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Kansas Corporation Commission
/S/ Patrice Petersen-Klein

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State Corporation Commission
of Kansas

THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

In the Matter of Westar Energy, Inc. Compliance Filing Pursuant to Commission Order Dated December 3, 2010 In Docket No. 06-GIMX-181-GIV	))))	DOCKET NO. 11-WSEE-819-CPL

COMPLIANCE FILING

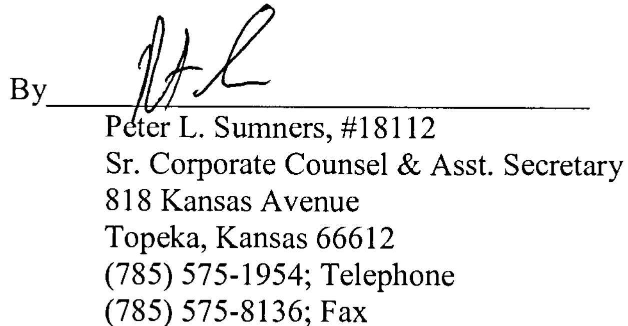
Westar Energy, Inc., Topeka, Kansas (the "Company") hereby files the following pursuant to Commission Order dated December 3, 2010 in Docket No. 06-GIMX-181-GIV and the Report of the Commission Staff and the Active Participating Utilities dated October 27, 2010 in the same docket (the "Report"):

Attachment A(1):	Response
Attachment A(2):	Response
Attachment B(1), (2):	Organizational chart (Confidential)
Attachment B(3):	Descriptions of corporate personnel
Attachment B(4):	Debt instrument summaries
Attachment B(5):	Westar Energy, Inc. consolidated financial statements
Attachment B(6):	Westar Energy, Inc. financial ratios

Attachment B(1), (2) is an organizational chart containing information that Westar Energy, Inc. treats as confidential information.

Respectfully submitted,

WESTAR ENERGY, INC.



By________________________

Peter L. Sumners, #18112
Sr. Corporate Counsel & Asst. Secretary
818 Kansas Avenue
Topeka, Kansas 66612
(785) 575-1954; Telephone
(785) 575-8136; Fax

DATED at Topeka, Kansas, this 30th day of May, 2012.

Westar Energy, Inc. **Attachment A(1)**

Ringfencing Compliance Filing

May 31, 2012

Submission of Information:

A. To ensure proper allocation or assignment of joint or common costs for non-power goods and services, so a regulated utility bears only its fair share of costs, the public utility shall submit by May 31st of each calendar year:

1. A Cost Allocation Manual (CAM) on a calendar year basis that:

- explains the methodology used for all costs allocated or assigned for non-power goods and services provided by: (a) the regulated utility, (b) a holding company, or (c) a centralized corporate services subsidiary to any associate company that is a jurisdictional public utility;
- demonstrates that all costs are allocated or assigned justly and reasonably and that the allocation or assignment of costs is not unduly discriminatory or preferential; and,
- if a fully distributed cost methodology is not used, an explanation supporting use of the alternative method of allocation.

Westar Compliance Filing Comments:

The Westar Energy, Inc. Cost Allocation Manual did not change from the report provided to the KCC as a part of the Company's May 31, 2011 ringfencing compliance filing, therefore we are not resubmitting this document. The Manual summary page contains a thorough explanation of the methodology followed to assure costs are allocated in a just, reasonable, and not unduly discriminatory manner. The Westar approach to cost allocations has been reviewed by the Commission Staff numerous times in conjunction with the processing of numerous rate filings.

Westar Energy, Inc. **Attachment A(2)**

Ringfencing Compliance Filing

May 31, 2012

2. Any centralized corporate services subsidiary, within a holding company that includes a jurisdictional public utility, required to file FERC Form No. 60, shall file a copy with the Commission by May 31st of the calendar year following the year subject of the report.

Westar Compliance Filing Comments:

Neither Westar Energy, Inc. nor any of its subsidiaries is required to file a FERC Form No. 60.

Westar Energy, Inc. **Attachment B(3)**

Ringfencing Compliance Filing

May 31, 2012

B. Each jurisdictional public utility shall provide annually by May 31st the following information using diagrams, schedules or narrative discussion as may be appropriate:

3. An organizational chart of personnel that includes a list of all directors, corporate officers, and other key personnel shared by any jurisdictional public utility and any non-utility associate company or holding company, if any, along with a description of each person's duties and responsibilities to each entity;

Westar Compliance Filing Comments:

A responsive list is attached. The role and responsibilities of board of directors and its committees is addressed in the annual Westar Energy, Inc. proxy statement filed annually with the Securities and Exchange Commission.

CORPORATE PERSONNEL

Westar Energy, Inc.
(f/k/a Western Resources, Inc., f/k/a The Kansas Power and Light Company)

Directors:

Mollie Hale Carter
Charles Q. Chandler, IV, Chairman
R.A. Edwards III
Jerry B. Farley
Richard L. Hawley
B. Anthony Isaac
Arthur B. Krause
Sandra A.J. Lawrence
Michael F. Morrissey
Mark A. Ruelle
S. Carl Soderstrom, Jr.

Officers:

President and Chief Executive Officer, Mark A. Ruelle
Responsible for general supervision and management of the company's overall business.

Executive Vice President and Chief Operating Officer, Douglas R. Sterbenz
Responsible for general supervision and management of the company's generation, construction and maintenance, facilities, information technology, planning and engineering, power delivery, power marketing, safety training, support services, and transmission departments.

Executive Vice President, Public Affairs and Consumer Services, James J. Ludwig
Responsible for general supervision and management of the company's customer care, community affairs, energy efficiency, and public and governmental affairs departments.

Senior Vice President, Strategy, Greg A. Greenwood
Responsible for general supervision and management of the company's strategic planning, major construction, regulatory and environmental departments.

Senior Vice President, Chief Financial Officer and Treasurer, Anthony D. Somma
Responsible for general supervision and management of the company's accounting, finance, risk management, and supply chain departments.

Vice President, General Counsel, Corporate Secretary, Larry D. Irick
Responsible for supervision and day-to-day management of the company's legal department.

Vice President, Controller and Assistant Secretary, Leroy P. Wages
Responsible for supervision and day-to-day management of the company's accounting department.

Vice President, Human Resources, Jerl L. Banning
Responsible for supervision and day-to-day management of the company's human resources department.

Vice President, Power Delivery, Bruce A. Akin
Responsible for supervision and day-to-day management of the company's distribution and power delivery department.

Vice President, Corporate Compliance and Internal Audit, Jeffrey L. Beasley
Responsible for supervision and day-to-day management of the company's corporate compliance and internal audit department

Vice President, Generation, John T. Bridson
Responsible for supervision and day-to-day management of the company's generation department.

Vice President, Transmission, Kelly B. Harrison
Responsible for supervision and day-to-day management of the company's transmission department.

Vice President, Customer Care, Peggy S. Ricketts
Responsible for supervision and day-to-day management of the company's customer care department.

Westar Energy, Inc. (cont'd)
(f/k/a Western Resources, Inc., f/k/a The Kansas Power and Light Company)

Assistant Treasurer, Carolyn A. Starkey
Responsible for support of the Vice President and Treasurer and various related management and treasury functions.
Assistant Controller, Kevin L. Kongs
Responsible for support of the Vice President and Controller and various related accounting functions.
Assistant Secretary, Peter L. Sumners
Responsible for support of the Vice President and General Counsel and various related legal functions.

Kansas Gas and Electric Company
(f/k/a KCA Corporation)

Directors:

Mark A. Ruelle, Chair
Douglas R. Sterbenz

Officers:

President, Mark A. Ruelle
Responsible for general supervision and management of the company's overall business.
Vice President, John T. Bridson
Assists the President with general supervision and management of the company's overall business, particularly with regard to generation and certain finance functions.
Vice President, Kelly B. Harrison
Assists the President with general supervision and management of the company's overall business, particularly with regard to transmission functions.
Vice President & Treasurer, Anthony D. Somma
Assists the President with general supervision and management of the company's overall business, particularly with regard to finance and treasury functions.
Secretary, Larry D. Irick
Responsible for supervision and day-to-day management of legal and certain finance functions; responsible for duties consistent with those of a corporate secretary.
Assistant Treasurer, Carolyn A. Starkey
Responsible for support of the Vice President and Treasurer and certain finance and treasury functions.

Westar Energy, Inc. **Attachment B(4)**

Ringfencing Compliance Filing

May 31, 2012

B. Each jurisdictional public utility shall provide annually by May 31st the following information using diagrams, schedules or narrative discussion as may be appropriate:

4. Summaries of each mortgage, loan document and debt agreement including a discussion of the type of collateral or security pledged to support the debt. The utility will also describe any loan or debt agreement taken out to finance an unregulated affiliate that encumbers utility property or cash-flow for security;

Westar Compliance Filing Comments:

Responsive summaries are attached.

Westar Energy
Legal Structure for Debt Offerings

<u>1939 Mortgage</u>

41 supplemental indentures

Parent

Westar Energy, Inc. (WEI)

<u>1940 Mortgage</u>

56 supplemental indentures

Subsidiary

Kansas Gas and Electric Company (KGE)

Westar Energy, Inc. Mortgage

From time to time, Westar Energy, Inc. ("WEI") issues first mortgage bonds. First mortgage bonds are issued under and secured by the Mortgage and Deed of Trust, dated July 1, 1939, between WEI and The Bank of New York Mellon Trust Company, N.A., as successor to Harris Trust and Savings Bank, as trustee, as supplemented and amended by supplemental indentures. The material provisions of the mortgage are summarized below.

Issuance of Bonds

Bonds, when issued, may rank equally with the bonds of other series then outstanding, and may be issued having dates, maturities, interest rates, redemption prices and other terms as may be determined by WTI's Board of Directors. Additional bonds may be issued under the mortgage in principal amounts not exceeding the sum of:

(1) 60% (so long as any bonds issued prior to January 1, 1997 remain outstanding, and thereafter 70%) of the net bondable value of property additions not subject to an unfunded prior lien;

(2) the principal amount of bonds retired or to be retired (except out of trust monies); and

(3) the amount of cash deposited with the trustee for such purpose, which may thereafter be withdrawn upon the same basis that additional bonds are issuable under (1) or (2) above.

Additional bonds may not be issued on the basis of property additions subject to an unfunded prior lien.

In addition to the restrictions discussed above, so long as any bonds issued prior to January 1, 1997 remain outstanding, additional bonds may not be issued unless our unconsolidated net earnings available for interest, depreciation and property retirements for a period of any 12 consecutive months during the period of 15 calendar months immediately preceding the first day of the month in which the application for authentication and delivery of additional bonds is made shall have been not less than the greater of two times (two and one-half times after all bonds issued prior to January 1, 1997 are no longer outstanding) the annual interest charges on, and 10% of the principal amount of, all bonds then outstanding, all additional bonds then applied for, all outstanding prior lien bonds and all prior lien bonds, if any, then being applied for.

The net earnings test referred to in the previous paragraph need not be satisfied to issue additional bonds:

- on the basis of property additions subject to an unfunded prior lien which simultaneously will become a funded prior lien, if application for the issuance of the additional bonds is made at any time after a date two years prior to the date of the maturity of the bonds secured by the prior lien; and
- on the basis of the payment at maturity of bonds heretofore issued by us, or the redemption, conversion or purchase of bonds, after a date two years prior to the date on which those bonds mature.

WEI has reserved the right to amend the mortgage to eliminate the foregoing requirement.

Release of Property

The mortgage provides that, subject to various limitations, property may be released from the lien thereof on the basis of cash deposited with the trustee, bonds or purchase money obligations delivered to the trustee, prior lien bonds delivered to the trustee, or unfunded net property additions certified to the trustee. The mortgage also permits the withdrawal of cash against the certification to the trustee of gross property

additions at 100%, or the net bondable value of property additions at 60% (so long as any bonds issued prior to January 1, 1997 remain outstanding, and thereafter 70%), or the deposit with the trustee of bonds we have acquired. The mortgage contains special provisions with respect to the release of all or substantially all of our gas and electric properties. WEI has reserved the right to amend the mortgage to change the release and substitution provisions.

Security and Ranking

The bonds when issued are secured, equally and ratably with all of the bonds now outstanding or hereafter issued under the mortgage, by the lien on substantially all of our fixed property and franchises purported to be conveyed by the mortgage including after-acquired property of the character intended to be mortgaged property, subject to the exceptions referred to below, to certain minor leases and easements, permitted liens, exceptions and reservations in the instruments by which WEI acquired title to its property and the prior lien of the trustee for compensation, expenses and liability.

Excepted from the lien of the mortgage are:

- cash and accounts receivable;
- contracts or operating agreements;
- securities not pledged under the mortgage;
- electric energy, gas, water, materials and supplies held for consumption in operation or held in advance of use for fixed capital purposes; and
- merchandise, appliances and supplies held for resale or lease to customers.

There is further expressly excepted any property of any other corporation, all the securities of which may be owned or later acquired by WEI. The lien of the mortgage does not apply to property of KGE so long as KGE remains WEI's wholly-owned subsidiary, to the stock of KGE owned by us or to the stock of any of our other subsidiaries. The mortgage permits WEI's consolidation or merger with, or the conveyance of all or substantially all of its property to, any other corporation; provided, among other things, that the successor corporation assumes the due and punctual payment of the principal and interest on the bonds of all series then outstanding under the mortgage and assumes the due and punctual performance of all the covenants and conditions of the mortgage.

Events of Default

An event of default under the mortgage includes:

- default in the payment of the principal of any bond when the same shall become due and payable, whether at maturity or otherwise;
- default continuing for 30 days in the payment of any installment of interest on any bond or in the payment or satisfaction of any sinking fund obligation;
- default in performance or observance of any other covenant, agreement or condition in the mortgage continuing for a period of 60 days after written notice to us thereof by the trustee or by the holders of not less than 15% of the aggregate principal amount of all bonds then outstanding;
- failure to discharge or stay within 30 days a final judgment against us for the payment of money in excess of $100,000;
- default in the payment of the principal of any prior lien bond when the same shall become due and payable, whether at maturity or otherwise, or default in the payment of any installment on interest on any prior lien bond beyond the applicable grace period specified in such prior lien bond; and
- certain events in bankruptcy, insolvency or reorganization.

The trustee is required, within 90 days after the occurrence thereof, to give to the holders of the bonds notice of all defaults known to the trustee unless such defaults shall have been cured before the giving of such notice; provided, however, that except in the case of default in the payment of the principal of, and premium, if any, or interest (including additional interest) on any of the bonds, or in the payment or satisfaction of any sinking or purchase fund installment, the trustee shall be protected in withholding notice if and so long as the trustee in good faith determines that the withholding of notice is in the interests of the holders of the bonds. The trustee is under no obligation to defend or initiate any action under the mortgage which would result in the incurring of non-reimbursable expenses unless one or more of the holders of any of the outstanding bonds furnishes the trustee with indemnity satisfactory to it against such expenses. In the event of a default, the trustee is not required to act unless requested to act by holders of at least 25% in aggregate principal amount of the bonds then outstanding. In addition, a majority of the holders of the bonds have the right to direct all proceedings under the mortgage provided the trustee is indemnified to its satisfaction.

If an event of default shall have happened and be continuing, the trustee may, in its discretion and, upon written request of not less than 25% of the bondholders, shall by notice in writing delivered to WEI declare the principal amount of all bonds, if not already due and payable, to be immediately due and payable; and upon any such declaration of all bonds shall become and be immediately due and payable. This provision, however, is subject to the condition that, if at any time after the principal of the bonds shall have been so declared due and payable and prior to the date of maturity thereof as stated in the bonds and before any sale of the trust estate shall have been made, all arrears of interest upon all such bonds (with interest at the rate specified in such bonds on any overdue installment of interest and the expenses of the trustee, its agents and attorneys) shall either be paid by WEI or be collected and paid out of the trust estate, and an defaults as aforesaid (other than the payment of principal which has been so declared due and payable) shall have been made good or secured to the satisfaction of the trustee or provision deemed by the trustee to be adequate shall be made therefor, then, and in every such case, a majority of the bondholders may waive such default and its consequences and rescind such declaration; but no such waiver shall extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon.

Kansas Gas and Electric Company Mortgage

From time to time, Kansas Gas and Electric Company ("KGE") issues bonds under its Mortgage and Deed of Trust, dated as of April 1, 1940, to The Bank of New York Mellon Trust Company, N.A. (successor to BNY Midwest Trust Company) and Richard Tarnas (successor to Judith L. Bartolini, W.A. Spooner, Henry A. Theis, Oliver Brooks, Wesley L. Baker, Edwin F. McMichael and R. Amundsen), as trustees, as supplemented by indentures supplemental thereto. The material provisions of the mortgage are summarized below.

Issuance of Bonds

The maximum principal amount of bonds which may be issued under the mortgage is not limited, but until changed by a future supplemental indenture the amount of advances (over and above the original issue of $16,000,000 of Bonds) which may be secured by the lien created by the mortgage shall not exceed $3.5 billion.

Bonds of any series may be issued from time to time on the basis of

(1) 70% of property additions after adjustments to offset retirements, or net property additions;
(2) retirement of bonds or prior lien bonds; and
(3) deposit of cash.

Further, with certain exceptions in the case of (2) above, the issuance of bonds is subject to a "net earnings" test whereby net earnings for 12 consecutive months out of the preceding 15 months before income taxes and before provision for retirement and depreciation of property is required to be (i) at least two and one-half times the annual interest requirements on all bonds at the time outstanding, including the additional issue, and on all indebtedness of prior rank or (ii) at least 10% of the principal amount of such bonds and prior indebtedness.

Cash deposited as a basis for the issuance of bonds may be withdrawn from time to time in an amount equal to the principal amount of bonds which KGE would otherwise be entitled to issue (without, however, applying any earnings test) upon waiver of the right to issue the same or may be used for the purchase, payment or redemption of bonds.

Property additions generally include electric, gas, steam or hot water property, acquired after December 31, 1939, but may not include securities, vehicles or automobiles, or property used principally for the production, gathering or transmission of natural gas. KGE has reserved the right to amend the mortgage, without any consent or other action by the holders of bonds, to include nuclear fuel (and similar or analogous devices or substances) as property additions. The mortgage contains certain restrictions upon the issuance of bonds against property subject to liens and upon the increase of the amount of such liens.

Release of Property

Property may be released against (1) deposit of cash or, to a limited amount, purchase money mortgages, (2) property additions, and (3) waiver of the right to issue bonds, without applying any earnings test. Cash so deposited may be withdrawn upon the bases stated in (2) and (3) above. The mortgage contains special provisions with respect to prior lien bonds pledged, and disposition of moneys received on pledged prior lien bonds.

Security and Ranking

Bonds issued under the mortgage, which constitutes a first mortgage lien on all of KGE's present properties, subject to (a) leases of minor portions of KGE property to others for uses which do not interfere with our business, (b) leases of certain of our property not used in KGE's electric utility business, (c) excepted encumbrances and (d) minor defects and irregularities in titles to properties. There are excepted from the lien all cash and securities, certain equipment, materials or supplies, vehicles and automobiles and receivables, contracts, leases and operating agreements. Bonds rank equally with all other bonds outstanding under the mortgage.

The mortgage contains provisions for subjecting after-acquired property (subject to pre-existing liens) to the lien thereof, subject to limitations in the case of consolidation, merger or sale of substantially all of KGE's assets.

The mortgage provides that the trustees shall have a lien upon the mortgaged property, prior to the bonds, for the payment of their reasonable compensation and expenses and for indemnity against certain liabilities.

Events of Default

An event of default occurs upon:

- default in payment of principal;
- default for 60 days in payment of interest;
- default in payment of interest or principal of prior lien bonds continued beyond grace period;
- default for 60 days in payment of installments of funds required for the purchase or redemption of bonds;
- certain events of bankruptcy, insolvency or reorganization; and
- default for 90 days after notice in other covenants.

The trustees may withhold notice of default (except in payment of principal, interest or funds required for the purchase or redemption of bonds) if they determine it to be in the interests of the bondholders.

In case of default, the holders of 25% of the bonds may declare the principal and interest due and payable, but the holders of a majority of the bonds may annul such declaration and destroy its effect if such default has been cured. No holder of bonds may enforce the lien of the mortgage unless such holder shall have given the trustees written notice of a default or unless the holders of 25% of the bonds have requested the trustees in writing to act and have offered the trustees reasonable opportunity to act.

The trustees are not required to risk their funds or incur personal liability if there is reasonable ground for believing that repayment is not reasonably assured. Holders of a majority of the bonds may direct the time, method and place of conducting any proceedings for any remedy available to the trustees, or exercising any trust or power conferred upon the trustees.

Westar Energy, Inc. **Attachment B(5)**

Ringfencing Compliance Filing

May 31, 2012

B. Each jurisdictional public utility shall provide annually by May 31st the following information using diagrams, schedules or narrative discussion as may be appropriate:

5. To the extent financial separations are maintained for either legal or financial accounting purposes and at a level in which financial statements are reasonably capable of being produced by the utility's accounting system, each jurisdictional public utility shall file income statements, balance sheets and cash flow statements for (1) consolidated utility operations; (2) consolidated non-regulated operations; and (3) consolidated corporate financials.

Westar Compliance Filing Comments:

Westar Energy, Inc. consolidated corporate financial statements (with notes) are attached. The FERC Form 1 for each Westar Energy, Inc. (standalone) and Kansas Gas and Electric Company have been previously provided to the Commission on or about April 15, 2012 and are incorporated herein by the reference. Pursuant to the exemption stated on Page 4 of the Report regarding entities comprising less than 10% of the consolidated assets or 10% of the consolidated revenues of the parent jurisdictional public utility, financial statements regarding consolidated non-regulated operations are not attached.

WESTAR ENERGY, INC.
CONSOLIDATED BALANCE SHEETS
(Dollars in Thousands, Except Par Values)

	As of December 31, 2011	2010
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 3,539	$ 928
Accounts receivable, net of allowance for doubtful accounts of $7,384 and $5,729, respectively	226,428	227,700
Fuel inventory and supplies	229,118	206,867
Energy marketing contracts	8,180	13,005
Taxes receivable	5,334	16,679
Deferred tax assets	394	30,248
Prepaid expenses	13,078	12,413
Regulatory assets	123,818	73,480
Other	23,696	20,289
Total Current Assets	633,585	601,609
PROPERTY, PLANT AND EQUIPMENT, NET	6,411,922	5,964,439
PROPERTY, PLANT AND EQUIPMENT OF VARIABLE INTEREST ENTITIES, NET	333,494	345,037
OTHER ASSETS:		
Regulatory assets	922,272	787,585
Nuclear decommissioning trust	130,270	126,990
Other	251,308	253,978
Total Other Assets	1,303,850	1,168,553
TOTAL ASSETS	$ 8,682,851	$ 8,079,638
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt	$ —	$ 61
Current maturities of long-term debt of variable interest entities	28,114	30,155
Short-term debt	286,300	226,700
Accounts payable	187,428	187,954
Accrued taxes	52,451	45,534
Energy marketing contracts	6,353	9,670
Accrued interest	77,437	77,771
Regulatory liabilities	40,857	33,779
Other	148,347	171,222
Total Current Liabilities	827,287	782,846
LONG-TERM LIABILITIES:		
Long-term debt, net	2,491,109	2,490,871
Long-term debt of variable interest entities, net	249,283	278,162
Deferred income taxes	1,110,463	1,102,625
Unamortized investment tax credits	164,175	101,345
Regulatory liabilities	230,530	233,295
Accrued employee benefits	592,617	483,769
Asset retirement obligations	142,508	125,999
Other	74,138	66,888
Total Long-Term Liabilities	5,054,823	4,882,954
COMMITMENTS AND CONTINGENCIES (See Notes 13 and 15)		
TEMPORARY EQUITY (See Note 11)	—	3,465
EQUITY:		
Westar Energy Shareholders' Equity:		
Cumulative preferred stock, par value $100 per share; authorized 600,000 shares; issued and outstanding 214,363 shares	21,436	21,436
Common stock, par value $5 per share; authorized 275,000,000 and150,000,000 shares, respectively; issued and outstanding 125,698,396 shares and 112,128,068 shares, respectively	628,492	560,640
Paid-in capital	1,639,503	1,398,580
Retained earnings	501,216	423,647
Total Westar Energy Shareholders' Equity	2,790,647	2,404,303
Noncontrolling Interests	10,094	6,070
Total Equity	2,800,741	2,410,373
TOTAL LIABILITIES AND EQUITY	$ 8,682,851	$ 8,079,638

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

WESTAR ENERGY, INC.
CONSOLIDATED STATEMENTS OF INCOME
(Dollars in Thousands, Except Per Share Amounts)

	Year Ended December 31,		
	2011	2010	2009
REVENUES	$ 2,170,991	$ 2,056,171	$ 1,858,231
OPERATING EXPENSES:			
Fuel and purchased power	630,793	583,361	534,864
Operating and maintenance	557,752	520,409	516,930
Depreciation and amortization	285,322	271,937	251,534
Selling, general and administrative	184,695	207,607	199,961
Total Operating Expenses	1,658,562	1,583,314	1,503,289
INCOME FROM OPERATIONS	512,429	472,857	354,942
OTHER INCOME (EXPENSE):			
Investment earnings	9,301	7,026	12,658
Other income	8,652	5,369	7,128
Other expense	(18,398)	(16,655)	(17,188)
Total Other (Expense) Income	(445)	(4,260)	2,598
Interest expense	172,460	174,941	157,360
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	339,524	293,656	200,180
Income tax expense	103,344	85,032	58,850
INCOME FROM CONTINUING OPERATIONS	236,180	208,624	141,330
Results of discontinued operations, net of tax	—	—	33,745
NET INCOME	236,180	208,624	175,075
Less: Net income attributable to noncontrolling interests	5,941	4,728	—
NET INCOME ATTRIBUTABLE TO WESTAR ENERGY	230,239	203,896	175,075
Preferred dividends	970	970	970
NET INCOME ATTRIBUTABLE TO COMMON STOCK	$ 229,269	$ 202,926	$ 174,105
BASIC AND DILUTED EARNINGS PER AVERAGE COMMON SHARE OUTSTANDING ATTRIBUTABLE TO WESTAR ENERGY (see Note 2):			
Basic earnings available from continuing operations	$ 1.95	$ 1.81	$ 1.28
Discontinued operations, net of tax	—	—	0.30
Basic earnings per common share	$ 1.95	$ 1.81	$ 1.58
Diluted earnings available from continuing operations	$ 1.93	$ 1.80	$ 1.28
Discontinued operations, net of tax	—	—	0.30
Diluted earnings per common share	$ 1.93	$ 1.80	$ 1.58
Average equivalent common shares outstanding	116,890,552	111,629,292	109,647,689
DIVIDENDS DECLARED PER COMMON SHARE	$ 1.28	$ 1.24	$ 1.20
AMOUNTS ATTRIBUTABLE TO WESTAR ENERGY:			
Income from continuing operations	$ 230,239	$ 203,896	$ 141,330
Results of discontinued operations, net of tax	—	—	33,745
Net income	$ 230,239	$ 203,896	$ 175,075

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

WESTAR ENERGY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)

	Year Ended December 31,		
	2011	2010	2009
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:			
Net income	$ 236,180	$ 208,624	$ 175,075
Discontinued operations, net of tax	—	—	(33,745)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	285,322	271,937	251,534
Amortization of nuclear fuel	21,151	25,089	16,161
Amortization of deferred regulatory gain from sale leaseback	(5,495)	(5,495)	(5,495)
Amortization of corporate-owned life insurance	25,650	20,650	22,116
Non-cash compensation	8,422	11,373	5,133
Net changes in energy marketing assets and liabilities	926	(1,284)	8,972
Net deferred income taxes and credits	111,723	120,169	46,447
Stock-based compensation excess tax benefits	(1,180)	(641)	(448)
Allowance for equity funds used during construction	(5,550)	(3,104)	(5,031)
Gain on sale of non-utility investment	(7,246)	—	—
Gain on settlement of contractual obligations with former officers	(22,039)	—	—
Changes in working capital items:			
Accounts receivable	(1,638)	(11,434)	(17,159)
Fuel inventory and supplies	(21,485)	(12,266)	10,466
Prepaid expenses and other	(50,138)	8,475	(10,635)
Accounts payable	3,008	30,330	(15,115)
Accrued taxes	18,633	27,565	30,493
Other current liabilities	(107,012)	(80,660)	13,572
Changes in other assets	(10,167)	(42,544)	73,784
Changes in other liabilities	(16,369)	40,918	(87,220)
Cash Flows from Operating Activities	462,696	607,702	478,905
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:			
Additions to property, plant and equipment	(697,451)	(540,076)	(555,637)
Purchase of securities within trusts	(49,737)	(192,350)	(64,016)
Sale of securities within trusts	47,534	191,603	61,096
Investment in corporate-owned life insurance	(19,214)	(19,162)	(17,724)
Proceeds from investment in corporate-owned life insurance	1,295	2,204	1,748
Proceeds from federal grant	8,561	3,180	—
Investment in affiliated company	(1,943)	(280)	(818)
Proceeds from sale of non-utility investments	9,246	—	—
Investment in non-utility investments	(3,656)	—	—
Other investing activities	3,849	(1,164)	2,920
Cash Flows used in Investing Activities	(701,516)	(556,045)	(572,431)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:			
Short-term debt, net	54,081	(16,060)	67,860
Proceeds from long-term debt	—	—	347,507
Retirements of long-term debt	(371)	(1,695)	(196,821)
Retirements of long-term debt of variable interest entities	(30,159)	(28,610)	—
Repayment of capital leases	(2,233)	(2,981)	(10,190)
Borrowings against cash surrender value of corporate-owned life insurance	67,562	74,134	10,299
Repayment of borrowings against cash surrender value of corporate-owned life insurance	(3,421)	(3,430)	(3,531)
Stock-based compensation excess tax benefits	1,180	641	448
Issuance of common stock	294,942	54,651	4,587
Distributions to shareholders of noncontrolling interests	(1,917)	(2,093)	—
Cash dividends paid	(138,233)	(129,146)	(122,937)
Cash Flows from (used in) Financing Activities	241,431	(54,589)	97,222
CASH FLOWS USED IN INVESTING ACTIVITIES OF DISCONTINUED OPERATIONS:			
Payment of settlement to former subsidiary	—	—	(22,750)
Cash Flows used in Investing Activities of Discontinued Operations	—	—	(22,750)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,611	(2,932)	(19,054)
CASH AND CASH EQUIVALENTS:			
Beginning of period	928	3,860	22,914
End of period	$ 3,539	$ 928	$ 3,860

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

WESTAR ENERGY, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Dollars in Thousands)

	Westar Energy Shareholders							
	Cumulative preferred stock shares	Cumulative preferred stock	Common stock shares	Common stock	Paid-in capital	Retained earnings	Non-controlling interests	Total equity
Balance as of December 31, 2008	214,363	$ 21,436	108,311,135	$ 541,556	$ 1,326,391	$ 318,197	$ —	$ 2,207,580
Net income	—	—	—	—	—	175,075	—	175,075
Issuance of common stock	—	—	760,865	3,804	10,569	—	—	14,373
Preferred dividends	—	—	—	—	—	(970)	—	(970)
Dividends on common stock	—	—	—	—	—	(132,103)	—	(132,103)
Transfer to temporary equity	—	—	—	—	(20)	—	—	(20)
Amortization of restricted stock	—	—	—	—	4,524	—	—	4,524
Stock compensation and tax benefit	—	—	—	—	(1,674)	—	—	(1,674)
Balance as of December 31, 2009	214,363	21,436	109,072,000	545,360	1,339,790	360,199	—	2,266,785
Net income	—	—	—	—	—	203,896	4,728	208,624
Issuance of common stock	—	—	3,056,068	15,280	50,759	—	—	66,039
Preferred dividends	—	—	—	—	—	(970)	—	(970)
Dividends on common stock	—	—	—	—	—	(139,478)	—	(139,478)
Transfer to temporary equity	—	—	—	—	(22)	—	—	(22)
Amortization of restricted stock	—	—	—	—	10,710	—	—	10,710
Stock compensation and tax benefit	—	—	—	—	(2,657)	—	—	(2,657)
Consolidation of noncontrolling interests	—	—	—	—	—	—	3,435	3,435
Distributions to shareholders of noncontrolling interests	—	—	—	—	—	—	(2,093)	(2,093)
Balance as of December 31, 2010	214,363	21,436	112,128,068	560,640	1,398,580	423,647	6,070	2,410,373
Net income	—	—	—	—	—	230,239	5,941	236,180
Issuance of common stock	—	—	13,570,328	67,852	243,081	—	—	310,933
Preferred dividends	—	—	—	—	—	(970)	—	(970)
Dividends on common stock	—	—	—	—	—	(151,700)	—	(151,700)
Transfer from temporary equity	—	—	—	—	3,465	—	—	3,465
Amortization of restricted stock	—	—	—	—	7,698	—	—	7,698
Stock compensation and tax benefit	—	—	—	—	(13,321)	—	—	(13,321)
Distributions to shareholders of noncontrolling interests	—	—	—	—	—	—	(1,917)	(1,917)
Balance as of December 31, 2011	214,363	$ 21,436	125,698,396	$ 628,492	$ 1,639,503	$ 501,216	$ 10,094	$ 2,800,741

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

WESTAR ENERGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS

We are the largest electric utility in Kansas. Unless the context otherwise indicates, all references in this Annual Report on Form 10-K to "the company," "we," "us," "our" and similar words are to Westar Energy, Inc. and its consolidated subsidiaries. The term "Westar Energy" refers to Westar Energy, Inc., a Kansas corporation incorporated in 1924, alone and not together with its consolidated subsidiaries.

We provide electric generation, transmission and distribution services to approximately 688,000 customers in Kansas. Westar Energy provides these services in central and northeastern Kansas, including the cities of Topeka, Lawrence, Manhattan, Salina and Hutchinson. Kansas Gas and Electric Company (KGE), Westar Energy's wholly owned subsidiary, provides these services in south-central and southeastern Kansas, including the city of Wichita. Both Westar Energy and KGE conduct business using the name Westar Energy. Our corporate headquarters is located at 818 South Kansas Avenue, Topeka, Kansas 66612.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

We prepare our consolidated financial statements in accordance with GAAP for the United States of America. Our consolidated financial statements include all operating divisions, majority owned subsidiaries and variable interest entities (VIEs) of which we maintain a controlling interest or are the primary beneficiary reported as a single reportable segment. Undivided interests in jointly-owned generation facilities are included on a proportionate basis. Intercompany accounts and transactions have been eliminated in consolidation.

Use of Management's Estimates

When we prepare our consolidated financial statements, we are required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of our consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. We evaluate our estimates on an on-going basis, including those related to valuation of commodity contracts, depreciation, unbilled revenue, valuation of investments, valuation of our energy marketing portfolio, forecasted fuel costs included in our retail energy cost adjustment (RECA) billed to customers, income taxes, pension and post-retirement benefits, our asset retirement obligations (AROs) including the decommissioning of Wolf Creek Generating Station (Wolf Creek), environmental issues, VIEs, contingencies and litigation. Actual results may differ from those estimates under different assumptions or conditions.

Regulatory Accounting

We apply accounting standards that recognize the economic effects of rate regulation. Accordingly, we have recorded regulatory assets and liabilities when required by a regulatory order or based on regulatory precedent. See Note 3, "Rate Matters and Regulation," for additional information regarding our regulatory assets and liabilities.

Cash and Cash Equivalents

We consider investments that are highly liquid and have maturities of three months or less when purchased to be cash equivalents.

Fuel Inventory and Supplies

We state fuel inventory and supplies at average cost. Following are the balances for fuel inventory and supplies stated separately.

	As of December 31,	
	2011	2010
	(In Thousands)	
Fuel inventory	$ 86,408	$ 79,938
Supplies	142,710	126,929
Total	$ 229,118	$ 206,867

Property, Plant and Equipment

We record the value of property, plant and equipment, including that of VIEs, at cost. For plant, cost includes contracted services, direct labor and materials, indirect charges for engineering and supervision and an allowance for funds used during construction (AFUDC). AFUDC represents the allowed cost of capital used to finance utility construction activity. We compute AFUDC by applying a composite rate to qualified construction work in progress. We credit other income (for equity funds) and interest expense (for borrowed funds) for the amount of AFUDC capitalized as construction cost on the accompanying consolidated statements of income as follows:

	Year Ended December 31,		
	2011	2010	2009
	(Dollars In Thousands)		
Borrowed funds	$ 5,589	$ 4,295	$ 4,857
Equity funds	5,550	3,104	5,031
Total	$ 11,139	$ 7,399	$ 9,888
Average AFUDC Rates	3.6%	2.6%	4.2%

We charge maintenance costs and replacement of minor items of property to expense as incurred, except for maintenance costs incurred for our planned refueling and maintenance outages at Wolf Creek. As authorized by regulators, we defer and amortize to expense ratably over an 18-month operating cycle the incremental maintenance costs incurred for such outages. When a unit of depreciable property is retired, we charge to accumulated depreciation the original cost less salvage value.

Depreciation

We depreciate utility plant using a straight-line method. These rates are based on an average annual composite basis using group rates that approximated 3.0% in 2011, 2.9% in 2010 and 3.0% in 2009.

Depreciable lives of property, plant and equipment are as follows.

	Years
Fossil fuel generating facilities	7 to 78
Nuclear fuel generating facility	33 to 62
Wind generating facilities	19 to 20
Transmission facilities	15 to 67
Distribution facilities	15 to 70
Other	6 to 28

Nuclear Fuel

We record as property, plant and equipment our share of the cost of nuclear fuel used in the process of refinement, conversion, enrichment and fabrication. We reflect this at original cost and amortize such amounts to fuel expense based on the quantity of heat consumed during the generation of electricity, as measured in millions of British thermal units (MMBtu). The accumulated amortization of nuclear fuel in the reactor was $44.8 million as of December 31, 2011, and $48.0 million as of December 31, 2010. The cost of nuclear fuel charged to fuel and purchased power expense was $24.6 million in 2011, $29.2 million in 2010 and $20.1 million in 2009.

Cash Surrender Value of Life Insurance

We recorded on our consolidated balance sheets in other long-term assets the following amounts related to corporate-owned life insurance policies.

	As of December 31,	
	2011	2010
	(In Thousands)	
Cash surrender value of policies	$ 1,345,443	$ 1,280,615
Borrowings against policies	(1,208,389)	(1,144,248)
Corporate-owned life insurance, net	$ 137,054	$ 136,367

We record as income increases in cash surrender value and death benefits. We offset against policy income the interest expense that we incur on policy loans. Income from death benefits is highly variable from period to period.

Revenue Recognition

Electricity Sales

We record revenue at the time we deliver electricity to customers. We determine the amounts delivered to individual customers through systematic monthly readings of customer meters. At the end of each month, we estimate how much electricity we have delivered since the prior meter reading and record the corresponding unbilled revenue.

Our unbilled revenue estimate is affected by factors including fluctuations in energy demand, weather, line losses and changes in the composition of customer classes. We recorded estimated unbilled revenue of $54.0 million as of December 31, 2011, and $53.8 million as of December 31, 2010.

Energy Marketing Contracts

We account for energy marketing derivative contracts under the fair value method of accounting. Under this method, we recognize changes in the portfolio value as gains or losses in the period of change. With the exception of certain fuel supply and electricity contracts, which we record as regulatory assets or regulatory liabilities, we include the net change in fair value in revenues on our consolidated statements of income. We record the unrealized gains and losses as current energy marketing assets and liabilities or in other assets and other long-term liabilities on our consolidated balance sheets as appropriate. We use quoted market prices to value our energy marketing derivative contracts when such data are available. When market prices are not readily available or determinable, we use alternative approaches, such as model pricing. The prices we use to value these transactions reflect our best estimate of the fair value of these contracts. Results actually achieved from these activities could vary materially from intended results and could affect our consolidated financial results.

Normal Purchases and Normal Sales Exception

Determining whether a contract qualifies for the normal purchases and normal sales exception requires that we exercise judgment on whether the contract will physically deliver and requires that we ensure compliance with all of the associated qualification and documentation requirements. Revenues and expenses on contracts that qualify as normal purchases and normal sales are recognized when the underlying physical transaction is completed. Contracts which qualify for the normal purchases and normal sales exception are those for which physical delivery is probable, quantities are expected to be used or sold in the normal course of business over a reasonable period of time and price is not tied to an unrelated underlying derivative.

Allowance for Doubtful Accounts

We determine our allowance for doubtful accounts based on the age of our receivables. We charge receivables off when they are deemed uncollectible, which is based on a number of factors including specific facts surrounding an account and management's judgment.

Income Taxes

We use the asset and liability method of accounting for income taxes. Under this method, we recognize deferred tax assets and liabilities for the future tax consequences attributable to temporary differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities. We recognize the future tax benefits to the extent that realization of such benefits is more likely than not. We amortize deferred investment tax credits over the lives of the related properties as required by tax laws and regulatory practices. We recognize production tax credits in the year that electricity is generated to the extent that realization of such benefits is more likely than not.

We record deferred tax assets to carry forward into future periods capital losses, operating losses and tax credits. However, when we believe based on available evidence that we do not, or will not, have sufficient future capital gains or taxable income in the appropriate taxing jurisdiction to realize the entire benefit during the applicable carryforward period, we record a valuation allowance against the deferred tax asset.

The application of income tax law is complex. Laws and regulations in this area are voluminous and often ambiguous. Accordingly, we must make judgments regarding income tax exposure. Interpretations of and guidance surrounding income tax laws and regulations change over time. As a result, changes in our judgments can materially affect amounts we recognize in our consolidated financial statements. See Note 10, "Taxes," for additional detail on our accounting for income taxes.

Sales Taxes

We account for the collection and remittance of sales tax on a net basis. As a result, we do not reflect sales tax in our consolidated statements of income.

Earnings Per Share

We have participating securities in the form of unvested restricted share units (RSUs) with nonforfeitable rights to dividend equivalents that receive dividends as declared on an equal basis with common shares. As a result, we apply the two-class method of computing basic and diluted earnings per share (EPS).

Under the two-class method, we reduce net income attributable to common stock by the amount of dividends declared in the current period. We allocate the remaining earnings to common stock and RSUs to the extent that each security may share in earnings as if all of the earnings for the period had been distributed. We determine the total earnings allocated to each security by adding together the amount allocated for dividends and the amount allocated for a participation feature. To compute basic EPS, we divide the earnings allocated to common stock by the weighted average number of common shares outstanding. Diluted EPS includes the effect of potential issuances of common shares resulting from our forward sale agreements, RSUs with forfeitable rights to dividend equivalents and stock options. We compute the dilutive effect of potential issuances of common shares using the treasury stock method.

The following table reconciles our basic and diluted EPS from income from continuing operations.

	Year Ended December 31,		
	2011	2010	2009
	(Dollars In Thousands, Except Per Share Amounts)		
Income from continuing operations	$ 236,180	$ 208,624	$ 141,330
Less: Income attributable to noncontrolling interests	5,941	4,728	—
Income from continuing operations attributable to Westar Energy	230,239	203,896	141,330
Less: Preferred dividends	970	970	970
Income from continuing operations allocated to RSUs	772	1,259	541
Income from continuing operations attributable to common stock	$ 228,497	$ 201,667	$ 139,819
Weighted average equivalent common shares outstanding – basic	116,890,552	111,629,292	109,647,689
Effect of dilutive securities:			
RSUs	188,025	140,077	—
Forward sale agreements	1,211,645	245,496	—
Employee stock options	—	59	481
Weighted average equivalent common shares outstanding – diluted (a)	118,290,222	112,014,924	109,648,170
Earnings from continuing operations per common share, basic	$ 1.95	$ 1.81	$ 1.28
Earnings from continuing operations per common share, diluted	$ 1.93	$ 1.80	$ 1.28

(a) For the years ended December 31, 2011, 2010 and 2009, we had no antidilutive shares.

Supplemental Cash Flow Information

	Year Ended December 31,		
	2011	2010	2009
	(In Thousands)		
CASH PAID FOR (RECEIVED FROM):			
Interest on financing activities, net of amount capitalized	$ 145,570	$ 145,463	$ 144,964
Interest on financing activities of VIEs	18,167	20,191	—
Income taxes, net of refunds	(17,519)	(34,980)	(7,870)
NON-CASH INVESTING TRANSACTIONS:			
Property, plant and equipment additions	105,435	64,423	21,614
Property, plant and equipment additions of VIEs	—	356,964	—
Jeffrey Energy Center (JEC) 8% leasehold interest	—	(108,706)	—
NON-CASH FINANCING TRANSACTIONS:			
Issuance of common stock for reinvested dividends and compensation plans	15,103	18,777	12,168
Debt of VIEs	—	337,951	—
Capital lease for JEC 8% leasehold interest	—	(106,423)	—
Assets acquired through capital leases	43,011	910	2,818

Investment Earnings - Sale of Non-utility Investment

In 2011, we recorded a $7.2 million gain on the sale of a non-utility investment.

3. RATE MATTERS AND REGULATION

Regulatory Assets and Regulatory Liabilities

Regulatory assets represent incurred costs that have been deferred because they are probable of future recovery in customer prices. Regulatory liabilities represent probable future reductions in revenue or refunds to customers through the price setting process. Regulatory assets and liabilities reflected on our consolidated balance sheets are as follows.

	As of December 31,	
	2011	2010
	(In Thousands)	
Regulatory Assets:		
Deferred employee benefit costs	$ 560,915	$ 431,016
Amounts due from customers for future income taxes, net	168,804	172,181
Depreciation	76,298	79,770
Debt reacquisition costs	66,856	73,099
Treasury yield hedges	33,753	—
Storm costs	25,747	34,741
Wolf Creek outage	25,033	9,637
Asset retirement obligations	22,196	21,546
Retail energy cost adjustment	19,587	—
Energy efficiency program costs	16,521	10,980
Disallowed plant costs	16,236	16,354
Ad valorem tax	6,622	5,680
Other regulatory assets	7,522	6,061
Total regulatory assets	$ 1,046,090	$ 861,065
Regulatory Liabilities:		
Deferred regulatory gain from sale leaseback	$ 97,541	$ 103,036
Removal costs	82,338	70,342
Retail energy cost adjustment	25,225	16,402
La Cygne dismantling costs	15,680	13,268
Nuclear decommissioning	12,544	25,467
Other post-retirement benefits costs	11,125	6,943
Kansas tax credits	8,497	3,565
Fuel supply and electricity contracts	6,177	7,800
Ad valorem tax	—	4,934
Treasury yield hedges	—	7,711
Other regulatory liabilities	12,260	7,606
Total regulatory liabilities	$ 271,387	$ 267,074

Below we summarize the nature and period of recovery for each of the regulatory assets listed in the table above.

- **Deferred employee benefit costs:** Includes $512.5 million for pension and post-retirement benefit obligations and $48.4 million for actual pension expense in excess of the amount of such expense recognized in setting our prices. During 2012, we will amortize to expense approximately $47.0 million of the benefit obligations. We expect to amortize the excess pension expense as part of resetting base prices. We do not earn a return on this asset.

- **Amounts due from customers for future income taxes, net:** In accordance with various orders, we have reduced our prices to reflect the income tax benefits associated with certain income tax deductions, thereby passing on these benefits to customers at the time we receive them. We believe it is probable that the net future increases in income taxes payable will be recovered from customers when these temporary income tax benefits reverse in future periods. We have recorded a regulatory asset, net of the regulatory liability, for these amounts on which we do not earn a return. We also have recorded a regulatory liability for our obligation to customers for income taxes recovered in earlier periods when corporate income tax rates were higher than current income tax rates. This benefit will be returned to customers as these temporary differences reverse in future periods. The income tax-related regulatory assets and liabilities as well as unamortized investment tax credits are also temporary differences for which deferred income taxes have been provided. These items are measured by the expected cash flows to be received or settled in future prices. We do not earn a return on this asset.

- **Depreciation:** Represents the difference between regulatory depreciation expense and depreciation expense we record for financial reporting purposes. We earn a return on this asset and amortize the difference over the life of the related plant.

- **Debt reacquisition costs:** Includes costs incurred to reacquire and refinance debt. These costs are amortized over the term of the new debt. We do not earn a return on this asset.

- **Treasury yield hedges:** Represents the effective portion of the losses on treasury yield hedge transactions. This amount will be amortized to interest expense over the term of the related debt. See Note 4, "Financial and Derivative Instruments, Trading Securities, Energy Marketing and Risk Management—Derivative Instruments—Cash Flow Hedges," for additional information regarding our treasury yield hedge transactions. We do not earn a return on this asset.

- **Storm costs:** We accumulated and deferred for future recovery costs related to restoring our electric transmission and distribution systems from damages sustained during unusually damaging storms. We amortize these costs over periods ranging from three to five years and earn a return on a majority of this asset.

- **Wolf Creek outage:** Wolf Creek incurs a refueling and maintenance outage approximately every 18 months. The expenses associated with these refueling and maintenance outages are deferred and amortized over the period between such planned outages. We do not earn a return on this asset.

- **Asset retirement obligations:** Represents amounts associated with our AROs as discussed in Note 14, "Asset Retirement Obligations." We recover these amounts over the life of the related plant. We do not earn a return on this asset.

- **Retail energy cost adjustment:** We are allowed to adjust our retail prices to reflect changes in the cost of fuel and purchased power needed to serve our customers. This item represents the actual cost of fuel consumed in producing electricity and the cost of purchased power in excess of the amounts we have collected from customers. We expect to recover in our prices this shortfall over a one-year period. For the reporting period, we had two retail jurisdictions, each with a separate cost of fuel. This resulted in us simultaneously reporting both a regulatory asset and a regulatory liability for this item. We do not earn a return on this asset.

- **Energy efficiency program costs:** We accumulate and defer for future recovery costs related to our various energy efficiency programs. We will amortize such costs over a one-year period. We do not earn a return on this asset.

- **Disallowed plant costs:** In 1985, the Kansas Corporation Commission (KCC) disallowed certain costs associated with the original construction of Wolf Creek. In 1987, the KCC authorized KGE to recover these costs in prices over the useful life of Wolf Creek. We do not earn a return on this asset.

- **Ad valorem tax:** Represents actual costs incurred for property taxes in excess of amounts collected in our prices. We expect to recover these amounts in our prices over a on one-year period. We do not earn a return on this asset.

- **Other regulatory assets:** Includes various regulatory assets that individually are small in relation to the total regulatory asset balance. Other regulatory assets have various recovery periods. We do not earn a return on any of these assets.

Below we summarize the nature and period of amortization for each of the regulatory liabilities listed in the table above.

- **Deferred regulatory gain from sale leaseback:** Represents the gain KGE recorded on the 1987 sale and leaseback of its 50% interest in La Cygne Generating Station (La Cygne) unit 2. We amortize the gain over the lease term.

- **Removal costs:** Represents amounts collected, but not yet spent, to dispose of plant assets that do not represent legal retirement obligations. This liability will be discharged as removal costs are incurred.

- **Retail energy cost adjustment:** We are allowed to adjust our retail prices to reflect changes in the cost of fuel and purchased power needed to serve our customers. We bill customers based on our estimated costs. This item represents the amount we collected from customers that was in excess of our actual cost of fuel and purchased power. We will refund to customers this excess recovery over a one-year period. For the reporting period, we had two retail jurisdictions, each with a separate cost of fuel. This resulted in us simultaneously reporting both a regulatory asset and a regulatory liability for this item.

- **La Cygne dismantling costs:** We are contractually obligated to dismantle a portion of La Cygne unit 2. This item represents amounts collected but not yet spent to dismantle this unit and the obligation will be discharged as we dismantle the unit.

- **Nuclear decommissioning:** We have a legal obligation to decommission Wolf Creek at the end of its useful life. This item represents the difference between the fair value of the assets held in a decommissioning trust and the fair value of our ARO. See Note 5, "Financial Investments" and Note 14, "Asset Retirement Obligations," for information regarding our nuclear decommissioning trust (NDT) and our ARO.

- **Other post-retirement benefits costs:** Represents the amount of other post-retirement benefits expense recognized in setting our prices in excess of actual other post-retirement benefits expense. At the time of a future rate review, we expect to credit this excess to customers as part of resetting our base prices.

- **Kansas tax credits:** Represents Kansas tax credits on investments in utility plant. Amounts will be credited to customers subsequent to their realization over the remaining lives of the utility plant giving rise to the tax credits.

- **Fuel supply and electricity contracts:** We use fair value accounting for some of our fuel supply and electricity contracts. This represents the non-cash net gain position on fuel supply and electricity contracts that are recorded at fair value. Under the RECA, fuel supply contract market gains accrue to the benefit of our customers.

- **Ad valorem tax:** Represents amounts collected in our prices in excess of actual costs incurred for property taxes. We will refund to customers this excess recovery over a one-year period.

- **Treasury yield hedges:** Represents the effective portion of the gains on treasury yield hedge transactions. This amount will be amortized to interest expense over the term of the related debt. See Note 4, "Financial and Derivative Instruments, Trading Securities, Energy Marketing and Risk Management—Derivative Instruments—Cash Flow Hedges," for additional information regarding our treasury yield hedge transactions.

- **Other regulatory liabilities:** Includes various regulatory liabilities that individually are relatively small in relation to the total regulatory liability balance. Other regulatory liabilities will be credited over various periods.

KCC Proceedings

General and Abbreviated Rate Reviews

On August 25, 2011, we filed an application with the KCC proposing a $90.8 million increase in our annual retail prices. The primary drivers for the proposed increase were higher costs related to tree trimming, regulatory compliance, operating Wolf Creek and employee benefits. On February 6, 2012, we entered into a definitive Stipulation and Agreement agreed to or not opposed by all parties to this proceeding, with the exception of a consumer advocate. The settlement provides for a $50.0 million increase in our annual retail prices and is subject to KCC approval. Technical hearings commenced on February 13, 2012. We expect the KCC to issue an order on our request in April 2012.

On January 27, 2010, the KCC issued an order allowing us to adjust our prices to include costs associated with investments in natural gas and wind generation facilities. The new prices were effective February 2010 and were expected to increase our annual retail revenues by approximately $17.1 million.

On January 21, 2009, the KCC issued an order expected to increase our annual retail revenues by approximately $130.0 million to reflect investments in natural gas generation facilities, wind generation facilities and other capital projects, costs to repair damage to our electrical system, which were previously deferred as a regulatory asset, higher operating costs in general and an updated capital structure. The new prices were effective February 3, 2009.

Environmental Costs

On February 23, 2011, Kansas City Power & Light Company (KCPL) filed an application requesting that the KCC predetermine the ratemaking principles for and determine the appropriateness of approximately $1.2 billion of environmental upgrades proposed for La Cygne to comply with environmental regulations. We have a 50% interest in La Cygne and intervened in the proceeding. On August 19, 2011, the KCC issued an order ruling that the decision to make the upgrades is prudent and the $1.2 billion project cost estimate is reasonable. The KCC denied our request to collect our approximately $600.0 million share of the costs of the environmental upgrades through our environmental cost recovery rider (ECRR). However, in the Stipulation and Agreement noted above, all parties to the agreement agreed that we may file an abbreviated rate review to update our prices to include capital costs associated with the project, which we plan to do.

We also make annual filings with the KCC to adjust our prices to include costs associated with investments in air quality equipment made during the prior year. Following is additional information regarding such price adjustments.

- On May 27, 2011, the KCC issued an order allowing us to increase our annual retail revenues by approximately $10.4 million effective June 1, 2011.
- On May 25, 2010, the KCC issued an order allowing us to increase our annual retail revenues by approximately $13.8 million effective June 1, 2010.
- On May 29, 2009, the KCC issued an order allowing us to increase our annual retail revenues by approximately $32.5 million effective June 1, 2009.

Transmission Costs

We make annual filings with the KCC to adjust our prices to include updated transmission costs as reflected in our transmission formula rate discussed below. Following is information regarding such price adjustments.

- On December 30, 2011, the KCC issued an order allowing us to increase our annual retail revenues by approximately $17.4 million effective April 14, 2011.
- On June 11, 2010, the KCC issued an order allowing us to increase our annual retail revenues by approximately $6.4 million effective March 16, 2010.
- On March 6, 2009, the KCC issued an order allowing us to increase our annual retail revenues by approximately $31.8 million effective March 13, 2009.

Energy Efficiency

We make annual filings with the KCC to adjust our prices to include previously deferred amounts associated with various energy efficiency programs. Following is information regarding such price adjustments.

- On October 27, 2011, the KCC issued an order allowing us to increase our annual retail revenues by approximately $4.9 million to recover additional deferred amounts effective November 2011.
- On October 29, 2010, the KCC issued an order allowing us to recover approximately $5.8 million of previously deferred amounts effective November 2010.

Other

On September 11, 2009, the KCC issued an order, effective January 1, 2009, allowing us to establish a regulatory asset or liability to track the cumulative difference between current year pension and post-retirement benefits expense and the amount of such expense recognized in setting our prices. We will accumulate such regulatory asset or liability between general rate reviews and expect to amortize the accumulated amount as part of resetting our base prices during general rate reviews.

FERC Proceedings

On October 15 of each year, we post an updated transmission formula rate that includes projected transmission capital expenditures and operating costs for the following year. This rate provides the basis for our annual request with the KCC to adjust our retail prices to include updated transmission costs as noted above. Below is additional information regarding our transmission formula rates posted over the last few years.

- Our transmission formula rate that includes projected 2012 costs was effective January 1, 2012, and is expected to increase our annual transmission revenues by approximately $38.2 million.
- Our transmission formula rate that included projected 2011 costs was effective January 1, 2011, and was expected to increase our annual transmission revenues by approximately $15.9 million.
- Our transmission formula rate that included projected 2010 costs was effective January 1, 2010, and was expected to increase our annual transmission revenues by approximately $16.8 million.

On January 12, 2010, the Federal Energy Regulatory Commission (FERC) issued an order accepting our request to implement a cost-based formula rate for electricity sales to wholesale customers. The use of a cost-based formula rate allows us to annually adjust our prices to reflect changes in our cost of service. The cost-based formula rate was effective December 1, 2009.

4. FINANCIAL AND DERIVATIVE INSTRUMENTS, TRADING SECURITIES, ENERGY MARKETING AND RISK MANAGEMENT

Values of Financial and Derivative Instruments

GAAP establishes a hierarchal framework for disclosing the transparency of the inputs utilized in measuring assets and liabilities at fair value. Our assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the classification of assets and liabilities within the fair value hierarchy levels. The three levels of the hierarchy and examples are as follows:

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities. The types of assets and liabilities included in level 1 are highly liquid and actively traded instruments with quoted prices, such as equities listed on public exchanges and exchange-traded futures contracts.

- Level 2 - Pricing inputs are not quoted prices in active markets, but are either directly or indirectly observable. The types of assets and liabilities included in level 2 are typically measured at net asset value, comparable to actively traded securities or contracts, such as treasury securities with pricing interpolated from recent trades of similar securities, or priced with models using highly observable inputs, such as commodity options priced using observable forward prices and volatilities.

- Level 3 - Significant inputs to pricing have little or no transparency. The types of assets and liabilities included in level 3 are those with inputs requiring significant management judgment or estimation, such as the complex and subjective models and forecasts used to determine the fair value of options, real estate investments and long-term electricity supply contracts.

We record cash and cash equivalents, short-term borrowings and variable rate debt on our consolidated balance sheets at cost, which approximates fair value. We measure the fair value of fixed rate debt based on quoted market prices for the same or similar issues or on the current rates offered for instruments of the same remaining maturities and redemption provisions. The recorded amount of accounts receivable and other current financial instruments approximates fair value.

All of our level 2 investments are held in investment funds that are measured at fair value using daily net asset values as reported by the trustee. In addition, we maintain certain level 3 investments in private equity and real estate securities that require significant unobservable market information to measure the fair value of the investments. The fair value of private equity investments is measured by utilizing both market- and income-based models, public company comparables, at cost or at the value derived from subsequent financings. Adjustments are made when actual performance differs from expected performance; when market, economic or company-specific conditions change; and when other news or events have a material impact on the security. To measure the fair value of real estate securities we use a combination of market- and income-based models utilizing market discount rates, projected cash flows and the estimated value into perpetuity.

Energy marketing contracts can be exchange-traded or traded over-the-counter (OTC). Fair value measurements of exchange-traded contracts typically utilize quoted prices in active markets. OTC contracts are valued using market transactions and other market evidence whenever possible, including market-based inputs to models, model calibration to market clearing transactions or alternative pricing sources with reasonable levels of price transparency. Valuation models require a variety of inputs, including contractual terms, market prices, yield curves, credit curves, nonperformance risk, measures of volatility and correlations of such inputs. Certain OTC contracts trade in less liquid markets with limited pricing information and the determination of fair value for these derivatives is inherently more subjective. In these situations, estimates by management are a significant input. See "-Recurring Fair Value Measurements" and "-Derivative Instruments" below for additional information.

We measure fair value based on information available as of the measurement date. The following table provides the carrying values and measured fair values of our financial instruments.

	Carrying Value		Fair Value	
	As of December 31,			
	2011	2010	2011	2010
	(In Thousands)			
Fixed-rate debt	$ 2,373,063	$ 2,373,373	$ 2,623,993	$ 2,570,648
Fixed-rate debt of VIEs	275,738	308,317	306,027	341,328

Recurring Fair Value Measurements

The following table provides the amounts and their corresponding level of hierarchy for our assets and liabilities that are measured at fair value.

As of December 31, 2011	Level 1	Level 2	Level 3	Total
		(In Thousands)		
Assets:				
Energy Marketing Contracts	$ —	$ 2,401	$ 13,330	$ 15,731
Nuclear Decommissioning Trust:				
Domestic equity	—	53,186	3,931	57,117
International equity	—	22,307	—	22,307
Core bonds	—	20,171	—	20,171
High-yield bonds	—	10,969	—	10,969
Emerging market bonds	—	5,309	—	5,309
Combination debt/equity fund	—	7,251	—	7,251
Real estate securities	—	—	7,095	7,095
Cash equivalents	51	—	—	51
Total Nuclear Decommissioning Trust	51	119,193	11,026	130,270
Trading Securities:				
Domestic equity	—	21,175	—	21,175
International equity	—	4,896	—	4,896
Core bonds	—	13,961	—	13,961
Cash equivalents	169	—	—	169
Total Trading Securities	169	40,032	—	40,201
Total Assets Measured at Fair Value	$ 220	$ 161,626	$ 24,356	$ 186,202
Liabilities:				
Energy Marketing Contracts	$ —	$ 2,475	$ 3,878	$ 6,353
Treasury Yield Hedges	—	34,025	—	34,025
Total Liabilities Measured at Fair Value	$ —	$ 36,500	$ 3,878	$ 40,378
As of December 31, 2010				
Assets:				
Energy Marketing Contracts	$ 2,432	$ 6,258	$ 13,787	$ 22,477
Nuclear Decommissioning Trust:				
Domestic equity	—	60,586	2,867	63,453
International equity	—	18,966	—	18,966
Core bonds	—	31,906	—	31,906
High-yield bonds	—	9,267	305	9,572
Real estate securities	—	—	3,049	3,049
Cash equivalents	44	—	—	44
Total Nuclear Decommissioning Trust	44	120,725	6,221	126,990
Trading Securities:				
Domestic equity	—	21,207	—	21,207
International equity	—	5,128	—	5,128
Core bonds	—	13,077	—	13,077
Total Trading Securities	—	39,412	—	39,412
Treasury Yield Hedges	—	7,711	—	7,711
Total Assets Measured at Fair Value	$ 2,476	$ 174,106	$ 20,008	$ 196,590
Liabilities:				
Energy Marketing Contracts	$ 1,888	$ 5,820	$ 1,972	$ 9,680

We do not offset the fair value of energy marketing contracts executed with the same counterparty. As of December 31, 2011, we had no right to reclaim cash collateral and had recorded $2.9 million for our obligation to return cash collateral. As of December 31, 2010, we had no right to reclaim cash collateral and had recorded $0.7 million for our obligation to return cash collateral.

The following table provides reconciliations of assets and liabilities measured at fair value using significant level 3 inputs for the years ended December 31, 2011 and 2010.

	Energy Marketing Contracts, net		Nuclear Decommissioning Trust			
			Domestic Equity	High-yield Bonds	Real Estate Securities	Net Balance
			(In Thousands)			
Balance as of December 31, 2010	$ 11,815		$ 2,867	$ 305	$ 3,049	$ 18,036
Total realized and unrealized gains (losses) included in:						
Earnings (a)	603		—	—	—	603
Regulatory assets	(1,450)	(b)	—	—	—	(1,450)
Regulatory liabilities	2,993	(b)	479	—	670	4,142
Purchases	(6,145)		608	—	3,455	(2,082)
Sales	1,022		(23)	(305)	(79)	615
Settlements	614		—	—	—	614
Balance as of December 31, 2011	$ 9,452		$ 3,931	$ —	$ 7,095	$ 20,478
Balance as of December 31, 2009	$ 4,310		$ 2,262	$ 5,741	$ 3,635	$ 15,948
Total realized and unrealized gains (losses) included in:						
Earnings (a)	(2,585)		—	—	—	(2,585)
Regulatory assets	3,311	(b)	—	—	—	3,311
Regulatory liabilities	8,148	(b)	16	367	(586)	7,945
Purchases, issuances and settlements, net	(1,369)		589	(5,803)	—	(6,583)
Balance as of December 31, 2010	$ 11,815		$ 2,867	$ 305	$ 3,049	$ 18,036

(a) Unrealized gains and losses included in earnings are reported in revenues.
(b) Includes changes in the fair value of certain fuel supply and electricity contracts.

Portions of the gains and losses contributing to changes in net assets in the above table are unrealized. The following table summarizes the unrealized gains and losses we recorded on our consolidated financial statements during the years ended December 31, 2011 and 2010, attributed to level 3 assets and liabilities.

	Year Ended December 31, 2011					
			Nuclear Decommissioning Trust			
	Energy Marketing Contracts, net		Domestic Equity	High-yield Bonds	Real Estate Securities	Net Balance
	(In Thousands)					
Total unrealized gains (losses) included in:						
Earnings (a)	$ (898)		$ —	$ —	$ —	$ (898)
Regulatory assets	(747)	(b)	—	—	—	(747)
Regulatory liabilities	1,736	(b)	456	—	591	2,783
Total	$ 91		$ 456	$ —	$ 591	$ 1,138

	Year Ended December 31, 2010					
Total unrealized gains (losses) included in:						
Earnings (a)	$ (1,441)		$ —	$ —	$ —	$ (1,441)
Regulatory assets	180	(b)	—	—	—	180
Regulatory liabilities	2,633	(b)	23	(31)	(586)	2,039
Total	$ 1,372		$ 23	$ (31)	$ (586)	$ 778

(a) Unrealized gains and losses included in earnings are reported in revenues.
(b) Includes changes in the fair value of certain fuel supply and electricity contracts.

Some of our investments in the NDT and our trading securities portfolio do not have readily determinable fair values and are either with investment companies or companies that follow accounting guidance consistent with investment companies. In certain situations these investments may have redemption restrictions. The following table provides additional information on these investments.

	As of December 31, 2011		As of December 31, 2010		As of December 31, 2011	
	Fair Value	Unfunded Commitments	Fair Value	Unfunded Commitments	Redemption Frequency	Length of Settlement
	(In thousands)					
Nuclear Decommissioning Trust:						
Domestic equity	$ 3,931	$ 1,914	$ 2,867	$ 2,523	(a)	(a)
High-yield bonds	—	—	305	—	(b)	(b)
Real estate securities	7,095	—	3,049	—	(c)	(c)
Total Nuclear Decommissioning Trust	$ 11,026	$ 1,914	$ 6,221	$ 2,523		
Trading Securities:						
Domestic equity	$ 21,175	$ —	$ 21,207	$ —	Upon Notice	1 day
International equity	4,896	—	5,128	—	Upon Notice	1 day
Core bonds	13,961	—	13,077	—	Upon Notice	1 day
Total Trading Securities	40,032	—	39,412	—		
Total	$ 51,058	$ 1,914	$ 45,633	$ 2,523		

(a) This investment is in two long-term private equity funds that do not permit early withdrawal. Our investments in these funds cannot be distributed until the underlying investments have been liquidated which may take years from the date of initial liquidation. One fund has begun making distributions and we expect the other to begin in 2013.

(b) We completely settled this fund 2011.

(c) The nature of this investment requires relatively long holding periods which do not necessarily accommodate ready liquidity. In addition, adverse financial conditions affecting residential and commercial real estate markets have further limited liquidity associated with this investment.

Nonrecurring Fair Value Measurements

We have recognized legal obligations associated with the disposal of long-lived assets that result from the acquisition, construction, development or normal operations of such assets. In 2010 we did not incur any additional AROs. In 2011, we incurred $9.9 million of additional AROs to reflect revisions to the estimated cost to decommission Wolf Creek. We initially record AROs at fair value for the estimated cost to satisfy the retirement obligation.

The fair value is measured by estimating the cost to satisfy the retirement obligation then discounting that value at a risk- and inflation-adjusted rate. To determine the cost to satisfy the retirement obligation, we must estimate the cost of basic inputs such as labor, energy, materials and disposal and make assumptions on the method of disposal or decommissioning. To determine the appropriate discount rate, we use inputs such as inflation rates, short and long-term yields for U.S. government securities and our nonperformance risk. The current estimate to decommission Wolf Creek assumes that the Department of Energy will have removed all of Wolf Creek's spent nuclear fuel and high-level radioactive waste by the time the rest of the plant has been decommissioned. Due to the significant unobservable inputs required in our measurement, we have determined that our fair value measurements of our AROs are level 3 in the fair value hierarchy. For additional information on our AROs, see Note 14, "Asset Retirement Obligations."

Derivative Instruments

Cash Flow Hedges

We have entered into treasury yield hedge transactions for a total notional amount of $125.0 million in an attempt to manage our interest rate risk associated with a future anticipated issuance of fixed rate debt. Such transactions are designated and qualify as cash flow hedges and are measured at fair value by estimating the net present value of a series of payments using market-based models with observable inputs such as the spread between the 30-year U.S. Treasury bill yield and the contracted, fixed yield. As a result of regulatory accounting treatment, we report the effective portion of the gains or losses on these derivative instruments as a regulatory liability or regulatory asset and will amortize such amounts to interest expense over the term of the related debt. As of December 31, 2011, we had recorded $34.0 million in other current liabilities on our consolidated balance sheet to reflect the fair value of the treasury yield hedge transactions and $33.8 million in long-term regulatory assets to reflect the effective portion of the losses on these transactions. During 2011, we recorded $0.2 million of hedge ineffectiveness losses in interest expense on our consolidated statements of income. As of December 31, 2010, we had recorded $7.7 million in other assets to reflect the fair value of these transactions and recorded this same amount in long-term regulatory liabilities to reflect the effective portion of the gains on these transactions. On January 20, 2012, we settled the treasury yield hedge transactions for a total cost of $27.5 million. The cost of the hedge transactions will be amortized to interest expense over the term of the related debt.

Commodity Contracts

We engage in both financial and physical trading with the goal of managing our commodity price risk, enhancing system reliability and increasing profits. We trade electricity and other energy-related products using a variety of financial instruments, which may include futures contracts, options, swaps and physical commodity contracts.

We classify these commodity derivative instruments as energy marketing contracts on our consolidated balance sheets. We report energy marketing contracts representing unrealized gain positions as assets; energy marketing contracts representing unrealized loss positions are reported as liabilities. With the exception of certain fuel supply and electricity contracts, which we record as regulatory assets or regulatory liabilities, we include the change in the fair value of energy marketing contracts in revenues on our consolidated statements of income.

The following table presents the fair value of commodity derivative instruments reflected on our consolidated balance sheets.

Commodity Derivatives Not Designated as Hedging Instruments as of December 31, 2011

Asset Derivatives		Liability Derivatives	
Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
	(In Thousands)		(In Thousands)
Current assets:		Current liabilities:	
Energy marketing contracts	$ 8,180	Energy marketing contracts	$ 6,353
Other assets:			
Other	7,551		
Total	$ 15,731		

Commodity Derivatives Not Designated as Hedging Instruments as of December 31, 2010

Asset Derivatives		Liability Derivatives	
Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
	(In Thousands)		(In Thousands)
Current assets:		Current liabilities:	
Energy marketing contracts	$ 13,005	Energy marketing contracts	$ 9,670
Other assets:		Long-term liabilities:	
Other	9,472	Other	10
Total	$ 22,477	Total	$ 9,680

The following table presents how changes in the fair value of commodity derivative instruments affected our consolidated financial statements for the years ended December 31, 2011 and 2010.

	Year Ended December 31, 2011		Year Ended December 31, 2010
Location	Net Gain Recognized	Net Loss Recognized	Net Gain Recognized
	(In Thousands)		
Revenues increase	$ 1,569	$ —	$ 712
Regulatory assets increase (decrease)	—	374	(7,604)
Regulatory liabilities (decrease) increase	—	(1,623)	1,799

As of December 31, 2011 and 2010, we had under contract the following commodity derivatives.

		Net Quantity as of	
	Unit of Measure	December 31, 2011	December 31, 2010
Electricity	MWh	1,834,253	2,791,966
Natural Gas	MMBtu	1,467,500	1,150,000

Net open positions exist, or are established, due to the origination of new transactions and our assessment of, and response to, changing market conditions. To the extent we have net open positions, we are exposed to the risk that changing market prices could have a material impact on our consolidated financial results.

Energy Marketing Activities

Within our energy trading portfolio, we may establish certain positions intended to economically hedge a portion of physical sale or purchase contracts and we may enter into certain positions attempting to take advantage of market trends and conditions. We use the term economic hedge to mean a strategy intended to manage risks of volatility in prices or rate movements on selected assets, liabilities or anticipated transactions by creating a relationship in which gains or losses on derivative instruments are expected to offset the losses or gains on the assets, liabilities or anticipated transactions exposed to such market risks.

Price Risk

We use various types of fuel, including coal, natural gas, uranium, diesel and oil, to operate our plants and also purchase power to meet customer demand. Our prices and consolidated financial results are exposed to market risks from commodity price changes for electricity and other energy-related products as well as interest rates. Volatility in these markets impacts our costs of purchased power, costs of fuel for our generating plants and our participation in energy markets. We strive to manage our customers' and our exposure to these market risks through regulatory, operating and financing activities and, when we deem appropriate, we economically hedge a portion of these risks through the use of derivative financial instruments for non-trading purposes.

Interest Rate Risk

We have entered into numerous fixed and variable rate debt obligations. For details, see Note 9, "Long-Term Debt." We manage our interest rate risk related to these debt obligations by limiting our exposure to variable interest rate debt, diversifying maturity dates and entering into treasury yield hedge transactions. We may also use other financial derivative instruments such as interest rate swaps.

Credit Risk

In addition to commodity price risk, we are exposed to credit risks associated with the financial condition of counterparties, product location (basis) pricing differentials, physical liquidity constraints and other risks. Declines in the creditworthiness of our counterparties could have a material impact on our overall exposure to credit risk. We maintain credit policies with regard to our counterparties intended to reduce our overall credit risk exposure to a level we deem acceptable and include the right to offset derivative assets and liabilities by counterparty.

We have derivative instruments with commodity exchanges and other counterparties that do not contain objective credit-risk-related contingent features. However, certain of our derivative instruments contain collateral provisions subject to credit agency ratings of our senior unsecured debt. If our senior unsecured debt ratings were to decrease or fall below investment grade, the counterparties to the derivative instruments, pursuant to the provisions, could require collateralization on derivative instruments. The aggregate fair value of all derivative instruments with objective credit-risk-related contingent features that were in a liability position as of December 31, 2011 and 2010, was $3.1 million and $1.6 million, respectively, for which we had posted no collateral as of either date. If all credit-risk-related contingent features underlying these agreements had been triggered as of December 31, 2011 and 2010, we would have been required to provide to our counterparties $0.5 million and $1.6 million, respectively, of additional collateral after taking into consideration the offsetting impact of derivative assets and net accounts receivable.

5. FINANCIAL INVESTMENTS

We report some of our investments in equity and debt securities at fair value and use the specific identification method to determine their realized gains and losses. We classify these investments as either trading securities or available-for-sale securities as described below.

Trading Securities

We hold equity and debt investments in a trust used to fund retirement benefits that we classify as trading securities. We include unrealized gains or losses on these securities in investment earnings on our consolidated statements of income. For the years ended December 31, 2011, 2010 and 2009, we recorded unrealized gains of $0.3 million, $4.3 million and $11.3 million, respectively.

Available-for-Sale Securities

We hold investments in equity, debt and real estate securities in a trust for the purpose of funding the decommissioning of Wolf Creek. We have classified these investments as available-for-sale and have recorded all such investments at their fair market value as of December 31, 2011 and 2010. The core bond fund has a requirement that at least 80% of funds are invested in investment grade U.S. corporate and government fixed income securities, including mortgage-backed securities. As of December 31, 2011, the fair value of available-for-sale debt securities in the core, high-yield and emerging market bond funds was $36.4 million. As of December 31, 2011, the NDT did not have investments in debt securities outside of investment funds.

Using the specific identification method to determine cost, we realized a $1.3 million gain in 2011, a $13.2 million gain in 2010 and a $7.8 million loss in 2009 on our available-for-sale securities. We record net realized and unrealized gains and losses in regulatory liabilities on our consolidated balance sheets. This reporting is consistent with the method we use to account for the decommissioning costs we recover in our prices. Gains or losses on assets in the trust fund are recorded as increases or decreases to regulatory liabilities and could result in lower or higher funding requirements for decommissioning costs, which we believe would be reflected in the prices paid by our customers.

The following table presents the cost, gross unrealized gains and losses, fair value and allocation of investments in the NDT fund as of December 31, 2011 and 2010.

Security Type	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value	Allocation
		(In Thousands)			
As of December 31, 2011					
Domestic equity	$ 55,357	$ 1,760	$ —	$ 57,117	44%
International equity	24,501	—	(2,194)	22,307	17%
Core bonds	19,771	400	—	20,171	16%
High-yield bonds	11,046	—	(77)	10,969	8%
Emerging market bonds	5,301	8	—	5,309	4%
Combination debt/equity fund	7,524	—	(273)	7,251	6%
Real estate securities	9,662	—	(2,567)	7,095	5%
Cash equivalents	51	—	—	51	<1%
Total	$ 133,213	$ 2,168	$ (5,111)	$ 130,270	100%
As of December 31, 2010					
Domestic equity	$ 58,592	$ 4,972	$ (111)	$ 63,453	50%
International equity	17,249	1,717	—	18,966	15%
Core bonds	32,054	—	(148)	31,906	25%
High-yield bonds	9,086	486	—	9,572	8%
Real estate securities	6,207	—	(3,158)	3,049	2%
Cash equivalents	44	—	—	44	<1%
Total	$ 123,232	$ 7,175	$ (3,417)	$ 126,990	100%

The following table presents the fair value and the gross unrealized losses of the available-for-sale securities held in the NDT fund aggregated by investment category and the length of time that individual securities have been in a continuous unrealized loss position as of December 31, 2011 and 2010.

	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
			(In Thousands)			
As of December 31, 2011						
International equity	22,307	(2,194)	—	—	22,307	(2,194)
High-yield bonds	10,969	(77)	—	—	10,969	(77)
Combination debt/equity fund	7,251	(273)	—	—	7,251	(273)
Real estate securities	—	—	7,095	(2,567)	7,095	(2,567)
Total	$ 40,527	$ (2,544)	$ 7,095	$ (2,567)	$ 47,622	$ (5,111)
As of December 31, 2010						
Domestic equity	$ 2,867	$ (111)	$ —	$ —	$ 2,867	$ (111)
Core bonds	31,906	(148)	—	—	31,906	(148)
Real estate securities	—	—	3,049	(3,158)	3,049	(3,158)
Total	$ 34,773	$ (259)	$ 3,049	$ (3,158)	$ 37,822	$ (3,417)

6. PROPERTY, PLANT AND EQUIPMENT

The following is a summary of our property, plant and equipment balance.

	As of December 31,	
	2011	2010
	(In Thousands)	
Electric plant in service	$ 8,703,278	$ 8,254,884
Electric plant acquisition adjustment	802,318	802,318
Accumulated depreciation	(3,703,372)	(3,563,566)
	5,802,224	5,493,636
Construction work in progress	534,003	392,701
Nuclear fuel, net	75,695	78,102
Net property, plant and equipment	$ 6,411,922	$ 5,964,439

The following is a summary of property, plant and equipment of VIEs.

	As of December 31,	
	2011	2010
	(In Thousands)	
Electric plant of VIEs	$ 543,548	$ 543,593
Accumulated depreciation of VIEs	(210,054)	(198,556)
Net property, plant and equipment of VIEs	$ 333,494	$ 345,037

We recorded depreciation expense on property, plant and equipment of $262.6 million in 2011, $249.2 million in 2010 and $228.6 million in 2009. Approximately $9.8 million and $9.7 million of depreciation expense in 2011 and 2010, respectively, was attributable to property, plant and equipment of VIEs.

7. JOINT OWNERSHIP OF UTILITY PLANTS

Under joint ownership agreements with other utilities, we have undivided ownership interests in four electric generating stations. Energy generated and operating expenses are divided on the same basis as ownership with each owner reflecting its respective costs in its statements of income and each owner responsible for its own financing. Information relative to our ownership interests in these facilities as of December 31, 2011, is shown in the table below.

Plant	In-Service Dates	Investment	Accumulated Depreciation	Construction Work in Progress	Net MW	Ownership Percentage
		(Dollars in Thousands)				
La Cygne unit 1 (a)......	June 1973	$ 332,862	$ 148,890	$ 68,724	368	50
JEC unit 1 (a)..............	July 1978	488,180	207,206	49,755	666	92
JEC unit 2 (a)..............	May 1980	508,327	186,660	—	667	92
JEC unit 3 (a)..............	May 1983	677,277	268,909	6,770	672	92
Wolf Creek (b)............	Sept. 1985	1,515,165	732,651	37,740	547	47
State Line (c)	June 2001	112,024	45,841	1,579	201	40
Total.....................		$ 3,633,835	$ 1,590,157	$ 164,568	3,121	

(a) Jointly owned with KCPL. Our 8% leasehold interest in JEC that is consolidated as a VIE is reflected in the net megawatts (MW) and ownership percentage provided above, but not in the other amounts in the table.
(b) Jointly owned with KCPL and Kansas Electric Power Cooperative, Inc.
(c) Jointly owned with Empire District Electric Company.

We include in operating expenses on our consolidated statements of income our share of operating expenses of the above plants. Our share of other transactions associated with the plants is included in the appropriate classification on our consolidated financial statements.

In addition, we also consolidate a VIE that holds our 50% leasehold interest in La Cygne unit 2, which represents 343 MW of net capacity. The VIE's investment in the 50% interest was $392.1 million and accumulated depreciation was $173.1 million as of December 31, 2011. We include these amounts in property, plant and equipment of variable interest entities, net on our consolidated balance sheets. See Note 17, "Variable Interest Entities," for additional information about VIEs.

8. SHORT-TERM DEBT

On December 9, 2011, Westar Energy entered into a commercial paper program pursuant to which it may issue commercial paper up to a maximum aggregate amount outstanding at any one time of $1.0 billion. This program is supported by Westar Energy's revolving credit facilities described below. Maturities of commercial paper issuances may not exceed 365 days from the date of issuance and proceeds from such issuances will be used to repay borrowings under Westar Energy's revolving credit facilities, for capital expenditures and/or for other general corporate purposes. As of December 31, 2011, Westar Energy had no commercial paper outstanding.

On September 29, 2011, Westar Energy refinanced its existing $730.0 million revolving credit facility with a new facility in the same amount. The commitments under the new facility terminate on September 29, 2016. As long as there is no default under the facility, Westar Energy may extend the facility up to an additional two years and may increase the aggregate amount of borrowings under the facility to $1.0 billion, both subject to lender participation. All borrowings under the facility are secured by KGE first mortgage bonds. As of December 31, 2011, $286.3 million had been borrowed and an additional $12.2 million of letters of credit had been issued under this revolving credit facility. As of December 31, 2010, $226.7 million had been borrowed and an additional $21.5 million of letters of credit had been issued under Westar Energy's previous $730.0 million revolving credit facility.

On February 18, 2011, Westar Energy entered into a revolving credit facility with a syndicate of banks for $270.0 million. The commitments under this facility terminate on February 18, 2015. As long as there is no default under the facility, Westar Energy may extend the facility up to an additional two years and may increase the aggregate amount of borrowings under the facility to $400.0 million, both subject to lender participation. All borrowings under the facility are secured by KGE first mortgage bonds. As of December 31, 2011, Westar Energy had no borrowed amounts or letters of credit outstanding under this revolving credit facility.

In addition, total combined borrowings under Westar Energy's commercial paper program and revolving credit facilities may not exceed $1.0 billion at any given time. The weighted average interest rate on short-term borrowings was 1.49% and 0.61% as of December 31, 2011 and 2010, respectively. Additional information regarding our short-term debt is as follows.

	As of December 31,	
	2011	2010
	(Dollars in Thousands)	
Weighted average short-term debt outstanding during the year	$ 362,946	$ 213,041
Weighted daily average interest rates during the year, excluding fees	0.82%	0.63%

Our interest expense on short-term debt was $3.9 million in 2011, $1.9 million in 2010 and $2.2 million in 2009.

9. LONG-TERM DEBT

Outstanding Debt

The following table summarizes our long-term debt outstanding.

	As of December 31,	
	2011	2010
	(In Thousands)	
Westar Energy		
First mortgage bond series:		
6.00% due 2014	$ 250,000	$ 250,000
5.15% due 2017	125,000	125,000
5.95% due 2035	125,000	125,000
5.10% due 2020	250,000	250,000
5.875% due 2036	150,000	150,000
6.10% due 2047	150,000	150,000
8.625% due 2018	300,000	300,000
	1,350,000	1,350,000
Pollution control bond series:		
Variable due 2032, 0.22% as of December 31, 2011; 0.60% as of December 31, 2010	45,000	45,000
Variable due 2032, 0.24% as of December 31, 2011; 0.54% as of December 31, 2010	30,500	30,500
5.00% due 2033	57,245	57,530
	132,745	133,030
Other long-term debt:		
4.36% equipment financing loan due 2011	—	61
KGE		
First mortgage bond series:		
6.53% due 2037	175,000	175,000
6.15% due 2023	50,000	50,000
6.64% due 2038	100,000	100,000
6.70% due 2019	300,000	300,000
	625,000	625,000
Pollution control bond series:		
5.10% due 2023	13,318	13,343
Variable due 2027, 0.28% as of December 31, 2011; 0.54% as of December 31, 2010	21,940	21,940
5.30% due 2031	108,600	108,600
5.30% due 2031	18,900	18,900
Variable due 2032, 0.28% as of December 31, 2011; 0.54% as of December 31, 2010	14,500	14,500
Variable due 2032, 0.28% as of December 31, 2011; 0.54% as of December 31, 2010	10,000	10,000
4.85% due 2031	50,000	50,000
5.60% due 2031	50,000	50,000
6.00% due 2031	50,000	50,000
5.00% due 2031	50,000	50,000
	387,258	387,283
Total long-term debt	2,495,003	2,495,374
Unamortized debt discount (a)	(3,894)	(4,442)
Long-term debt due within one year	—	(61)
Long-term debt, net	$ 2,491,109	$ 2,490,871
Variable Interest Entities		
7.77% due 2013 (b)	$ 2,583	$ 5,095
6.99% due 2014 (b)	2,094	3,237
5.92 % due 2019 (b)	22,748	31,171
5.647% due 2021 (b)	248,313	266,393
Total long-term debt of variable interest entities	275,738	305,896
Unamortized debt premium (a)	1,659	2,421
Long-term debt of variable interest entities due within one year	(28,114)	(30,155)
Long-term debt of variable interest entities, net	$ 249,283	$ 278,162

(a) We amortize debt discounts and premiums to interest expense over the term of the respective issues.
(b) Portions of our payments related to this debt reduce the principal balances each year until maturity.

The Westar Energy and KGE mortgages each contain provisions restricting the amount of first mortgage bonds that could be issued by each entity. We must comply with such restrictions prior to the issuance of additional first mortgage bonds or other secured indebtedness.

The amount of Westar Energy first mortgage bonds authorized by its Mortgage and Deed of Trust, dated July 1, 1939, as supplemented, is subject to certain limitations as described below. The amount of KGE first mortgage bonds authorized by the KGE Mortgage and Deed of Trust, dated April 1, 1940, as supplemented and amended, is limited to a maximum of $3.5 billion, unless amended further. First mortgage bonds are secured by utility assets. Amounts of additional bonds that may be issued are subject to property, earnings and certain restrictive provisions, except in connection with certain refundings, of each mortgage. As of December 31, 2011, approximately $1.0 billion principal amount of additional first mortgage bonds could be issued under the most restrictive provisions in Westar Energy's mortgage, except in connection with certain refundings. As of December 31, 2011, based on an assumed interest rate of 4.125%, approximately $436.2 million principal amount of additional KGE first mortgage bonds could be issued under the most restrictive provisions in KGE's mortgage.

As of December 31, 2011, we had $121.9 million of variable rate, tax-exempt bonds. Interest rates payable under these bonds had historically been set by auctions, which occur every 35 days. However, auctions for these bonds have failed over the past few years, resulting in volatile alternative index-based interest rates for these bonds. While the interest rates for these bonds have been extremely low, we continuously monitor the credit markets and evaluate our options with respect to our auction rate bonds.

On August 3, 2009, Westar Energy repaid $145.1 million principal amount of 7.125% unsecured senior notes with borrowings under Westar Energy's revolving credit facility.

On June 11, 2009, KGE issued $300.0 million principal amount of first mortgage bonds at a discount yielding 6.725%, bearing stated interest at 6.70% and maturing on June 15, 2019. KGE received net proceeds of $297.5 million.

Proceeds from the issuance of first mortgage bonds were used to repay borrowings under Westar Energy's revolving credit facility, with such borrowed amounts principally related to investments in capital equipment, as well as for working capital and general corporate purposes.

Debt Covenants

Some of our debt instruments contain restrictions that require us to maintain leverage ratios as defined in the credit agreements. We calculate these ratios in accordance with the agreements. We use these ratios solely to determine compliance with our various debt covenants. We were in compliance with these covenants as of December 31, 2011.

Maturities

The principal amounts of our long-term debt maturities as of December 31, 2011, are as follows.

Year	Long-term debt	Long-term debt of VIEs
	(In Thousands)	
2012	$ —	$ 28,114
2013	—	25,941
2014	250,000	27,479
2015	—	27,933
2016	—	28,309
Thereafter	2,245,003	137,962
Total maturities	$ 2,495,003	$ 275,738

Interest expense on long-term debt was $142.6 million in 2011, $144.1 million in 2010 and $139.6 million in 2009. Interest expense on long-term debt of VIEs was $16.8 million in 2011 and $18.7 million in 2010.

10. TAXES

Income tax expense is comprised of the following components.

	Year Ended December 31,		
	2011	2010	2009
		(In Thousands)	
Income Tax Expense (Benefit) from Continuing Operations:			
Current income taxes:			
Federal	$ (8,575)	$ (32,107)	$ 2,428
State	196	(3,030)	9,975
Deferred income taxes:			
Federal	93,089	102,568	46,148
State	21,337	20,305	3,003
Investment tax credit amortization	(2,703)	(2,704)	(2,704)
Income tax expense from continuing operations	$ 103,344	$ 85,032	$ 58,850
Income Tax Expense (Benefit) from Discontinued Operations:			
Current income taxes:			
Federal	$ —	$ —	$ (25,528)
State	—	—	(10,418)
Deferred income taxes:			
Federal	—	—	(20,549)
Income tax expense from discontinued operations	$ —	$ —	$ (56,495)
Total income tax expense	$ 103,344	$ 85,032	$ 2,355

Deferred tax assets and liabilities are reflected on our consolidated balance sheets as follows.

	As of December 31,	
	2011	2010
	(In Thousands)	
Current deferred tax assets	$ 394	$ 30,248
Non-current deferred tax liabilities	1,110,463	1,102,625
Net deferred tax liabilities	$ 1,110,069	$ 1,072,377

The tax effect of the temporary differences and carryforwards that comprise our deferred tax assets and deferred tax liabilities are summarized in the following table.

	As of December 31,	
	2011	2010
	(In Thousands)	
Deferred tax assets:		
Deferred employee benefit costs	$ 202,687	$ 155,400
Business tax credit carryforward (a)	159,163	134,629
Net operating loss carryforward (b)	84,365	—
Deferred regulatory gain on sale-leaseback	42,962	45,381
Deferred state income taxes	42,209	14,215
Alternative minimum tax carryforward (c)	36,471	34,270
Deferred compensation	28,286	40,401
Accrued liabilities	16,912	35,714
Disallowed costs	12,717	13,357
Capital loss carryforward (d)	12,554	3,527
Other	13,031	33,577
Total gross deferred tax assets	651,357	510,471
Less: Valuation allowance (e)	13,712	59,415
Deferred tax assets	$ 637,645	$ 451,056
Deferred tax liabilities:		
Accelerated depreciation	$ 1,088,727	$ 920,229
Deferred employee benefit costs	202,687	161,035
Acquisition premium	187,934	195,947
Amounts due from customers for future income taxes, net	168,804	172,181
Deferred state income taxes	39,512	16,577
Debt reacquisition costs	21,683	23,864
Pension expense tracker	14,600	8,446
Storm costs	10,176	13,733
Other	13,591	11,421
Total deferred tax liabilities	$ 1,747,714	$ 1,523,433
Net deferred tax liabilities	$ 1,110,069	$ 1,072,377

(a) Based on filed tax returns and amounts expected to be reported in current year tax returns (December 31, 2011), we had available federal general business tax credits of $29.7 million and state investment tax credits of $129.5 million. The federal general business tax credits were primarily generated from affordable housing partnerships in which we sold the majority of our interests in 2001. These tax credits expire beginning in 2020 and ending in 2031. The state investment tax credits expire beginning in 2013 and ending in 2027. We believe these tax credits will be fully utilized prior to expiration.

(b) As of December 31, 2011, we had a federal net operating loss carryforward of $206.6 million, which is available to offset federal taxable income. The net operating losses will expire in 2030 and 2031.

(c) As of December 31, 2011, we had available an alternative minimum tax credit carryforward of $36.5 million, which has an unlimited carryforward period.

(d) As of December 31, 2011, we had an unused capital loss carryforward of $31.7 million that is available to offset future capital gains. The capital losses will expire beginning in 2013 and ending in 2016.

(e) As we do not expect to realize any significant capital gains in the future, we have established a valuation allowance of $12.5 million. In addition, we have established a valuation allowance of $1.2 million for certain deferred tax assets related to the write-down of other investments. The total valuation allowance related to the deferred tax assets was $13.7 million as of December 31, 2011, and $59.4 million as of December 31, 2010. The valuation allowance decreased $45.7 million in 2011 due to the reversal of a valuation allowance of $51.9 million that we had established against unused state investment tax credits. We reversed this valuation allowance because the state investment tax credits are now more likely than not to be realized due to a state law change which extended the state tax credit carryforward period from 10 to 16 years.

In accordance with various orders, we have reduced our prices to reflect the income tax benefits associated with certain accelerated income tax deductions. We believe it is probable that the net future increases in income taxes payable will be recovered from customers when these temporary income tax benefits reverse. We have recorded a regulatory asset for these amounts. We also have recorded a regulatory liability for our obligation to reduce the prices charged to customers for deferred income taxes recovered from customers at corporate income tax rates higher than current income tax rates. The price reduction will occur as the temporary differences resulting in the excess deferred income tax liabilities reverse. The income tax-related regulatory assets and liabilities as well as unamortized investment tax credits are also temporary differences for which deferred income taxes have been provided. The net deferred income tax liability related to these temporary differences is classified above as amounts due from customers for future income taxes, net.

Our effective income tax rates are computed by dividing total federal and state income taxes by the sum of such taxes and net income. The difference between the effective income tax rates and the federal statutory income tax rates are as follows.

	For the Year Ended December 31,		
	2011	2010	2009
Statutory federal income tax rate from continuing operations	35.0%	35.0%	35.0%
Effect of:			
Corporate-owned life insurance policies	(4.5)	(6.1)	(8.2)
State income taxes	4.1	3.8	4.3
Production tax credits	(2.9)	(3.4)	(3.0)
Accelerated depreciation flow through and amortization	1.8	2.6	3.7
Amortization of federal investment tax credits	(0.8)	(0.9)	(1.4)
AFUDC equity	(0.6)	(0.4)	(0.9)
Capital loss utilization	(0.5)	(0.7)	(0.4)
Liability for unrecognized income tax benefits	—	(0.2)	0.2
Other	(1.2)	(0.7)	0.1
Effective income tax rate from continuing operations	30.4%	29.0%	29.4%

We file income tax returns in the U.S. federal jurisdiction as well as various state and foreign jurisdictions. The income tax returns we file will likely be audited by the Internal Revenue Service (IRS) or other tax authorities. With few exceptions, the statute of limitations with respect to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities remains open for tax year 2008 and forward.

In the first and second quarters of 2011, the IRS completed its separate examinations of our federal income tax returns filed for tax years 2008 and 2009, respectively, without significant changes.

In November 2009, the IRS completed its examination of the federal income tax return and the amended federal income tax returns we filed for tax years 1999, 2005, 2006 and 2007. The examination resulted in a tax refund of $34.9 million. The examination results were approved by the Joint Committee on Taxation of the U.S. Congress and accepted by the IRS in April 2010.

In January 2009, we reached a settlement with the IRS for tax years 2003 and 2004 that included a determination of the amount of the net capital loss and net operating loss carryforwards available from the sale of a former subsidiary in 2004. This settlement resulted in our recording in 2009 a net earnings benefit from discontinued operations of approximately $33.7 million, net of $22.8 million paid to the former subsidiary under the sale agreement.

The liability for unrecognized income tax benefits increased from $1.9 million at December 31, 2010, to $2.5 million at December 31, 2011. The net increase in the liability for unrecognized income tax benefits was largely attributable to tax positions taken with respect to the capitalization of plant related expenditures. We do not expect significant changes in the liability for unrecognized income tax benefits in the next 12 months. A reconciliation of the beginning and ending amounts of unrecognized income tax benefits is as follows:

	2011	2010	2009
		(In Thousands)	
Liability for unrecognized income tax benefits as of January 1	$ 1,888	$ 8,357	$ 38,980
Additions based on tax positions related to the current year	967	608	2,254
Additions for tax positions of prior years	939	2,323	—
Reductions for tax positions of prior years	(563)	(1,241)	(25,722)
Settlements	(748)	(8,159)	(7,155)
Liability for unrecognized income tax benefits as of December 31	$ 2,483	$ 1,888	$ 8,357

The liability for unrecognized income tax benefits, as disclosed above, is net of reductions to deferred tax assets for tax loss and credit carryforwards of $0.2 million, $1.0 million and $23.7 million as of December 31, 2011, 2010, 2009, respectively. The amounts of unrecognized income tax benefits that, if recognized, would favorably impact our effective income tax rate, were $1.2 million, $1.3 million and $2.1 million (net of tax) as of December 31, 2011, 2010 and 2009, respectively.

Interest related to income tax uncertainties is classified as interest expense and accrued interest liability. During 2011, 2010 and 2009, we reversed interest expense previously recorded for income tax uncertainties of $0.2 million, $1.0 million and $2.4 million, respectively. As of December 31, 2011 and 2010, we had $0.2 million and $0.4 million, respectively, accrued for interest on our liability related to unrecognized income tax benefits. We accrued no penalties at either December 31, 2011, or December 31, 2010.

As of December 31, 2011 and 2010, we had recorded $1.5 million and $3.6 million, respectively, for probable assessments of taxes other than income taxes.

11. EMPLOYEE BENEFIT PLANS

Pension and Post-Retirement Benefit Plans

We maintain a qualified non-contributory defined benefit pension plan covering substantially all of our employees. For the majority of our employees, pension benefits are based on years of service and an employee's compensation during the 60 highest paid consecutive months out of 120 before retirement. Non-union employees hired after December 31, 2001, and union employees hired after December 31, 2011, are covered by the same defined benefit pension plan; however, their benefits are derived from a cash balance account formula. We also maintain a non-qualified Executive Salary Continuation Plan for the benefit of certain current and retired executive officers. With the exception of one current executive officer, we have discontinued accruing any future benefits under this non-qualified plan.

We expect to fund our pension plan each year at least to a level equal to our current year pension expense. We must also meet minimum funding requirements under the Employee Retirement Income Security Act, as amended by the Pension Protection Act. We may contribute additional amounts from time to time as deemed appropriate.

In addition to providing pension benefits, we provide certain post-retirement health care and life insurance benefits for substantially all retired employees. We accrue and recover in our prices the costs of post-retirement benefits during an employee's years of service. We fund the portion of net periodic costs for post-retirement benefits included in our prices.

As a co-owner of Wolf Creek, KGE is indirectly responsible for 47% of the liabilities and expenses associated with the Wolf Creek pension and post-retirement benefit plans. See Note 12, "Wolf Creek Employee Benefit Plans," for information about Wolf Creek's benefit plans.

The following tables summarize the status of our pension and post-retirement benefit plans.

As of December 31,	Pension Benefits 2011	Pension Benefits 2010	Post-retirement Benefits 2011	Post-retirement Benefits 2010
	(In Thousands)			
Change in Benefit Obligation:				
Benefit obligation, beginning of year	$ 747,460	$ 662,495	$ 137,759	$ 128,998
Service cost	16,076	13,926	1,803	1,526
Interest cost	40,045	39,391	6,793	7,083
Plan participants' contributions	—	—	3,390	3,292
Benefits paid	(31,107)	(29,690)	(10,114)	(11,090)
Actuarial losses (gains)	94,161	60,662	5,246	7,950
Amendments	—	676	4,451	—
Other (a)	9,673	—	750	—
Benefit obligation, end of year	$ 876,308	$ 747,460	$ 150,078	$ 137,759
Change in Plan Assets:				
Fair value of plan assets, beginning of year	$ 432,233	$ 404,243	$ 86,984	$ 74,114
Actual return on plan assets	27,819	33,359	(174)	9,849
Employer contributions	50,000	22,400	10,793	10,512
Plan participants' contributions	—	—	3,244	3,147
Part D reimbursements	—	—	—	317
Benefits paid	(28,975)	(27,769)	(9,739)	(10,955)
Other (a)	—	—	750	—
Fair value of plan assets, end of year	$ 481,077	$ 432,233	$ 91,858	$ 86,984
Funded status, end of year	$ (395,231)	$ (315,227)	$ (58,220)	$ (50,775)
Amounts Recognized in the Balance Sheets Consist of:				
Current liability	$ (2,741)	$ (2,030)	$ (115)	$ (91)
Noncurrent liability	(392,490)	(313,197)	(58,105)	(50,684)
Net amount recognized	$ (395,231)	$ (315,227)	$ (58,220)	$ (50,775)
Amounts Recognized in Regulatory Assets Consist of:				
Net actuarial loss	$ 397,691	$ 323,924	$ 18,178	$ 8,458
Prior service cost	4,606	5,819	18,991	17,065
Transition obligation	—	—	4,236	8,148
Net amount recognized	$ 402,297	$ 329,743	$ 41,405	$ 33,671

(a) Other includes the $9.7 million reclassification of a contractual obligation related to the legal settlement with a former executive officer and $0.8 million of proceeds received as a result of the Early Retiree Reinsurance Program.

As of December 31,	Pension Benefits 2011	Pension Benefits 2010	Post-retirement Benefits 2011	Post-retirement Benefits 2010
	(Dollars in Thousands)			
Pension Plans With a Projected Benefit Obligation In Excess of Plan Assets:				
Projected benefit obligation	$ 876,308	$ 747,460	$ —	$ —
Fair value of plan assets	481,077	432,233	—	—
Pension Plans With an Accumulated Benefit Obligation In Excess of Plan Assets:				
Accumulated benefit obligation	$ 750,263	$ 635,541	—	—
Fair value of plan assets	481,077	432,233	—	—
Post-retirement Plans With an Accumulated Post-retirement Benefit Obligation In Excess of Plan Assets:				
Accumulated post-retirement benefit obligation	—	—	$ 150,078	$ 137,759
Fair value of plan assets	—	—	91,858	86,984
Weighted-Average Actuarial Assumptions used to Determine Net Periodic Benefit Obligation:				
Discount rate	4.50%	5.35%	4.25%	5.00%
Compensation rate increase	4.00%	4.00%	—	—

We use a measurement date of December 31 for our pension and post-retirement benefit plans. In addition, we use an interest rate yield curve that is constructed based on the yields of over 500 high-quality, non-callable corporate bonds with maturities between zero and 30 years. A theoretical spot rate curve constructed from this yield curve is then used to discount the annual benefit cash flows of our pension plan and develop a single-point discount rate matching the plan's payout structure.

We amortize prior service cost (benefit) on a straight-line basis over the average future service of the active employees (plan participants) benefiting under the plan at the time of the amendment. We amortize the net actuarial gain or loss on a straight-line basis over the average future service of active plan participants benefiting under the plan without application of an amortization corridor. Following is additional information regarding our pension and post-retirement benefit plans.

Year Ended December 31,	Pension Benefits 2011	Pension Benefits 2010	Pension Benefits 2009	Post-retirement Benefits 2011	Post-retirement Benefits 2010	Post-retirement Benefits 2009
	(Dollars in Thousands)					
Components of Net Periodic Cost (Benefit):						
Service cost	$ 16,076	$ 13,926	$ 12,882	$ 1,803	$ 1,526	$ 1,529
Interest cost	40,045	39,391	38,162	6,793	7,083	6,917
Expected return on plan assets	(31,087)	(38,384)	(37,826)	(5,002)	(5,197)	(4,756)
Amortization of unrecognized:						
Transition obligation, net	—	—	—	3,911	3,912	3,912
Prior service costs	1,213	2,729	2,668	2,524	2,154	1,580
Actuarial loss/(gain), net	23,659	17,183	14,263	702	321	(38)
Net periodic cost before regulatory adjustment	49,906	34,845	30,149	10,731	9,799	9,144
Regulatory adjustment	(22,098)	(12,167)	(9,188)	1,344	1,868	2,280
Net periodic cost	$ 27,808	$ 22,678	$ 20,961	$ 12,075	$ 11,667	$ 11,424
Other Changes in Plan Assets and Benefit Obligations Recognized in Regulatory Assets:						
Current year actuarial (gain)/loss	$ 97,429	$ 65,690	$ (34,610)	$ 10,421	$ 3,298	$ (26,205)
Amortization of actuarial (loss)/gain	(23,659)	(17,183)	(14,263)	(702)	(321)	38
Current year prior service cost	—	676	48	4,451	—	6,672
Amortization of prior service costs	(1,213)	(2,729)	(2,668)	(2,524)	(2,154)	(1,580)
Current year offset of initial transition asset due to plan change	—	—	—	—	—	(76)
Amortization of transition obligation	—	—	—	(3,911)	(3,912)	(3,912)
Total recognized in regulatory assets	$ 72,557	$ 46,454	$ (51,493)	$ 7,735	$ (3,089)	$ (25,063)
Total recognized in net periodic cost and regulatory assets	$ 100,365	$ 69,132	$ (30,532)	$ 19,810	$ 8,578	$ (13,639)
Weighted-Average Actuarial Assumptions used to Determine Net Periodic Cost (Benefit):						
Discount rate	5.35%	5.95%	6.10%	5.00%	5.65%	6.05%
Expected long-term return on plan assets	6.50%	8.25%	8.25%	6.00%	7.75%	7.75%
Compensation rate increase	4.00%	4.00%	4.00%	—	—	—

We estimate that we will amortize the following amounts from regulatory assets into net periodic cost in 2012.

	Pension Benefits	Post-retirement Benefits
	(In Thousands)	
Actuarial loss	$ 32,782	$ 1,509
Prior service cost	613	2,524
Transition obligation	—	3,911
Total	$ 33,395	$ 7,944

We base the expected long-term rate of return on plan assets on historical and projected rates of return for current and planned asset classes in the plans' investment portfolios. We select assumed projected rates of return for each asset class after analyzing long-term historical experience and future expectations of the volatility of the various asset classes. Based on target asset allocations for each asset class, we develop an overall expected rate of return for the portfolios, adjusted for historical and expected experience of active portfolio management results compared to benchmark returns and for the effect of expenses paid from plan assets.

The Medicare Prescription Drug Improvement and Modernization Act of 2003 introduced a prescription drug benefit under Medicare as well as a federal subsidy that will be paid to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare. Prior to January 1, 2010, we believed that our retiree health care benefit plan was at least actuarially equivalent to Medicare and was, thus, eligible for the federal subsidy. However, due to plan changes effective January 1, 2010, we are no longer entitled to the federal subsidy. As a result, the subsidy did not have an effect on our accumulated post-retirement benefit obligation in 2011, 2010 or 2009, and did not impact our net period post-retirement benefit cost in 2011 or 2010. The subsidy decreased net periodic post-retirement benefit cost by approximately $1.9 million in 2009.

For measurement purposes, the assumed annual health care cost growth rates were as follows.

	As of December 31,	
	2011	2010
Health care cost trend rate assumed for next year	8.0%	8.0%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.0%	5.0%
Year that the rate reaches the ultimate trend rate	2018	2018

The health care cost trend rate affects the projected benefit obligation. A 1% change in assumed health care cost growth rates would have effects shown in the following table.

	One-Percentage-Point Increase	One-Percentage-Point Decrease
	(In Thousands)	
Effect on total of service and interest cost	$ 69	$ (65)
Effect on post-retirement benefit obligation	1,465	(1,362)

Plan Assets

We manage pension and post-retirement benefit plan assets in a prudent manner with regard to preserving principal while providing reasonable returns. We have adopted a long-term investment horizon such that the chances and duration of investment losses are carefully weighed against the long-term potential for appreciation of assets. Part of our strategy includes managing interest rate sensitivity of plan assets relative to the associated liabilities. The primary objective of the pension plan is to provide a source of retirement income for its participants and beneficiaries, and the primary financial objective of the plan is to improve its funded status. The primary objective of the post-retirement benefit plan is growth in assets and preservation of principal, while minimizing interim volatility, to meet anticipated claims of plan participants. We delegate the management of our pension and post-retirement benefit plan assets to independent investment advisors who hire and dismiss investment managers based upon various factors. The investment advisors strive to diversify investments across asset classes, sectors and manager styles to minimize the risk of large losses, based upon objectives and risk tolerance specified by management, which include allowable and/or prohibited investment types. We measure and monitor investment risk on an ongoing basis through quarterly investment portfolio reviews and annual liability measurements.

As noted above, we have established certain prohibited investments for our pension and post-retirement benefit plans. Such prohibited investments include loans to the company or its officers and directors as well as investments in the company's debt or equity securities, except as may occur indirectly through investments in diversified mutual funds. In addition, we have established restrictions to reduce concentration of risk. For example, for domestic investments, no more than 5% of pension plan assets and 5% of post-retirement benefit plan assets should be invested in the securities of a single issuer, with the exception of the U.S. government and its agencies. In addition, the plans will neither acquire more than 10% of any one issuer nor invest more than 25% of their assets in any single industry. These restrictions do not apply to securities issued or guaranteed by the U.S. government or its agencies.

The target allocations for our pension plan assets are about 42% to equity securities, 44% to debt securities and the remaining 14% to other investments such as real estate securities, hedge funds and private equity investments. Our investments in equity include investment funds with underlying investments in domestic and foreign large-, mid- and small-cap companies, derivatives related to such holdings, private equity investments including, late-state venture investments and other investments. Our investments in debt include core and high-yield bonds. Core bonds are comprised of investment funds with underlying investments in investment grade debt securities of corporate entities, obligations of U.S. and foreign governments and their agencies, and other debt securities. High-yield bonds include investment funds with underlying investments in non-investment grade debt securities of corporate entities, obligations of foreign governments and their agencies, private debt securities and other debt securities. Real estate securities consist primarily of funds invested in core real estate throughout the U.S. while alternative funds invest in wide ranging investments including equity and debt securities of domestic and foreign corporations , debt securities issued by U.S. and foreign governments and their agencies, structured debt, warrants, exchange-traded funds, derivative instruments, private investment funds and other investments.

The target allocations for our post-retirement benefit plan assets are 65% to equity securities and 35% to debt securities. Our investments in equity securities include investment funds with underlying investments primarily in domestic and foreign large-, mid- and small-cap companies. Our investments in debt securities include a core bond fund with underlying investments in investment grade debt securities of domestic and foreign corporate entities, obligations of U.S. and foreign governments and their agencies, private placement securities and other investments.

Similar to other assets measured at fair value, GAAP establishes a hierarchal framework for disclosing the transparency of the inputs utilized in measuring pension and post-retirement benefit plan assets at fair value. From time to time, the pension and post-retirement benefits trusts may buy and sell investments resulting in changes within the hierarchy. See Note 4, "Financial and Derivative Instruments, Trading Securities, Energy Marketing and Risk Management," for a description of the hierarchal framework.

All level 2 pension investments are held in investment funds that are measured at fair value using daily net asset values as reported by the trustee, except for $14.1 million as of December 31, 2011, invested directly in long-term U.S. Treasury securities. We also maintain certain level 3 investments in private equity, high-yield bonds, real estate securities and alternative funds that require significant unobservable market information to measure the fair value of the investments. The fair value of private equity investments is measured by utilizing both market- and income-based models, public company comparables, at cost or at the value derived from subsequent financings. Adjustments are made when actual performance differs from expected performance; when market, economic or company-specific conditions change; and when other news or events have a material impact on the security. To measure the fair value of real estate securities we use a combination of market- and income-based models utilizing market discount rates, projected cash flows and the estimated value into perpetuity. Alternative funds are measured at fair value using net asset values as reported by the alternative fund managers. Since the underlying assets in alternative funds vary widely various methods are required, often utilizing significant management judgment.

The following table provides the fair value of our pension plan assets and the corresponding level of hierarchy as of December 31, 2011 and 2010.

As of December 31, 2011	Level 1	Level 2	Level 3	Total
		(In Thousands)		
Assets:				
Domestic equity	$ —	$ 121,364	$ 15,375	$ 136,739
International equity	—	53,943	—	53,943
Core bonds	—	142,700	—	142,700
High-yield bonds	—	38,380	—	38,380
Combination debt/equity fund	—	47,151	—	47,151
Real estate securities	—	—	18,848	18,848
Alternative funds	—	—	40,716	40,716
Cash equivalents	—	2,600	—	2,600
Total Assets Measured at Fair Value	$ —	$ 406,138	$ 74,939	$ 481,077
As of December 31, 2010				
Assets:				
Domestic equity	$ —	$ 117,250	$ 11,575	$ 128,825
International equity	—	44,834	—	44,834
Core bonds	—	183,361	—	183,361
High-yield bonds	—	28,819	1,200	30,019
Real estate securities	—	—	16,411	16,411
Alternative funds	—	—	25,764	25,764
Cash equivalents	—	3,019	—	3,019
Total Assets Measured at Fair Value	$ —	$ 377,283	$ 54,950	$ 432,233

The following table provides a reconciliation of pension plan assets measured at fair value using significant level 3 inputs for the years ended December 31, 2011 and 2010.

	Domestic Equity	High-yield Bonds	Real Estate Securities	Alternative Funds	Net Balance
			(In Thousands)		
Balance as of December 31, 2010	$ 11,575	$ 1,200	$ 16,411	$ 25,764	$ 54,950
Actual gain (loss) on plan assets:					
Relating to assets still held at the reporting date	1,910	—	2,652	(48)	4,514
Relating to assets sold during the period	—	—	(49)	—	(49)
Purchases, issuances and settlements, net	1,890	(1,200)	(166)	15,000	15,524
Balance as of December 31, 2011	$ 15,375	$ —	$ 18,848	$ 40,716	$ 74,939
Balance as of December 31, 2009	$ 9,310	$ 22,519	$ 14,518	$ —	$ 46,347
Actual gain (loss) on plan assets:					
Relating to assets still held at the reporting date	75	(3,963)	2,117	864	(907)
Relating to assets sold during the period	—	4,325	(77)	—	4,248
Purchases, issuances and settlements, net	2,190	(21,681)	(147)	24,900	5,262
Balance as of December 31, 2010	$ 11,575	$ 1,200	$ 16,411	$ 25,764	$ 54,950

The following table provides the fair value of our post-retirement benefit plan assets and the corresponding level of hierarchy as of December 31, 2011 and 2010.

As of December 31, 2011	Level 1	Level 2	Level 3	Total
		(In Thousands)		
Assets:				
Domestic equity	$ —	$ 47,411	$ —	$ 47,411
International equity	—	11,500	—	11,500
Core bonds	—	32,192	—	32,192
Cash equivalents	—	755	—	755
Total Assets Measured at Fair Value	$ —	$ 91,858	$ —	$ 91,858
As of December 31, 2010				
Assets:				
Domestic equity	$ —	$ 45,766	$ —	$ 45,766
International equity	—	11,280	—	11,280
Core bonds	—	29,938	—	29,938
Total Assets Measured at Fair Value	$ —	$ 86,984	$ —	$ 86,984

Cash Flows

The following table shows the expected cash flows for our pension and post-retirement benefit plans for future years.

Expected Cash Flows	Pension Benefits		Post-retirement Benefits	
	To/(From) Trust	To/(From) Company Assets	To/(From) Trust	To/(From) Company Assets
		(In Millions)		
Expected contributions:				
2012	$ 57.4	$ 2.7	$ 10.8	$ 0.1
Expected benefit payments:				
2012	$ (29.3)	$ (2.7)	$ (7.9)	$ (0.1)
2013	(31.1)	(2.7)	(8.3)	(0.1)
2014	(33.1)	(2.8)	(8.7)	(0.1)
2015	(35.1)	(2.8)	(9.3)	(0.1)
2016	(37.8)	(2.8)	(9.6)	(0.1)
2017 - 2021	(231.9)	(13.2)	(51.3)	(0.7)

Savings Plans

We maintain a qualified 401(k) savings plan in which most of our employees participate. We match employees' contributions in cash up to specified maximum limits. Our contributions to the plans are deposited with a trustee and invested at the direction of plan participants into one or more of the investment alternatives we provide under the plan. Our contributions totaled $7.0 million in 2011, $7.4 million in 2010 and $6.5 million in 2009.

Stock-Based Compensation Plans

We have a long-term incentive and share award plan (LTISA Plan), which is a stock-based compensation plan in which employees and directors are eligible for awards. The LTISA Plan was implemented as a means to attract, retain and motivate employees and directors. Under the LTISA Plan, we may grant awards in the form of stock options, dividend equivalents, share appreciation rights, RSUs, performance shares and performance share units to plan participants. On May 19, 2011, Westar Energy shareholders approved an increase in the number of shares of common stock that may be granted under the LTISA Plan to 8.25 million shares from 5.0 million shares. As of December 31, 2011, awards of approximately 4.5 million shares of common stock had been made under the plan.

All stock-based compensation is measured at the grant date based on the fair value of the award and is recognized as an expense in the consolidated statement of income over the requisite service period. The requisite service periods range from one to ten years. The table below shows compensation expense and income tax benefits related to stock-based compensation arrangements that are included in our net income.

	Year Ended December 31,		
	2011	2010	2009
		(In Thousands)	
Compensation expense	$ 8,367	$ 11,321	$ 5,080
Income tax benefits related to stock-based compensation arrangements	3,309	4,481	2,011

We use RSU awards for our stock-based compensation awards. RSU awards are grants that entitle the holder to receive shares of common stock as the awards vest. These RSU awards are defined as nonvested shares and do not include restrictions once the awards have vested. In 2011, outstanding RSUs with only service requirements previously awarded to our chief executive officer that were subject to forfeiture were modified to provide for the vesting upon his retirement on July 31, 2011, of a prorated number of the RSUs based on the number of days from the grant date of the RSUs to his retirement date. In addition, outstanding RSUs with performance measures previously awarded to our chief executive officer were modified to provide for the vesting on the scheduled vesting date, subject to the satisfaction of the applicable performance criteria, of a prorated number of the target RSUs based on the number of days from the grant date of the RSUs to his retirement date. We recorded compensation expense of $2.8 million related to these modifications.

RSU awards with only service requirements vest solely upon the passage of time. We measure the fair value of these RSU awards based on the market price of the underlying common stock as of the grant date. RSU awards with only service conditions that have a graded vesting schedule are recognized as an expense in the consolidated statement of income on a straight-line basis over the requisite service period for the entire award. Nonforfeitable dividend equivalents, or the rights to receive cash equal to the value of dividends paid on Westar Energy's common stock, are paid on these RSUs during the vesting period.

RSU awards with performance measures vest upon expiration of the award term. The number of shares of common stock awarded upon vesting will vary from 0% to 200% of the RSU award, with performance tied to our total shareholder return relative to the total shareholder return of our peer group. We measure the fair value of these RSU awards using a Monte Carlo simulation technique that uses the closing stock price at the valuation date and incorporates assumptions for inputs of the expected volatility and risk-free interest rates. Expected volatility is based on historical volatility over three years using daily stock price observations. The risk-free interest rate is based on treasury constant maturity yields as reported by the Federal Reserve and the length of the performance period. For the 2011 valuation, inputs for expected volatility and risk-free interest rates ranged from 24.5% to 28.5% and 0.1% to 1.3%, respectively. For the 2010 valuation, inputs for expected volatility and risk-free interest rates ranged from 25.2% to 30.1% and 0.3% to 1.4%, respectively. For these RSU awards, dividend equivalents accumulate over the vesting period and are paid in cash based on the number of shares of common stock awarded upon vesting.

During the years ended December 31, 2011, 2010 and 2009, our RSU activity for awards with only service requirements was as follows:

	As of December 31,					
	2011		2010		2009	
	Shares	Weighted-Average Grant Date Fair Value	Shares	Weighted-Average Grant Date Fair Value	Shares	Weighted-Average Grant Date Fair Value
	(Shares In Thousands)					
Nonvested balance, beginning of year	600.4	$ 21.50	368.8	$ 21.98	727.4	$ 20.86
Granted	284.1	26.30	366.4	22.14	83.5	18.33
Vested	(187.3)	23.50	(118.1)	24.81	(439.0)	19.43
Forfeited	(328.7)	24.37	(16.7)	22.32	(3.1)	20.63
Nonvested balance, end of year	368.5	23.83	600.4	21.50	368.8	21.98

Total unrecognized compensation cost related to RSU awards with only service requirements was $4.2 million as of December 31, 2011. We expect to recognize these costs over a remaining weighted-average period of 1.9 years. The total fair value of RSUs with only service requirements that vested during the years ended December 31, 2011, 2010 and 2009, was $4.8 million, $2.7 million and $8.8 million, respectively.

During the years ended December 31, 2011, 2010 and 2009, our RSU activity for awards with performance measures was as follows:

	As of December 31,					
	2011		2010		2009	
	Shares	Weighted-Average Grant Date Fair Value	Shares	Weighted-Average Grant Date Fair Value	Shares	Weighted-Average Grant Date Fair Value
	(Shares In Thousands)					
Nonvested balance, beginning of year	348.4	$ 24.98	—	$ —	—	$ —
Granted	244.4	31.26	366.0	24.96	—	—
Vested	(119.5)	24.12	(4.5)	23.32	—	—
Forfeited	(149.1)	28.72	(13.1)	24.99	—	—
Nonvested balance, end of year	324.2	28.31	348.4	24.98	—	—

Total unrecognized compensation cost related to RSU awards with performance measures was $3.3 million as of December 31, 2011. We expect to recognize these costs over a remaining weighted-average period of 1.7 years. The total fair value of RSUs with performance measures that vested during the year ended December 31, 2011 was $3.6 million. No performance RSUs vested in 2010 and 2009.

Previously, RSU awards that could be settled in cash upon a change in control were classified as temporary equity. However, all of these awards were forfeited in 2011. As of December 31, 2010, we had temporary equity of $3.5 million recorded on our consolidated balance sheet.

Stock options granted between 1998 and 2001 are completely vested and have expired. There were no options exercised and all remaining options were forfeited during the year ended December 31, 2010. We currently have no plans to issue new stock option awards.

Another component of the LTISA Plan is the Executive Stock for Compensation program under which, in the past, eligible employees were entitled to receive deferred common stock in lieu of current cash compensation. Although this plan was discontinued in 2001, dividends will continue to be paid to plan participants on their outstanding plan balance until distribution. Plan participants were awarded 4,757 shares of common stock for dividends in 2011, 6,627 shares in 2010 and 7,106 shares in 2009. Participants received common stock distributions of 67,426 shares in 2011, 1,198 shares in 2010 and 563 shares in 2009.

Income tax benefits resulting from the income tax deductions in excess of the related compensation cost recognized in the financial statements is classified as cash flows from financing activities in the consolidated statements of cash flows.

12. WOLF CREEK EMPLOYEE BENEFIT PLANS

Pension and Post-retirement Benefit Plans

As a co-owner of Wolf Creek, KGE is indirectly responsible for 47% of the liabilities and expenses associated with the Wolf Creek pension and post-retirement benefit plans. KGE accrues its 47% share of Wolf Creek's cost of pension and post-retirement benefits during the years an employee provides service. The following tables summarize the status of KGE's 47% share of the Wolf Creek pension and post-retirement benefit plans.

As of December 31,	Pension Benefits 2011	Pension Benefits 2010	Post-retirement Benefits 2011	Post-retirement Benefits 2010
	(In Thousands)			
Change in Benefit Obligation:				
Benefit obligation, beginning of year	$ 131,460	$ 111,033	$ 10,144	$ 9,574
Service cost	4,957	4,144	165	179
Interest cost	7,370	6,941	458	519
Plan participants' contributions	—	—	614	554
Benefits paid	(3,033)	(2,799)	(979)	(1,045)
Actuarial losses (gains)	20,642	12,141	(360)	363
Other (a)	—	—	87	—
Benefit obligation, end of year	$ 161,396	$ 131,460	$ 10,129	$ 10,144
Change in Plan Assets:				
Fair value of plan assets, beginning of year	$ 76,086	$ 62,516	$ —	$ —
Actual return on plan assets	(2,578)	10,082	—	—
Employer contributions	10,009	6,044	369	—
Plan participants' contribution	—	—	614	—
Benefits paid	(2,790)	(2,556)	(979)	—
Fair value of plan assets, end of year	$ 80,727	$ 76,086	$ 4	$ —
Funded status, end of year	$ (80,669)	$ (55,374)	$ (10,125)	$ (10,144)
Amounts Recognized in the Balance Sheets Consist of:				
Current liability	$ (243)	$ (256)	$ (609)	$ (689)
Noncurrent liability	(80,426)	(55,118)	(9,516)	(9,455)
Net amount recognized	$ (80,669)	$ (55,374)	$ (10,125)	$ (10,144)
Amounts Recognized in Regulatory Assets Consist of:				
Net actuarial loss	$ 65,273	$ 39,735	$ 3,208	$ 3,796
Prior service cost	31	47	—	—
Transition obligation	—	52	58	115
Net amount recognized	$ 65,304	$ 39,834	$ 3,266	$ 3,911

As of December 31,	Pension Benefits 2011	Pension Benefits 2010	Post-retirement Benefits 2011	Post-retirement Benefits 2010
	(Dollars in Thousands)			
Pension Plans With a Projected Benefit Obligation In Excess of Plan Assets:				
Projected benefit obligation	$ 161,396	$ 131,460	$ —	$ —
Fair value of plan assets	80,727	76,086	—	—
Pension Plans With an Accumulated Benefit Obligation In Excess of Plan Assets:				
Accumulated benefit obligation	$ 128,633	$ 106,684	$ —	$ —
Fair value of plan assets	80,727	76,086	—	—
Post-retirement Plans With an Accumulated Post-retirement Benefit Obligation In Excess of Plan Assets:				
Accumulated post-retirement benefit obligation	$ —	$ —	$ 10,129	$ 10,144
Fair value of plan assets	—	—	4	—
Weighted-Average Actuarial Assumptions used to Determine Net Periodic Benefit Obligation:				
Discount rate	4.55%	5.45%	4.10%	4.90%
Compensation rate increase	4.00%	4.00%	—	—

(a) Includes proceeds received as a result of the Early Retiree Reinsurance Program.

Wolf Creek uses a measurement date of December 31 for its pension and post-retirement benefit plans. In addition, Wolf Creek uses an interest rate yield curve that is constructed based on the yields on over 500 high-quality, non-callable corporate bonds with maturities between zero and 30 years. A theoretical spot rate curve constructed from this yield curve is then used to discount the annual benefit cash flows of Wolf Creek's pension plan and develop a single-point discount rate matching the plan's payout structure.

The prior service cost (benefit) is amortized on a straight-line basis over the average future service of the active employees (plan participants) benefiting under the plan at the time of the amendment. The net actuarial gain or loss is amortized on a straight-line basis over the average future service of active plan participants benefiting under the plan without application of an amortization corridor. Following is additional information regarding KGE's 47% share of the Wolf Creek pension and other post-retirement benefit plans.

	Pension Benefits			Post-retirement Benefits		
Year Ended December 31,	2011	2010	2009	2011	2010	2009
			(Dollars in Thousands)			
Components of Net Periodic Cost (Benefit):						
Service cost	$ 4,957	$ 4,144	$ 3,643	$ 165	$ 179	$ 188
Interest cost	7,370	6,941	6,401	458	519	538
Expected return on plan assets	(5,904)	(5,453)	(4,976)	—	—	—
Amortization of unrecognized:						
Transition obligation, net	52	57	57	58	58	58
Prior service costs	16	29	43	—	—	—
Actuarial loss, net	3,586	2,636	2,538	227	276	257
Net periodic cost before regulatory adjustment	10,077	8,354	7,706	908	1,032	1,041
Regulatory adjustment	(2,546)	(1,498)	(945)	—	—	—
Net periodic cost	$ 7,531	$ 6,856	$ 6,761	$ 908	$ 1,032	$ 1,041
Other Changes in Plan Assets and Benefit Obligations Recognized in Regulatory Assets:						
Current year actuarial (gain)/loss	$ 29,124	$ 7,514	$ (3,407)	$ (360)	$ 363	$ 708
Amortization of actuarial loss	(3,586)	(2,636)	(2,538)	(227)	(276)	(257)
Amortization of prior service cost	(16)	(29)	(43)	—	—	—
Amortization of transition obligation	(52)	(57)	(57)	(58)	(58)	(58)
Total recognized in regulatory assets	$ 25,470	$ 4,792	$ (6,045)	$ (645)	$ 29	$ 393
Total recognized in net periodic cost and regulatory assets	$ 33,001	$ 11,648	$ 716	$ 263	$ 1,061	$ 1,434
Weighted-Average Actuarial Assumptions used to Determine Net Periodic Cost:						
Discount rate	5.45%	6.05%	6.15%	4.90%	5.50%	6.05%
Expected long-term return on plan assets	7.50%	8.00%	8.00%	—	—	—
Compensation rate increase	4.00%	4.00%	4.00%	—	—	—

We estimate that we will amortize the following amounts from regulatory assets into net periodic cost in 2012.

	Pension Benefits	Post-retirement Benefits
	(In Thousands)	
Actuarial loss	$ 5,368	$ 233
Prior service cost	6	—
Transition obligation	—	58
Total	$ 5,374	$ 291

The expected long-term rate of return on plan assets is based on historical and projected rates of return for current and planned asset classes in the plans' investment portfolios. Assumed projected rates of return for each asset class were selected after analyzing long-term historical experience and future expectations of the volatility of the various asset classes. Based on target asset allocations for each asset class, the overall expected rate of return for the portfolios was developed, adjusted for historical and expected experience of active portfolio management results compared to benchmark returns and for the effect of expenses paid from plan assets.

For measurement purposes, the assumed annual health care cost growth rates were as follows.

	As of December 31,	
	2011	2010
Health care cost trend rate assumed for next year	8.0%	8.0%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.0%	5.0%
Year that the rate reaches the ultimate trend rate	2018	2018

The health care cost trend rate affects the projected benefit obligation. A 1% change in assumed health care cost growth rates would have effects shown in the following table.

	One-Percentage-Point Increase	One-Percentage-Point Decrease
	(In Thousands)	
Effect on total of service and interest cost	$ (8)	$ 8
Effect on post-retirement benefit obligation	(107)	103

Plan Assets

The Wolf Creek pension plan investment strategy supports the objective of the trust, which is to earn the highest possible return on plan assets consistent with a reasonable and prudent level of risk. Investments are diversified across classes, sectors and manager style to maximize returns and minimize the risk of large losses. Wolf Creek delegates investment management to specialists in each asset class and, where appropriate, provides the investment managers with specific guidelines, which include allowable and/or prohibited investment types. Prohibited investments include investments in the equity or debt securities of the companies that collectively own Wolf Creek or companies that control such companies, which includes our and KGE securities, except as may occur indirectly through investments in diversified mutual funds. Wolf Creek has also established restrictions for certain classes of plan assets including that international equity securities should not exceed 25% of total plan assets, no more than 5% of the market value of the plan assets should be invested in the common stock of one corporation and the equity investment in any one corporation should not exceed 1% of its outstanding common stock. Wolf Creek measures and monitors investment risk on an ongoing basis through quarterly investment portfolio reviews and annual liability measurements. Wolf Creek post-retirement benefit plan assets are cash.

The target allocations for Wolf Creek's pension plan assets are 22% to international equity securities, 43% to domestic equity securities, 25% to debt securities, 5% to real estate securities and 5% to commodity investments. The investments in both international and domestic equity include investments in large-, mid- and small-cap companies, private equity funds and investment funds with underlying investments similar to those previously mentioned. The investments in debt include core and high-yield bonds. Core bonds include funds invested in investment grade debt securities of corporate entities, obligations of U.S. and foreign governments and their agencies, and private debt securities. High-yield bonds include a fund with underlying investments in non-investment grade debt securities of corporate entities, private placements and bank debt. Real estate securities include funds invested in commercial and residential real estate properties while commodity investments include funds invested in commodity-related instruments.

Wolf Creek's investments in equity, debt and commodity instruments are recorded at fair value using quoted market prices or valuation models utilizing observable market data when available. A portion of the investments is comprised of real estate securities that require significant unobservable market information to measure the fair value of the investments. Real estate securities are measured at fair value using a combination of market- and income-based models utilizing market discount rates, projected cash flows and the estimated value into perpetuity.

Similar to other assets measured at fair value, GAAP establishes a hierarchal framework for disclosing the transparency of the inputs utilized in measuring pension and post-retirement benefit plan assets at fair value. From time to time, the Wolf Creek pension trust may buy and sell investments resulting in changes within the hierarchy. See Note 4, "Financial and Derivative Instruments, Trading Securities, Energy Marketing and Risk Management," for a description of the hierarchal framework.

The following table provides the fair value of KGE's 47% share of Wolf Creek's pension plan assets and the corresponding level of hierarchy as of December 31, 2011 and 2010.

As of December 31, 2011	Level 1	Level 2	Level 3	Total
		(In Thousands)		
Assets:				
Domestic equity	$ 30,753	$ —	$ —	$ 30,753
International equity	9,953	8,070	—	18,023
Core bonds	—	17,877	—	17,877
High-yield bonds	4,102	—	—	4,102
Real estate securities	—	—	3,630	3,630
Commodities	—	4,377	—	4,377
Cash equivalents	—	1,965	—	1,965
Total Assets Measured at Fair Value	$ 44,808	$ 32,289	$ 3,630	$ 80,727

As of December 31, 2010	Level 1	Level 2	Level 3	Total
Assets:				
Domestic equity	$ 31,492	$ —	$ —	$ 31,492
International equity	9,036	9,597	—	18,633
Core bonds	—	14,156	—	14,156
High-yield bonds	3,319	—	—	3,319
Real estate securities	—	—	3,160	3,160
Commodities	—	4,558	—	4,558
Cash equivalents	1	767	—	768
Total Assets Measured at Fair Value	$ 43,848	$ 29,078	$ 3,160	$ 76,086

The following table provides a reconciliation of KGE's 47% share of Wolf Creek's pension plan assets measured at fair value using significant level 3 inputs for the years ended December 31, 2011 and 2010.

	Real Estate Securities
	(In Thousands)
Balance as of December 31, 2010	$ 3,160
Actual gain (loss) on plan assets:	
Relating to assets still held at the reporting date	500
Relating to assets sold during the period	2
Purchases, issuances and settlements, net	(32)
Balance as of December 31, 2011	$ 3,630
Balance as of December 31, 2009	$ 2,416
Actual gain (loss) on plan assets:	
Relating to assets still held at the reporting date	393
Relating to assets sold during the period	(2)
Purchases, issuances and settlements, net	353
Balance as of December 31, 2010	$ 3,160

Cash Flows

The following table shows our expected cash flows for KGE's 47% share of Wolf Creek's pension and post-retirement benefit plans for future years.

Expected Cash Flows	Pension Benefits		Post-retirement Benefits	
	To/(From) Trust	To/(From) Company Assets	To/(From) Trust	To/(From) Company Assets
	(In Millions)			
Expected contributions:				
2012	$ 11.5	$ 0.2	$ —	$ 0.6
Expected benefit payments:				
2012	$ (3.4)	$ (0.2)	$ —	$ (0.6)
2013	(3.9)	(0.2)	—	(0.7)
2014	(4.4)	(0.2)	—	(0.7)
2015	(5.1)	(0.2)	—	(0.7)
2016	(5.9)	(0.2)	—	(0.8)
2017 - 2021	(43.3)	(1.0)	—	(4.0)

Savings Plan

Wolf Creek maintains a qualified 401(k) savings plan in which most of its employees participate. They match employees' contributions in cash up to specified maximum limits. Wolf Creek's contributions to the plan are deposited with a trustee and invested at the direction of plan participants into one or more of the investment alternatives provided under the plan. KGE's portion of the expense associated with Wolf Creek's matching contributions was $1.3 million in 2011, $1.1 million in 2010 and $1.1 million in 2009.

13. COMMITMENTS AND CONTINGENCIES

Purchase Orders and Contracts

As part of our ongoing operations and capital expenditure program, we have purchase orders and contracts, excluding fuel, which is discussed below under "- Purchased Power and Fuel Commitments," that had an unexpended balance of approximately $560.6 million as of December 31, 2011, of which $410.8 million had been committed. These commitments relate to purchase obligations issued and outstanding at year-end.

The yearly detail of the aggregate amount of required payments as of December 31, 2011, was as follows.

	Committed Amount
	(In Thousands)
2012	$ 263,076
2013	72,121
2014	54,113
Thereafter	21,491
Total amount committed	$ 410,801

Federal Clean Air Act

We must comply with the federal Clean Air Act, state laws and implementing federal and state regulations that impose, among other things, limitations on pollutants generated from our operations, including sulfur dioxide (SO_2), particulate matter (PM), nitrogen oxides (NOx), carbon monoxide (CO) and mercury.

Emissions from our generating facilities, including PM, SO_2 and NOx, have been determined by regulation to reduce visibility by causing or contributing to regional haze. Under federal laws, such as the Clean Air Visibility Rule, and pursuant to an agreement with the Kansas Department of Health and Environment (KDHE) and Environmental Protection Agency (EPA), we are required to install and maintain controls to reduce emissions found to cause or contribute to regional haze.

Under the federal Clean Air Act, the EPA sets National Ambient Air Quality Standards (NAAQS) for six criteria pollutants considered harmful to public health and the environment, including PM, NOx, CO and SO_2, which result from coal combustion. Areas meeting the NAAQS are designated attainment areas while those that do not meet the NAAQS are considered nonattainment areas. Each state must develop a plan to bring nonattainment areas into compliance with the NAAQS. NAAQS must be reviewed by the EPA at five-year intervals. In 2009, KDHE proposed to designate portions of the Kansas City area nonattainment for the 8-hour ozone standard, which has the potential to impact our operations.

In 2010, the EPA strengthened the NAAQS for both NOx and SO_2. We are currently evaluating what impact this could have on our operations. If we are required to install additional equipment to control emissions at our facilities, the revised NAAQS could have a material impact on our operations and consolidated financial results.

Environmental Projects

We will continue to make significant capital and operating expenditures at our power plants to reduce regulated emissions. The amount of these expenditures could change materially depending on the timing and nature of required investments, the specific outcomes resulting from interpretation of existing regulations, new regulations, legislation and the manner in which we operate the plants. In addition to the capital investment, in the event we install new equipment, such equipment may cause us to incur significant increases in annual operating and maintenance expense and may reduce the net production, reliability and availability of the plants. The degree to which we will need to reduce emissions and the timing of when such emissions controls may be required is uncertain. Additionally, our ability to access capital markets and the availability of materials, equipment and contractors may affect the timing and ultimate amount of such capital investments.

In comparison to a general rate review, the ECRR reduces the amount of time it takes to begin collecting in retail prices the costs associated with capital expenditures for qualifying environmental improvements. As previously discussed, we are not allowed to use the ECRR to collect our approximately $600.0 million share of the costs associated with the $1.2 billion of environmental upgrades at La Cygne. We must file for a general review of our rates or an abbreviated rate review with the KCC in order to collect these costs. In order to change our prices to collect increased operating and maintenance costs, we must file a general rate review with the KCC.

Air Emissions

The operation of power plants results in emissions of PM, mercury and other air toxics. In December 2011, the EPA finalized Mercury and Air Toxics Standards for power plants, which replaces the prior federal Clean Air Mercury Rule and requires significant reductions in emissions of mercury and other air toxics. Companies impacted by the new standards will have up to four years, and in certain limited circumstances up to five years, to comply. We are currently evaluating the new standards and cannot at this time determine the impact they may have on our operations and consolidated financial results, but we believe the cost of compliance could be material.

In July 2011, the EPA finalized the Cross-State Air Pollution Rule (CSAPR) which requires 28 states, including Kansas, Missouri and Oklahoma, to further reduce power plant emissions of SO_2 and NOx. Under CSAPR, reductions in annual SO_2 and NOx emissions were scheduled to begin January 1, 2012, with further reductions required beginning January 1, 2014. The EPA issued federal implementation plans for each state covered by CSAPR, but would allow these states to submit their own implementation plans starting as early as 2013. In October 2011, we filed legal challenges to CSAPR in the U.S. Court of Appeals for the District of Columbia Circuit.

In December 2011, the EPA published a final supplemental rule to CSAPR requiring five states to make summertime reductions in NOx emissions under an ozone-season control program implemented under CSAPR. Reductions in ozone-season NOx under this rule were scheduled to begin May 1, 2012. Although Kansas was included in the original proposed rules, the final supplemental rule instead calls for the EPA to revisit Kansas' status under this supplemental rule once Kansas submits an ozone state implementation plan, which must occur within 12 to 18 months from the date the EPA issues a state implementation call to Kansas. The EPA has not yet issued such a call.

On December 30, 2011, the U.S. Court of Appeals for the District of Columbia Circuit issued its ruling to stay CSAPR, including the final supplemental rule, pending judicial review, which delays CSAPR's implementation date beyond January 1, 2012. The court is scheduled to hear the cases starting in April 2012. Under this timeframe, the court could issue its decision by summer or early fall 2012. As the outcome of the judicial review and any other possible legal or Congressional challenges are uncertain, we are unable to determine what impact CSAPR may ultimately have on our operations and consolidated financial results, but it could be material.

Greenhouse Gases

Under EPA regulations finalized in May 2010, known as the tailoring rule, the EPA is regulating greenhouse gas (GHG) emissions from certain stationary sources. The regulations are being implemented pursuant to two federal Clean Air Act programs: the Title V Operating Permit program and the program requiring a permit if undergoing construction or major modifications, which is referred to as the Prevention of Significant Deterioration program (PSD). Obligations relating to Title V permits include recordkeeping and monitoring requirements. With respect to PSD permits, projects that cause a significant increase in GHG emissions (currently defined to be more than 75,000 tons or more per year or 100,000 tons or more per year, depending on various factors), are required to implement best available control technology (BACT). The EPA has issued guidance on what BACT entails for the control of GHGs and individual states are now required to determine what controls are required for facilities within their jurisdiction on a case-by-case basis. We cannot at this time determine the impact of these new regulations on our operations and consolidated financial results, but we believe the cost of compliance with new regulations could be material.

Renewable Energy Standard

Kansas law mandates that our capacity consists of a certain amount of renewable sources. In years 2011 through 2015 net renewable generation capacity must be 10% of the average peak demand for the three prior years, subject to limited exceptions. This requirement increases to 15% for years 2016 through 2019 and 20% for 2020 and thereafter. We met the 2011 requirement using our existing approximately 300 MW of qualifying wind generation facilities along with renewable energy credits. Beginning in late 2012, we will purchase under 20-year supply contracts the renewable energy produced from an additional approximately 370 MW of wind generation, which will allow us to satisfy the net renewable generation requirement through 2015 and contribute toward meeting the increased requirements beginning in 2016. If we are unable to meet future requirements, our operations and consolidated financial results could be adversely impacted.

Manufactured Gas Sites

We have been identified as being partially responsible for remediating a number of former manufactured gas sites located in Kansas. We and KDHE entered into a consent agreement governing all future work at these sites. Under terms of the consent agreement, we agreed to investigate and, if necessary, remediate these sites. Pursuant to an environmental indemnity agreement, ONEOK Inc. (ONEOK) assumed total liability for remediation of seven sites and we share liability for remediation with ONEOK for five sites. Our total liability for the five shared sites is capped at $3.8 million and terminates in November 2012.

Our environmental liability for remediation of former manufactured gas sites in Missouri associated with assets we divested many years ago had been limited to $7.5 million by the terms of an environmental indemnity agreement with the purchaser of those assets. In June 2010, the purchaser agreed to reduce our liability to $2.5 million, which reflects our share of the purchaser's expected remediation costs. We settled this liability in 2010.

EPA Lawsuit

In 2010, we settled a lawsuit filed by the Department of Justice on behalf of the EPA. We agreed to certain initial requirements as part of the settlement and also agreed to take further steps contingent on the outcome of the effectiveness of the initial requirements. As part of the initial requirements, we will install a selective catalytic reduction (SCR) on one of three JEC coal units by the end of 2014, which we estimate will cost approximately $240.0 million. Depending on the NOx emission reductions attained by the single SCR and attainable through the installation of other controls on the other two JEC coal units, we may have to install an SCR on another JEC unit by the end of 2016, if needed to meet plant-wide NOx reduction targets. We plan to recover the costs to install these systems through our ECRR, but such recovery remains subject to the approval of our regulators.

FERC Investigation

A non-public investigation by FERC of our use of transmission service between July 2006 and February 2008 remains pending. In May 2009, FERC staff alleged that we improperly used secondary network transmission service to facilitate off-system wholesale power sales in violation of applicable FERC orders and Southwest Power Pool (SPP) tariffs. FERC staff first alleged we received $14.3 million of unjust profits through such activities. We sent a response to FERC staff disputing both the legal basis for its allegations and their factual underpinnings. Based on our response, FERC staff substantially revised downward its preliminary conclusions to allege that we received $3.0 million of unjust profits and failed to pay $3.2 million to the SPP for transmission service. In March 2010, we sent a response to FERC staff disputing its revised conclusions. Following additional communications with FERC staff, FERC staff further revised its preliminary conclusions to allege that we have received $0.9 million of unjust profits and failed to pay $0.8 million to the SPP for transmission service. Although we continue to believe our use of transmission service was in compliance with FERC orders and SPP tariffs, we recorded an estimated liability of $0.5 million as of December 31, 2011, related to the potential settlement of this investigation and the risks of litigating this matter to a final outcome. We are unable to predict the outcome of this investigation or its impact on our consolidated financial results, but an adverse outcome could result in payments for alleged unjust profits and unpaid transmission costs as well as penalties, the amounts of which could be material, and could potentially alter the manner in which we are permitted to buy and sell energy and use transmission service.

Nuclear Decommissioning

Nuclear decommissioning is a nuclear industry term for the permanent shutdown of a nuclear power plant and the removal of radioactive components in accordance with Nuclear Regulatory Commission (NRC) requirements. The NRC will terminate a plant's license and release the property for unrestricted use when a company has reduced the residual radioactivity of a nuclear plant to a level mandated by the NRC. The NRC requires companies with nuclear plants to prepare formal financial plans to fund nuclear decommissioning. These plans are designed so that sufficient funds required for nuclear decommissioning will be accumulated prior to the expiration of the license of the related nuclear power plant. Wolf Creek files a nuclear decommissioning site study with the KCC every three years.

The KCC reviews nuclear decommissioning plans in two phases. Phase one is the approval of the revised nuclear decommissioning study including the estimated costs to decommission the plant. Phase two involves the review and approval of a funding schedule prepared by the owner of the plant detailing how it plans to fund the future-year dollar amount of its pro rata share of the decommissioning costs.

In 2011 we revised the nuclear decommissioning study. Based on the study, our share of decommissioning costs, including decontamination, dismantling and site restoration, is estimated to be $296.2 million. This amount compares to the prior site study estimate of $279.0 million. The site study cost estimate represents the estimate to decommission Wolf Creek as of the site study year. The actual nuclear decommissioning costs may vary from the estimates because of changes in regulations and technologies as well as changes in costs for labor, materials and equipment.

We are allowed to recover nuclear decommissioning costs in our prices over a period equal to the operating license of Wolf Creek, which is through 2045. The NRC requires that funds sufficient to meet nuclear decommissioning obligations be held in a trust. We believe that the KCC approved funding level will also be sufficient to meet the NRC requirement. Our consolidated financial results would be materially affected if we were not allowed to recover in our prices the full amount of the funding requirement.

We recovered in our prices and deposited in an external trust fund for nuclear decommissioning approximately $3.2 million in 2011, $3.1 million in 2010 and $2.9 million in 2009. We record our investment in the NDT fund at fair value, which approximated $130.3 million and $127.0 million as of December 31, 2011 and 2010, respectively.

Storage of Spent Nuclear Fuel

Under the Nuclear Waste Policy Act of 1982, the Department of Energy (DOE) is responsible for the permanent disposal of spent nuclear fuel. Wolf Creek pays into a federal Nuclear Waste Fund administered by the DOE a quarterly fee for the future disposal of spent nuclear fuel. Our share of the fee, calculated as one tenth of a cent for each kilowatt-hour of net nuclear generation delivered to customers, was $3.1 million in 2011, $4.0 million in 2010 and $3.7 million in 2009. We include these costs in fuel and purchased power expense on our consolidated statements of income.

In 2010, the DOE filed a motion with the NRC to withdraw its then pending application to construct a national repository for the disposal of spent nuclear fuel and high-level radioactive waste at Yucca Mountain, Nevada. An NRC board denied the DOE's motion to withdraw its application and the DOE appealed that decision to the full NRC. In 2011, the NRC issued an evenly split decision on the appeal and also ordered the licensing board to close out its work on the DOE's application by the end of 2011 due to a lack of funding. These agency actions prompted the States of Washington and South Carolina, and a county in South Carolina, to file a lawsuit in a federal Court of Appeals asking the court to compel the NRC to resume its license review and to issue a decision on the license application. Oral argument to the court is expected in 2012. Wolf Creek has an on-site storage facility designed to hold all spent fuel generated at the plant through 2025 and believes it will be able to expand on-site storage as needed past 2025. We cannot predict when, or if, an alternative disposal site will be available to receive Wolf Creek's spent nuclear fuel and will continue to monitor this activity.

Wolf Creek disposes of most of its low-level radioactive waste at an existing third-party repository in Utah, which we expect will remain available to Wolf Creek. Wolf Creek also contracts with a waste processor to process, take title and store in another state most of the remainder of Wolf Creek's low-level radioactive waste. Should on-site waste storage be needed in the future, Wolf Creek has storage capacity on site adequate for about four years of plant operations and believes it will be able to expand that storage capacity if needed.

Nuclear Insurance

We maintain nuclear insurance for Wolf Creek in four areas: liability, worker radiation, property and accidental outage. These policies contain certain industry standard exclusions, including, but not limited to, ordinary wear and tear and war. The nuclear liability program subscribed to by members of the nuclear power generating industry no longer include industry aggregate limits for non-certified acts, as defined by the Terrorism Risk Insurance Act, of terrorism-related losses. An industry aggregate limit of $3.2 billion plus any reinsurance recoverable by Nuclear Electric Insurance Limited (NEIL), our insurance provider, exists for property claims, including accidental outage power costs, for acts of terrorism affecting Wolf Creek or any other nuclear energy facility property policy within 12 months from the date of the first act. These limits are the maximum amount to be paid to members who sustain losses or damages from these types of terrorist acts. In addition, we may be required to participate in industry-wide retrospective assessment programs as discussed below.

Nuclear Liability Insurance

Pursuant to the Price-Anderson Act, which has been reauthorized through December 31, 2025, by the Energy Policy Act of 2005, we are required to insure against public liability claims resulting from nuclear incidents to the full limit of public liability, which is currently approximately $12.6 billion. This limit of liability consists of the maximum available commercial insurance of $375.0 million and the remaining $12.2 billion is provided through mandatory participation in an industry-wide retrospective assessment program. Under this retrospective assessment program, the owners of Wolf Creek are jointly and severally subject to an assessment of up to $117.5 million (our share is $55.2 million), payable at no more than $17.5 million (our share is $8.2 million) per incident per year per reactor. Both the total and yearly assessment is subject to an inflation adjustment based on the Consumer Price Index and applicable premium taxes. This assessment also applies in excess of our worker radiation claims insurance. The next scheduled inflation adjustment is scheduled for 2013. In addition, Congress could impose additional revenue-raising measures to pay claims.

Nuclear Property Insurance

The owners of Wolf Creek carry decontamination liability, premature nuclear decommissioning liability and property damage insurance for Wolf Creek totaling approximately $2.8 billion (our share is $1.3 billion). This insurance is provided by NEIL. In the event of an accident, insurance proceeds must first be used for reactor stabilization and site decontamination in accordance with a plan mandated by the NRC. Our share of any remaining proceeds can be used to pay for property damage, decontamination expenses or, if certain requirements are met, including nuclear decommissioning the plant, toward a shortfall in the NDT fund.

Accidental Nuclear Outage Insurance

The owners also carry additional insurance with NEIL to cover costs of replacement power and other extra expenses incurred during a prolonged outage resulting from accidental property damage at Wolf Creek. If significant losses were incurred at any of the nuclear plants insured under the NEIL policies, we may be subject to retrospective assessments under the current policies of approximately $30.9 million (our share is $14.5 million).

Although we maintain various insurance policies to provide coverage for potential losses and liabilities resulting from an accident or an extended outage, our insurance coverage may not be adequate to cover the costs that could result from a catastrophic accident or extended outage at Wolf Creek. Any substantial losses not covered by insurance, to the extent not recoverable in our prices, would have a material effect on our consolidated financial results.

Fuel and Purchased Power Commitments

To supply a portion of the fuel requirements for our power plants, the owners of Wolf Creek have entered into various contracts to obtain nuclear fuel and we have entered into various contracts to obtain coal and natural gas. Some of these contracts contain provisions for price escalation and minimum purchase commitments. As of December 31, 2011, our share of Wolf Creek's nuclear fuel commitments was approximately $38.4 million for uranium concentrates expiring in 2017, $5.8 million for conversion expiring in 2017, $116.1 million for enrichment expiring in 2024 and $43.0 million for fabrication expiring in 2024.

As of December 31, 2011, our coal and coal transportation contract commitments in 2011 dollars under the remaining terms of the contracts were approximately $886.0 million. The contracts are for plants that we operate and expire at various times through 2021.

As of December 31, 2011, our natural gas transportation contract commitments in 2011 dollars under the remaining terms of the contracts were approximately $145.9 million. The natural gas transportation contracts provide firm service to several of our natural gas burning facilities and expire at various times through 2030.

We have purchase power agreements with the owners of two separate wind generation facilities with installed design capacities of 146 MW. The agreements expire in late 2028 and early 2029. In addition, we have entered into two separate agreements with third parties to purchase under 20-year supply contracts the renewable energy produced from approximately 370 MW of wind generation beginning in late 2012. Each of the aforementioned agreements provide for our receipt and purchase of energy produced at a fixed price per unit of output. We estimate that our annual cost of energy purchased from these wind generation facilities will be approximately $31.7 million in 2012 and $68.2 million beginning in 2013.

14. ASSET RETIREMENT OBLIGATIONS

Legal Liability

We have recognized legal obligations associated with the disposal of long-lived assets that result from the acquisition, construction, development or normal operation of such assets. The recording of AROs for regulated operations has no income statement impact due to the deferral of the adjustments through the establishment of a regulatory asset.

We initially recorded AROs at fair value for the estimated cost to decommission Wolf Creek (KGE's 47% share), retire our wind generation facilities, dispose of asbestos insulating material at our power plants, remediate ash disposal ponds and dispose of polychlorinated biphenyl (PCB)-contaminated oil.

The following table summarizes our legal AROs included on our consolidated balance sheets in long-term liabilities.

	As of December 31,	
	2011	2010
	(In Thousands)	
Beginning ARO	$ 125,999	$ 119,519
Liabilities incurred	—	—
Liabilities settled	(1,027)	(738)
Accretion expense	7,623	7,218
Increase in nuclear decommissioning ARO liability	9,913	—
Ending ARO	$ 142,508	$ 125,999

As discussed in Note 13, "Commitments and Contingencies—Nuclear Decommissioning," Wolf Creek filed a nuclear decommissioning study with the KCC in 2011. As a result of the study, we recorded a $9.9 million increase in our ARO to reflect revisions to the estimated costs to decommission Wolf Creek.

Conditional ARO refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. We determined that our conditional AROs include the retirement of our wind generation facilities, disposal of asbestos insulating material at our power plants, the remediation of ash disposal ponds and the disposal of PCB-contaminated oil.

We have an obligation to retire our wind generation facilities and remove the foundations. The ARO related to our wind generation facilities was determined based upon the date each wind generation facility was placed into service.

The amount of the retirement obligation related to asbestos disposal was recorded as of 1990, the date when the EPA published the "National Emission Standards for Hazardous Air Pollutants: Asbestos NESHAP Revision; Final Rule."

We operate, as permitted by the state of Kansas, ash landfills at several of our power plants. The ash landfills retirement obligation was determined based upon the date each landfill was originally placed in service.

PCB-contaminated oil is contained within company electrical equipment, primarily transformers. The PCB retirement obligation was determined based upon the PCB regulations that originally became effective in 1978.

Non-Legal Liability - Cost of Removal

We collect in our prices the costs to dispose of plant assets that do not represent legal retirement obligations. As of December 31, 2011 and 2010, we had $82.3 million and $70.3 million, respectively, in amounts collected, but not yet spent, for removal costs classified as a regulatory liability.

15. LEGAL PROCEEDINGS

In late 2002, one of our former executive officers resigned from his position and another executive officer was placed on administrative leave from his position. Following the completion of an investigation and the publication of a report prepared by a special committee of our board of directors, our board of directors determined that their employment was terminated for cause. In June 2003, we filed a demand for arbitration with the American Arbitration Association asserting claims against them arising out of their previous employment and seeking to avoid payment of compensation not yet paid to them under various plans and agreements. They filed counterclaims against us alleging substantial damages related to the termination of their employment and the publication of the report of the special committee. The arbitration was stayed in August 2004 pending final resolution of criminal charges filed against them in U.S. District Court in the District of Kansas. In August 2010, these criminal charges were dismissed and subsequently the stay of the arbitration was lifted. As of December 31, 2010, we had accrued liabilities of $80.6 million for compensation not yet paid to the former executive officers and $8.3 million for legal fees and expenses they had incurred. In May 2011, we reached an agreement with Douglas T. Lake, one of the former executive officers, settling all contractual obligations. Pursuant to the agreement, we paid him approximately $21.0 million and we paid approximately $5.3 million for his legal fees and expenses. In July 2011, we reached an agreement with David C. Wittig, the other former executive officer, settling all contractual obligations and providing for payments totaling approximately $36.0 million, the release of deferred stock for compensation shares and the payment of $3.1 million for his legal fees and expenses. In the third quarter of 2011, we reversed the remaining approximately $22.0 million of previously accrued liabilities, which reduced selling, general and administrative expense reported on our consolidated statement of income.

We and our subsidiaries are involved in various other legal, environmental and regulatory proceedings. We believe that adequate provisions have been made and accordingly believe that the ultimate disposition of such matters will not have a material affect on our consolidated financial results. See Note 3, "Rate Matters and Regulation," and Note 13, "Commitments and Contingencies," for additional information.

16. COMMON AND PREFERRED STOCK

Common Stock

General

On May 19, 2011, Westar Energy shareholders approved an amendment to its Restated Articles of Incorporation to increase the number of shares of common stock authorized to be issued from 150.0 million to 275.0 million. As of December 31, 2011 and 2010, Westar Energy had issued and outstanding 125.7 million shares and 112.1 million shares, respectively.

Westar Energy has a direct stock purchase plan (DSPP). Shares of common stock sold pursuant to the DSPP may be either original issue shares or shares purchased in the open market. During 2011, 2010 and 2009, Westar Energy issued 0.8 million shares, 0.7 million shares and 0.8 million shares, respectively, through the DSPP and other stock-based plans operated under the LTISA Plan. As of December 31, 2011 and 2010, a total of 2.0 million shares and 2.6 million shares, respectively, were available under the DSPP registration statement.

Issuances

In November 2010, Westar Energy entered into a forward sale agreement with a bank. Under the terms of the agreement, the bank, as forward seller, borrowed 7.5 million shares of Westar Energy's common stock from third parties and sold them to a group of underwriters for $25.54 per share. Under an over-allotment option included in the agreement, the underwriters purchased approximately 1.0 million additional shares for $25.54 per share, which increased the total number of shares under the forward sale agreement to approximately 8.5 million shares. The underwriters receive a commission equal to 3.5% of the sales price of all shares sold under the agreement. Westar Energy agreed to settle the forward sale agreement within 18 months of the transaction date. On November 17, 2011, Westar Energy delivered approximately 8.5 million shares of common stock for proceeds of approximately $197.3 million as complete settlement of this forward sale agreement.

In April 2010, Westar Energy entered into a three-year Sales Agency Financing Agreement and forward sale agreement with a bank. The maximum amount that Westar Energy may offer and sell under the agreements is the lesser of an aggregate of $500.0 million or approximately 22.0 million shares, subject to adjustment for share splits, share combinations and share dividends. Under the terms of the Sales Agency Financing Agreement, Westar Energy may offer and sell shares of its common stock from time to time through the broker dealer subsidiary, as agent. The broker dealer receives a commission equal to 1% of the sales price of all shares sold under the agreement. In addition, under the terms of the Sales Agency Financing Agreement and forward sale agreement, Westar Energy may from time to time enter into one or more forward sale transactions with the bank, as forward purchaser, and the bank will borrow shares of Westar Energy's common stock from third parties and sell them through its broker dealer. Westar Energy must settle the forward sale transactions within one year of the date each transaction is entered. Westar Energy has entered into forward sale transactions with respect to an aggregate of approximately 5.4 million shares of common stock. In late 2010, Westar Energy delivered approximately 1.2 million shares of common stock for proceeds of $26.4 million as partial settlement of the forward sale transactions. Westar Energy delivered approximately 4.2 million shares of common stock in 2011 for proceeds of $91.9 million as complete settlement of this forward sale agreement.

Westar Energy used the proceeds from the issuance of common stock to repay borrowings under its revolving credit facility, with such borrowed amounts principally related to investments in capital equipment, as well as for working capital and general corporate purposes.

Preferred Stock Not Subject to Mandatory Redemption

Westar Energy's cumulative preferred stock is redeemable in whole or in part on 30 to 60 days' notice at our option. The table below shows the redemption amounts for all series of our preferred stock not subject to mandatory redemption as of December 31, 2011.

Rate	Shares	Principal Outstanding	Call Price	Premium	Total Cost to Redeem
		(Dollars in Thousands)			
4.50%	121,613	$ 12,161	108.0%	$ 973	$ 13,134
4.25%	54,970	5,497	101.5%	82	5,579
5.00%	37,780	3,778	102.0%	76	3,854
	214,363	$ 21,436		$ 1,131	$ 22,567

The provisions of Westar Energy's articles of incorporation, as amended, contain restrictions on the payment of dividends or the making of other distributions on its common stock while any preferred shares remain outstanding unless certain capitalization ratios and other conditions are met. If the ratio of the capital represented by Westar Energy's common stock, including premiums on its capital stock and its surplus accounts, to its total capital and its surplus accounts at the end of the second month immediately preceding the date of the proposed payment of dividends, adjusted to reflect the proposed payment (capitalization ratio), will be less than 20%, then the payment of the dividends on its common stock, including the proposed payment, during the 12-month period ending with and including the date of the proposed payment shall not exceed 50% of its net income available for dividends for the 12-month period ending with and including the second month immediately preceding the date of the proposed payment. If the capitalization ratio is 20% or more but less than 25%, then the payment of dividends on its common stock, including the proposed payment, during the 12-month period ending with and including the date of the proposed payment shall not exceed 75% of its net income available for dividends for the 12-month period ending with and including the second month immediately preceding the date of the proposed payment. Except to the extent permitted above, no payment or other distribution may be made that would reduce the capitalization ratio to less than 25%. The capitalization ratio is determined based on the unconsolidated balance sheet for Westar Energy. As of December 31, 2011, the capitalization ratio was greater than 25%.

So long as there are any outstanding shares of Westar Energy preferred stock, Westar Energy shall not without the consent of a majority of the shares of preferred stock or if more than one-third of the outstanding shares of preferred stock vote negatively and without the consent of a percentage of any and all classes required by law and Westar Energy's articles of incorporation, declare or pay any dividends (other than stock dividends or dividends applied by the recipient to the purchase of additional shares) or make any other distribution upon common stock unless, immediately after such distribution or payment the sum of Westar Energy's capital represented by its outstanding common stock and its earned and any capital surplus shall not be less than $10.5 million plus an amount equal to twice the annual dividend requirement on all the then outstanding shares of preferred stock.

17. VARIABLE INTEREST ENTITIES

In determining the primary beneficiary of a VIE, we assess the entity's purpose and design, including the nature of the entity's activities and the risks that the entity was designed to create and pass through to its variable interest holders. A reporting enterprise is deemed to be the primary beneficiary of a VIE if it has (a) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and (b) the obligation to absorb losses or right to receive benefits from the VIE that could potentially be significant to the VIE. Accounting guidance effective January 1, 2010, requires the primary beneficiary of a VIE to consolidate the VIE. The trusts holding our 8% interest in JEC, our 50% interest in La Cygne unit 2 and railcars we use to transport coal to some of our plants are VIEs of which we are the primary beneficiary.

We assess all entities with which we become involved to determine whether such entities are VIEs and, if so, whether or not we are the primary beneficiary of the entities. We also continuously assess whether we are the primary beneficiary of the VIEs with which we are involved. Prospective changes in facts and circumstances may cause us to reconsider our determination as it relates to the identification of the primary beneficiary.

8% Interest in Jeffrey Energy Center

Under an agreement that expires in January 2019, we lease an 8% interest in JEC from a trust. The trust was financed with an equity contribution from an owner participant and debt issued by the trust. The trust was created specifically to purchase the 8% interest in JEC and lease it to a third party, and does not hold any other assets. We meet the requirements to be considered the primary beneficiary of the trust. In determining the primary beneficiary of the trust, we concluded that the activities of the trust that most significantly impact its economic performance and that we have the power to direct include (1) the operation and maintenance of the 8% interest in JEC, (2) our ability to exercise a purchase option at the end of the agreement at the lesser of fair value or a fixed amount and (3) our option to require refinancing of the trust's debt. We have the potential to receive benefits from the trust that could potentially be significant if the fair value of the 8% interest in JEC at the end of the agreement is greater than the fixed amount. The possibility of lower interest rates upon refinancing the debt also creates the potential for us to receive significant benefits.

50% Interest in La Cygne Unit 2

Under an agreement that expires in September 2029, KGE entered into a sale-leaseback transaction with a trust under which the trust purchased KGE's 50% interest in La Cygne unit 2 and subsequently leased it back to KGE. The trust was financed with an equity contribution from an owner participant and debt issued by the trust. The trust was created specifically to purchase the 50% interest in La Cygne unit 2 and lease it back to KGE, and does not hold any other assets. We meet the requirements to be considered the primary beneficiary of the trust. In determining the primary beneficiary of the trust, we concluded that the activities of the trust that most significantly impact its economic performance and that we have the power to direct include (1) the operation and maintenance of the 50% interest in La Cygne unit 2, (2) our ability to exercise a purchase option at the end of the agreement at the lesser of fair value or a fixed amount and (3) our option to require refinancing of the trust's debt. We have the potential to receive benefits from the trust that could potentially be significant if the fair value of the 50% interest in La Cygne unit 2 at the end of the agreement is greater than the fixed amount. The possibility of lower interest rates upon refinancing the debt also creates the potential for us to receive significant benefits.

Railcars

Under two separate agreements that expire in May 2013 and November 2014, we lease railcars from trusts to transport coal to some of our power plants. The trusts were financed with equity contributions from owner participants and debt issued by the trusts. The trusts were created specifically to purchase the railcars and lease them to us, and do not hold any other assets. We meet the requirements to be considered the primary beneficiary of the trusts. In determining the primary beneficiary of the trusts, we concluded that the activities of the trusts that most significantly impact their economic performance and that we have the power to direct include the operation, maintenance and repair of the railcars and our ability to exercise a purchase option at the end of the agreements at the lesser of fair value or a fixed amount. We have the potential to receive benefits from the trusts that could potentially be significant if the fair value of the railcars at the end of the agreements is greater than the fixed amounts. Our agreements with these trusts also include renewal options during which time we would pay a fixed amount of rent. We have the potential to receive benefits from the trusts during the renewal periods if the fixed amount of rent is less than the amount we would be required to pay under a new agreement.

Financial Statement Impact

We have recorded the following assets and liabilities on our consolidated balance sheets related to the VIEs described above.

	As of December 31,	
	2011	2010
	(In Thousands)	
Assets:		
Property, plant and equipment of variable interest entities, net	$ 333,494	$ 345,037
Regulatory assets (a)	4,915	3,963
Liabilities:		
Current maturities of long-term debt of variable interest entities	$ 28,114	$ 30,155
Accrued interest (b)	4,448	5,064
Long-term debt of variable interest entities, net	249,283	278,162

(a) Included in long-term regulatory assets on our consolidated balance sheets.
(b) Included in accrued interest on our consolidated balance sheets.

All of the liabilities noted in the table above relate to the purchase of the reported property, plant and equipment. The assets of the VIEs can be used only to settle obligations of the VIEs and the VIEs' debt holders have no recourse to our general credit. We have not provided financial or other support to the VIEs and are not required to provide such support. We did not record any gain or loss upon initial consolidation of the VIEs.

18. LEASES

Operating Leases

We lease office buildings, computer equipment, vehicles, railcars and other property and equipment. These leases have various terms and expiration dates ranging from one to 20 years.

In determining lease expense, we recognize the effects of scheduled rent increases on a straight-line basis over the minimum lease term. Rental expense and estimated future commitments under operating leases are as follows.

Year Ended December 31,	Total Operating Leases
	(In Thousands)
Rental expense:	
2009	$ 38,096
2010 (a)	15,464
2011	17,577
Future commitments:	
2012	$ 16,247
2013	13,919
2014	11,820
2015	9,721
2016	8,393
Thereafter	17,520
Total future commitments	$ 77,620

(a) In 2010, we began consolidating certain trusts that hold assets we lease as VIEs as discussed in Note 17, "Variable Interest Entities." This eliminated the lease accounting we previously reported for these assets and, as a result, rental expense decreased significantly from 2009 to 2010.

Capital Leases

We identify capital leases based on defined criteria. For both vehicles and computer equipment, new leases are signed each month based on the terms of master lease agreements. The lease term for vehicles is from two to eight years depending on the type of vehicle. Computer equipment has a lease term of four to five years.

On April 28, 2011, FERC issued an order approving a power supply agreement. The agreement extend through May 2039, the terms of which meet the criteria such that it is classified as a capital lease. Accordingly, we recorded a $40.0 million capital lease during the second quarter of 2011.

Assets recorded under capital leases are listed below.

	As of December 31,	
	2011	2010
	(In Thousands)	
Vehicles	$ 14,241	$ 12,504
Computer equipment	1,720	5,551
Power plant	40,048	—
Accumulated amortization	(6,485)	(8,744)
Total capital leases	$ 49,524	$ 9,311

Capital leases are treated as operating leases for rate making purposes. Minimum annual rental payments, excluding administrative costs such as property taxes, insurance and maintenance, under capital leases are listed below.

Year Ended December 31,	Total Capital Leases
	(In Thousands)
2012	$ 5,452
2013	5,200
2014	5,203
2015	4,987
2016	4,127
Thereafter	67,830
	92,799
Amounts representing imputed interest	(43,275)
Present value of net minimum lease payments under capital leases	49,524
Less: Current portion	2,471
Total long-term obligation under capital leases	$ 47,053

19. DISCONTINUED OPERATIONS — Sale of Protection One, Inc.

In 2009, the Joint Committee on Taxation of the U.S. Congress approved a settlement with the IRS Office of Appeals regarding the re-characterization of a portion of the loss we incurred on the sale of Protection One, Inc. (Protection One), a former subsidiary, from a capital loss to an ordinary loss. The settlement involved a determination of the amount of the net capital loss and net operating loss carryforwards available as of December 31, 2004, to offset income in years after 2004. In 2009, we filed amended federal income tax returns for tax years 2005, 2006 and 2007 to claim a portion of the income tax benefits from the net operating loss carryforward. We expect to realize the remainder of the income tax benefits from the net operating loss carryforward in future years. We recorded a non-cash net earnings benefit of approximately $33.7 million, net of $22.8 million we paid Protection One, in discontinued operations in 2009 in recognition of this settlement.

20. QUARTERLY RESULTS (UNAUDITED)

Our business is seasonal in nature and, in our opinion, comparisons between the quarters of a year do not give a true indication of overall trends and changes in operations.

2011	First	Second	Third (a)	Fourth
	(In Thousands, Except Per Share Amounts)			
Revenues (b)	$ 481,720	$ 524,892	$ 678,152	$ 486,228
Net income (b)	32,957	45,525	136,392	21,306
Net income attributable to common stock (b)	31,342	43,887	134,708	19,335
Per Share Data (b):				
Basic:				
Earnings available	$ 0.27	$ 0.38	$ 1.15	$ 0.16
Diluted:				
Earnings available	$ 0.27	$ 0.38	$ 1.14	$ 0.16
Cash dividend declared per common share	$ 0.32	$ 0.32	$ 0.32	$ 0.32
Market price per common share:				
High	$ 26.60	$ 27.98	$ 27.29	$ 29.05
Low	$ 25.05	$ 25.58	$ 22.63	$ 25.02

(a) During the third quarter of 2011, we reversed $22.0 million of previously accrued liabilities as a result of the legal settlements discussed in Note 15,"Legal Proceedings," and recorded a $7.2 million gain on the sale of a non-utility investment. These two factors were the primary drivers for the increases in net income and net income attributable to common stock as compared to the third quarter of 2010.

(b) Items are computed independently for each of the periods presented and the sum of the quarterly amounts may not equal the total for the year.

2010	First		Second		Third (a)		Fourth	
	(In Thousands, Except Per Share Amounts)							
Revenues (b)	$	459,830	$	495,181	$	644,437	$	456,723
Net income (b)		31,682		54,530		115,863		6,550
Net income attributable to common stock (b)		30,438		53,069		114,502		4,919
Per Share Data (b):								
Basic:								
Earnings available	$	0.27	$	0.47	$	1.02	$	0.04
Diluted:								
Earnings available	$	0.27	$	0.47	$	1.01	$	0.04
Cash dividend declared per common share	$	0.31	$	0.31	$	0.31	$	0.31
Market price per common share:								
High	$	22.78	$	23.93	$	24.64	$	25.90
Low	$	20.56	$	21.08	$	21.22	$	24.21

(a) In the third quarter of 2010, net income and net income attributable to common stock increased due principally to warmer than normal weather in our service territory. As measured by cooling degree days, the weather during the third quarter of 2010 was 20% warmer than the 20-year average.

(b) Items are computed independently for each of the periods presented and the sum of the quarterly amounts may not equal the total for the year.

Westar Energy, Inc. **Attachment B(6)**

Ringfencing Compliance Filing

May 31, 2012

B. Each jurisdictional public utility shall provide annually by May 31st the following information using diagrams, schedules or narrative discussion as may be appropriate:

6. To the extent financial separations are maintained for either legal or financial accounting purposes and at a level in which financial statements are reasonably capable of being produced by the utility's accounting system, each jurisdictional public utility shall file a summary of financial ratios as of the end of the last completed fiscal year, as described by way of example in the attachment to these rules and consistent with the method used to report such information to the principal bond rating agency or Standard & Poors for (1) consolidated utility operations; (2) consolidated non-regulated operations; and (3) consolidated corporate financials.

Westar Compliance Filing Comments:

The responsive summary of financial ratios for Westar Energy, Inc. (consolidated), Westar Energy, Inc. (standalone) and Kansas Gas three financial ratios are attached. Pursuant to the exemption stated on Page 4, of the Report regarding entities comprising less than 10% of the consolidated assets or 10% of the consolidated revenues of the parent jurisdictional public utility, financial ratios regarding consolidated revenues of parent jurisdictional public utility, financial ratios regarding consolidated non-regulated operations are not attached.

Westar Energy, Inc. Consolidated

Summary of Consolidated Entity Financial Ratios for Fiscal Year Ending 12-31-2011	
Ratio Description	**Westar Ratio**
Total Debt to Total Capitalization	53.2 %
Funds from Operations Interest Coverage	4.5 X
Funds from Operations as a Percent of Total Debt	20.3 %

Westar Energy, Inc. Standalone

Summary of Westar Stand-Alone Financial Ratios for Fiscal Year Ending 12-31-2011 *	
Ratio Description	**Westar Ratio**
Total Debt to Total Capitalization	40.5 %
Funds from Operations Interest Coverage	5.9 X
Funds from Operations as a Percent of Total Debt	27.4 %

Kansas Gas and Electric Company

Summary of KGE Stand-Alone Financial Ratios for Fiscal Year Ending 12-31-2011 *	
Ratio Description	**Westar Ratio**
Total Debt to Total Capitalization	48.3 %
Funds from Operations Interest Coverage	3.4 X
Funds from Operations as a Percent of Total Debt	11.7 %

* The Westar and KGE stand-alone ratios are being calculated and provided specifically for purposes of meeting the Commission's ringfencing information submittal requirements. These stand-alone ratios are not calculated in the normal course of business and they are not provided to any rating agency.

PETER L. SUMNERS
Senior Corporate Counsel

May 30, 2012

Received
on
MAY 3 0 2012
by
State Corporation Commission
of Kansas

Ms. Patti Petersen-Klein
Executive Director
Kansas Corporation Commission
1500 SW Arrowhead Road
Topeka, Kansas 66604

Re: In the Matter of Westar Energy, Inc. Compliance Filing Pursuant to Commission Order Dated December 3, 2010 in Docket No. 06-GIMX-181-GIV.

Dear Ms. Petersen-Klein:

Enclosed for filing please find the original and eight (8) copies of the Compliance Filing of Westar Energy, Inc. in the above referenced matter.

The following exhibit contains information that Westar Energy, Inc. treats as confidential, is being designated as Confidential in the matter and is being filed in a separate envelope:

- Attachment B(1), (2): Organizational Chart

Please file stamp one copy for my files. Thank you for your assistance.

Sincerely,

Peter L. Sumners

Enclosures

cc: Jeff McClanahan
Adam Gatewood

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Telephone: (785) 575-1954 / Fax: (785) 575-8136
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