	\$ 25,243	\$ 23,743
Accounts payable	83,193	102,505
Accrued interest	16,452	44,303
Accrued taxes	31,058	24,455
Regulatory liabilities	25,370	22,497
Customer deposits	10,717	15,044
Other	9,165	3,336
Total Current Liabilities	201,198	235,883
LONG-TERM LIABILITIES:		
Long-term debt, net	970,614	970,576
Long-term debt of variable interest entity, net	136,805	162,048
Deferred income taxes	834,011	825,808
Unamortized investment tax credits	29,892	30,793
Regulatory liabilities	206,082	213,188
Asset retirement obligations	243,742	214,673
Other	139,774	136,290
Total Long-Term Liabilities	2,560,920	2,553,376
COMMITMENTS AND CONTINGENCIES (See Notes 9 and 11)		
EQUITY:		
Kansas Gas and Electric Company Shareholder's Equity:		
Common stock, without par value; authorized, issued and outstanding 1,000 shares	1,065,634	1,065,634
Paid-in capital	1,095,457	1,095,457
Retained earnings	389,443	333,850
Total Kansas Gas and Electric Company Shareholder's Equity	2,550,534	2,494,941
Noncontrolling Interest	(67,635)	(69,379)
Total Equity	2,482,899	2,425,562
TOTAL LIABILITIES AND EQUITY	\$ 5,245,017	\$ 5,214,821

The accompanying notes are an integral part of these condensed consolidated financial statements.


This document contains confidential information of Kansas Gas and Electric Company

VERIFICATION

STATE OF KANSAS)
) ss:
COUNTY OF SHAWNEE)


Anthony D. Somma, of lawful age, being first duly sworn on oath, states:

That he is Vice President and Treasurer of Kansas Gas and Electric Company named in the foregoing Application, and is duly authorized to make this affidavit on behalf of Kansas Gas and Electric Company; that he has read the foregoing Application; knows the contents thereof; and that the facts set forth therein are true and correct to the best of his knowledge, information and belief.



Anthony D. Somma

SUBSCRIBED AND SWORN to before me this 21st day of August, 2015.



Notary Public

My appointment expires:

8/28/2016

