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Kansas Corporation Commission
/S/ Patrice Petersen-Klein

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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
Director, Law & Asst. Corp. Secretary
818 Kansas Avenue
Topeka, Kansas 66612
(785) 575-1954; Telephone
(785) 575-8136; Fax

DATED at Topeka, Kansas, this 29th day of May, 2013.

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

Ringfencing Compliance Filing

May 31, 2013

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 was provided in the report provided to the KCC as a part of the Company's May 31, 2011 ringfencing compliance filing. The Manual provided in the 2011 compliance filing included a summary page containing 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. In 2013, several changes were made to the Cost Allocation Manual to accommodate a change in accounting systems. A summary of those changes follows.

2013 Revisions to Westar Energy Cost Allocation Manual

Exempt Material and Consumable Supplies overheads have been combined into the cost code of L18.

Stores Local and MDC overheads have been combined into the cost code of L40.

Bulk Fleet allocation was eliminated.

Fleet Usage Overhead is based on fleet class instead of budget area.

Local Construction Overhead has changed to the new cost code of L55.

Corporate Construction Overhead is still the old cost code L50.

Damage Claims allocation process has been added.

New cost code L53 has been added for the Damage Claims A&G process

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

Ringfencing Compliance Filing

May 31, 2013

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, 2013

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, Regulatory Affairs, Jeffrey L. Martin
  Responsible for supervision and day-to-day management of the company's regulatory affairs 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.

Assistant Secretary, Peter L. Sumners
Responsible for support of the Vice President and General Counsel and various related legal functions.

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

Ringfencing Compliance Filing

May 31, 2013

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>

43 supplemental indentures

Parent

Westar Energy, Inc. (WEI)

<u>1940 Mortgage</u>

58 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. Credit Facility (February 2011)

On February 18, 2011, WEI entered into a new revolving credit facility. The new facility matures on February 18, 2015. The facility allows us to borrow up to an aggregate of $270.0 million, including letters of credit up to a maximum aggregate amount of $100.0 million. So long as there is no default under the facility, WEI may elect to increase the aggregate amount of borrowings under the facility to $400.0 million, subject to lender participation. All borrowings under the facility are secured by first mortgage bonds of Kansas Gas and Electric Company. WEI may elect to release this security at any time that our senior unsecured debt is rated investment grade by at least two of S&P, Moody's and Fitch. The February 18, 2011 Credit Agreement is attached as Exhibit 10.1 to WEI's Current Report on Form 8-K filed on February 18, 2011. On February 12, 2013, WEI elected to extend the facility for one year and all lenders participated. So long as there is no default under the facility, WEI may elect to extend the facility for up to one additional year, subject to lender participation. The February 12, 2013 First Extension Agreement is attached as Exhibit 10.1 to WEI's Current Report on Form 8-K filed on February 15, 2013.

Westar Energy, Inc. Credit Facility (September 2011)

On September 29, 2011, WEI amended and restated its revolving credit facility dated February 22, 2008. The amended and restated revolving credit facility matures on September 29, 2016. So long as there is no default or event of default under the revolving credit facility, WEI may elect to extend the credit facility for up to an additional two years, subject to lender participation. The amended and restated facility allows us to borrow up to an aggregate of $730.0 million, including letters of credit. So long as there is no default under the facility, WEI may elect to increase the aggregate amount of borrowings under the facility to $1.0 billion, subject to lender participation. All borrowings under the revolving credit facility are secured by first mortgage bonds of Kansas Gas and Electric Company. WEI may elect to release this security at any time that our senior unsecured debt is rated investment grade by at least two of S&P, Moody's and Fitch. The September 29, 2011 Fourth Amended and Restated Credit Agreement is attached as Exhibit 10.1 to WEI's Current Report on Form 8-K filed on September 29, 2011.

Westar Energy, Inc. Commercial Paper Program (December 2011)

On December 9, 2011, WEI entered into a commercial paper program permitting us to borrow up to an aggregate of $1.0 billion at any one time. This program is supported by the revolving credit facilities described above. Maturities of commercial paper issuances may not exceed one year. The program is described in WEI's Current Report on Form 8-K filed on December 9, 2011.

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

Ringfencing Compliance Filing

May 31, 2013

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, 2013 and are incorporated herein by 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, 2012	As of December 31, 2011
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 5,829	$ 3,539
Restricted cash	573	—
Accounts receivable, net of allowance for doubtful accounts of $4,916 and $7,384, respectively	224,439	226,428
Fuel inventory and supplies	249,016	229,118
Taxes receivable	—	5,334
Deferred tax assets	—	394
Prepaid expenses	15,847	13,078
Regulatory assets	114,895	123,818
Other	32,476	31,876
Total Current Assets	643,075	633,585
PROPERTY, PLANT AND EQUIPMENT, NET	7,013,765	6,411,922
PROPERTY, PLANT AND EQUIPMENT OF VARIABLE INTEREST ENTITIES, NET	321,975	333,494
OTHER ASSETS:		
Regulatory assets	887,777	922,272
Nuclear decommissioning trust	150,754	130,270
Other	247,885	251,308
Total Other Assets	1,286,416	1,303,850
TOTAL ASSETS	$ 9,265,231	$ 8,682,851
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt of variable interest entities	$ 25,942	$ 28,114
Short-term debt	339,200	286,300
Accounts payable	180,825	187,428
Accrued dividends	41,743	40,463
Accrued taxes	58,624	52,451
Accrued interest	77,891	77,437
Regulatory liabilities	37,557	40,857
Other	84,359	114,237
Total Current Liabilities	846,141	827,287
LONG-TERM LIABILITIES:		
Long-term debt, net	2,819,271	2,491,109
Long-term debt of variable interest entities, net	222,743	249,283
Deferred income taxes	1,197,837	1,110,463
Unamortized investment tax credits	191,512	164,175
Regulatory liabilities	285,618	230,530
Accrued employee benefits	564,870	592,617
Asset retirement obligations	152,648	142,508
Other	74,336	74,138
Total Long-Term Liabilities	5,508,835	5,054,823
COMMITMENTS AND CONTINGENCIES (See Notes 13 and 15)		
EQUITY:		
Westar Energy, Inc. Shareholders' Equity:		
Cumulative preferred stock, par value $100 per share; authorized 600,000 shares; issued and outstanding zero shares and 214,363 shares, respective to each date	—	21,436
Common stock, par value $5 per share; authorized 275,000,000 shares; issued and outstanding 126,503,748 shares and 125,698,396 shares, respective to each date	632,519	628,492
Paid-in capital	1,656,972	1,639,503
Retained earnings	606,649	501,216
Total Westar Energy, Inc. Shareholders' Equity	2,896,140	2,790,647
Noncontrolling Interests	14,115	10,094
Total Equity	2,910,255	2,800,741
TOTAL LIABILITIES AND EQUITY	$ 9,265,231	$ 8,682,851

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,		
	2012	2011	2010
REVENUES	$ 2,261,470	$ 2,170,991	$ 2,056,171
OPERATING EXPENSES:			
Fuel and purchased power	589,990	630,793	583,361
Operating and maintenance	612,871	557,752	520,409
Depreciation and amortization	270,464	285,322	271,937
Selling, general and administrative	226,012	184,695	207,607
Total Operating Expenses	1,699,337	1,658,562	1,583,314
INCOME FROM OPERATIONS	562,133	512,429	472,857
OTHER INCOME (EXPENSE):			
Investment earnings	7,411	9,301	7,026
Other income	35,378	8,652	5,369
Other expense	(19,987)	(18,398)	(16,655)
Total Other Income (Expense)	22,802	(445)	(4,260)
Interest expense	176,337	172,460	174,941
INCOME BEFORE INCOME TAXES	408,598	339,524	293,656
Income tax expense	126,136	103,344	85,032
NET INCOME	282,462	236,180	208,624
Less: Net income attributable to noncontrolling interests	7,316	5,941	4,728
NET INCOME ATTRIBUTABLE TO WESTAR ENERGY	275,146	230,239	203,896
Preferred dividends	1,616	970	970
NET INCOME ATTRIBUTABLE TO COMMON STOCK	$ 273,530	$ 229,269	$ 202,926
BASIC AND DILUTED EARNINGS PER AVERAGE COMMON SHARE OUTSTANDING ATTRIBUTABLE TO WESTAR ENERGY (see Note 2):			
Basic earnings per common share	$ 2.15	$ 1.95	$ 1.81
Diluted earnings per common share	$ 2.15	$ 1.93	$ 1.80
AVERAGE EQUIVALENT COMMON SHARES OUTSTANDING	126,711,869	116,890,552	111,629,292
DIVIDENDS DECLARED PER COMMON SHARE	$ 1.32	$ 1.28	$ 1.24

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,		
	2012	2011	2010
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:			
Net income	$ 282,462	$ 236,180	$ 208,624
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	270,464	285,322	271,937
Amortization of nuclear fuel	24,369	21,151	25,089
Amortization of deferred regulatory gain from sale leaseback	(5,495)	(5,495)	(5,495)
Amortization of corporate-owned life insurance	28,792	25,650	20,650
Non-cash compensation	7,255	8,422	11,373
Net changes in energy marketing assets and liabilities	(372)	926	(1,284)
Net deferred income taxes and credits	126,248	111,723	120,169
Stock-based compensation excess tax benefits	(1,698)	(1,180)	(641)
Allowance for equity funds used during construction	(11,706)	(5,550)	(3,104)
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	2,408	(1,638)	(11,434)
Fuel inventory and supplies	(19,227)	(21,485)	(12,266)
Prepaid expenses and other	(3,630)	(50,138)	8,475
Accounts payable	(19,161)	3,008	30,330
Accrued taxes	11,937	18,633	27,565
Other current liabilities	(105,169)	(107,012)	(80,660)
Changes in other assets	13,015	(10,167)	(42,544)
Changes in other liabilities	(1,386)	(16,369)	40,918
Cash Flows from Operating Activities	599,106	462,696	607,702
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:			
Additions to property, plant and equipment	(810,209)	(697,451)	(540,076)
Purchase of securities within trusts	(20,473)	(49,737)	(192,350)
Sale of securities within trusts	21,604	47,534	191,603
Proceeds from trust	2,022	—	—
Investment in corporate-owned life insurance	(18,404)	(19,214)	(19,162)
Proceeds from investment in corporate-owned life insurance	33,542	1,295	2,204
Proceeds from federal grant	4,775	8,561	3,180
Investment in affiliated company	(8,669)	(1,943)	(280)
Proceeds from sale of non-utility investments	—	9,246	—
Other investing activities	(1,525)	193	(1,164)
Cash Flows used in Investing Activities	(797,337)	(701,516)	(556,045)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:			
Short-term debt, net	52,900	54,081	(16,060)
Proceeds from long-term debt	541,374	—	—
Retirements of long-term debt	(220,563)	(371)	(1,695)
Retirements of long-term debt of variable interest entities	(28,114)	(30,159)	(28,610)
Repayment of capital leases	(2,679)	(2,233)	(2,981)
Borrowings against cash surrender value of corporate-owned life insurance	67,791	67,562	74,134
Repayment of borrowings against cash surrender value of corporate-owned life insurance	(34,838)	(3,421)	(3,430)
Stock-based compensation excess tax benefits	1,698	1,180	641
Preferred stock redemption	(22,567)	—	—
Issuance of common stock	6,996	294,942	54,651
Distributions to shareholders of noncontrolling interests	(3,295)	(1,917)	(2,093)
Cash dividends paid	(158,182)	(138,233)	(129,146)
Cash Flows from (used in) Financing Activities	200,521	241,431	(54,589)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,290	2,611	(2,932)
CASH AND CASH EQUIVALENTS:			
Beginning of period	3,539	928	3,860
End of period	$ 5,829	$ 3,539	$ 928

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, Inc. 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, 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 stock	—	—	3,056,068	15,280	50,759	—	—	66,039
Preferred dividends	—	—	—	—	—	(970)	—	(970)
Dividends on common stock ($1.24 per share)	—	—	—	—	—	(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 stock	—	—	13,570,328	67,852	243,081	—	—	310,933
Preferred dividends	—	—	—	—	—	(970)	—	(970)
Dividends on common stock ($1.28 per share)	—	—	—	—	—	(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
Net income	—	—	—	—	—	275,146	7,316	282,462
Issuance of stock	—	—	805,352	4,027	19,143	—	—	23,170
Stock redemption	(214,363)	(21,436)	—	—	—	—	—	(21,436)
Preferred dividends	—	—	—	—	—	(1,616)	—	(1,616)
Dividends on common stock ($1.32 per share)	—	—	—	—	—	(168,097)	—	(168,097)
Amortization of restricted stock	—	—	—	—	6,430	—	—	6,430
Stock compensation and tax benefit	—	—	—	—	(8,104)	—	—	(8,104)
Distributions to shareholders of noncontrolling interests	—	—	—	—	—	—	(3,295)	(3,295)
Balance as of December 31, 2012	—	$ —	126,503,748	$ 632,519	$ 1,656,972	$ 606,649	$ 14,115	$ 2,910,255

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 690,000 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 ongoing basis, including those related to depreciation, unbilled revenue, valuation of investments, 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.

Restricted Cash

Pursuant to Westar Energy's Articles of Incorporation, Westar Energy deposited cash in a separate bank account to effect the redemption of all of Westar Energy's preferred stock in 2012. See Note 16, "Common and Preferred Stock," for additional information regarding the preferred stock redemption.

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,	
	2012	2011
	(In Thousands)	
Fuel inventory	$ 94,664	$ 86,408
Supplies	154,352	142,710
Total	$ 249,016	$ 229,118

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,		
	2012	2011	2010
	(Dollars In Thousands)		
Borrowed funds	$ 10,399	$ 5,589	$ 4,295
Equity funds	11,706	5,550	3,104
Total	$ 22,105	$ 11,139	$ 7,399
Average AFUDC Rates	5.0%	3.6%	2.6%

We charge maintenance costs and replacements 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 the period between planned outages 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. The depreciation rates are based on an average annual composite basis using group rates that approximated 2.6% in 2012, 3.0% in 2011 and 2.9% in 2010.

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

	Years
Fossil fuel generating facilities	6 to 78
Nuclear fuel generating facility	33 to 71
Wind generating facilities	19 to 20
Transmission facilities	15 to 75
Distribution facilities	15 to 70
Other	5 to 30

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 $69.2 million as of December 31, 2012, and $44.8 million as of December 31, 2011. The cost of nuclear fuel charged to fuel and purchased power expense was $28.3 million in 2012, $24.6 million in 2011 and $29.2 million in 2010.

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,	
	2012	2011
	(In Thousands)	
Cash surrender value of policies	$ 1,370,788	$ 1,345,443
Borrowings against policies	(1,241,343)	(1,208,389)
Corporate-owned life insurance, net	$ 129,445	$ 137,054

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 $62.5 million as of December 31, 2012, and $54.0 million as of December 31, 2011.

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 in other current assets and other current 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.

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 Tax

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 on an equal basis with dividends declared on 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 net income.

	Year Ended December 31,		
	2012	2011	2010
	(Dollars In Thousands, Except Per Share Amounts)		
Net income	$ 282,462	$ 236,180	$ 208,624
Less: Net income attributable to noncontrolling interests	7,316	5,941	4,728
Net income attributable to Westar Energy, Inc.	275,146	230,239	203,896
Less: Preferred dividends	1,616	970	970
Net income allocated to RSUs	778	772	1,259
Net income allocated to common stock	$ 272,752	$ 228,497	$ 201,667
Weighted average equivalent common shares outstanding – basic	126,711,869	116,890,552	111,629,292
Effect of dilutive securities:			
RSUs	97,757	188,025	140,077
Forward sale agreements	89,160	1,211,645	245,496
Employee stock options	—	—	59
Weighted average equivalent common shares outstanding – diluted (a)	126,898,786	118,290,222	112,014,924
Earnings per common share, basic	$ 2.15	$ 1.95	$ 1.81
Earnings per common share, diluted	$ 2.15	$ 1.93	$ 1.80

(a) For the years ended December 31, 2012, 2011 and 2010, we had no antidilutive shares.

Supplemental Cash Flow Information

	Year Ended December 31,		
	2012	2011	2010
	(In Thousands)		
CASH PAID FOR (RECEIVED FROM):			
Interest on financing activities, net of amount capitalized	$ 143,564	$ 145,570	$ 145,463
Interest on financing activities of VIEs	16,214	18,167	20,191
Income taxes, net of refunds	(4,378)	(17,519)	(34,980)
NON-CASH INVESTING TRANSACTIONS:			
Property, plant and equipment additions	89,354	105,435	64,423
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	12,803	15,103	18,777
Debt of VIEs	—	—	337,951
Capital lease for JEC 8% leasehold interest	—	—	(106,423)
Assets acquired through capital leases	10,683	43,011	910

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,	
	2012	2011
	(In Thousands)	
Regulatory Assets:		
Deferred employee benefit costs	$ 542,174	$ 560,915
Amounts due from customers for future income taxes, net	169,091	168,804
Depreciation	73,672	76,298
Debt reacquisition costs	67,721	66,856
Treasury yield hedges	28,573	33,753
Asset retirement obligations	22,633	22,196
Ad valorem tax	21,812	6,622
Energy efficiency program costs	18,835	16,521
Disallowed plant costs	16,106	16,236
Wolf Creek outage	14,143	25,033
Storm costs	11,076	25,747
Retail energy cost adjustment	4,262	19,587
Other regulatory assets	12,574	7,522
Total regulatory assets	$ 1,002,672	$ 1,046,090
Regulatory Liabilities:		
Removal costs	$ 128,971	$ 82,338
Deferred regulatory gain from sale leaseback	92,046	97,541
Nuclear decommissioning	25,937	12,544
La Cygne dismantling costs	18,093	15,680
Retail energy cost adjustment	16,595	25,225
Kansas tax credits	10,781	8,497
Other post-retirement benefits costs	10,722	11,125
Gain on sale of oil	6,219	5,822
Fuel supply and electricity contracts	4,387	6,177
Other regulatory liabilities	9,424	6,438
Total regulatory liabilities	$ 323,175	$ 271,387

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 $485.5 million for pension and post-retirement benefit obligations and $56.7 million for actual pension expense in excess of the amount of such expense recognized in setting our prices. During 2013, we will amortize to expense approximately $44.2 million of the benefit obligations and approximately $9.8 million of the excess pension expense. As authorized in the April 2012 KCC order discussed below, we are amortizing the excess pension expense as of the time of our filing with the KCC over a five-year period. 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 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.

- **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.

- **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 one-year period. 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.

- **Wolf Creek outage:** We defer the expenses associated with Wolf Creek's scheduled refueling and maintenance outages and amortize these expenses during the period between planned outages. 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.

- **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. We have two retail jurisdictions, each with a separate cost of fuel. For the reporting period, 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.

- **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.

- **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.

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

- **Nuclear decommissioning:** We have a legal obligation to decommission Wolf Creek at the end of its useful life. This amount represents the difference between the fair value of the assets held in a decommissioning trust and the fair value of our ARO. See Note 4, "Financial and Derivative Instruments, Trading Securities, Energy Marketing and Risk Management," Note 5, "Financial Investments" and Note 14, "Asset Retirement Obligations," for information regarding our nuclear decommissioning trust (NDT) and our ARO.

- **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.

- **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. We have two retail jurisdictions, each with a separate cost of fuel. For the reporting period, this resulted in us simultaneously reporting both a regulatory asset and a regulatory liability for this item.

- **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.

- **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. We amortize the amount over a five-year period.

- **Gain on sale of oil:** We discontinued the use of a certain type of oil in our plants. As a result, we sold this oil inventory for a gain. This item represents the remaining portion of the gain that will be refunded to customers over a three-year period.

- **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.

- **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

In April 2012, the KCC issued an order expected to increase our annual retail revenues by approximately $50.0 million. In addition, we revised our depreciation rates to reflect changes in the estimated useful lives of some of our depreciable assets. The change in estimate will decrease annual depreciation expense by $43.6 million. The new prices were effective shortly after having received the order. The KCC also approved our request to file an abbreviated rate review within 12 months of this order to update our prices to include capital costs related to environmental projects at La Cygne.

In January 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 in February 2010 and were expected to increase our annual retail revenues by approximately $17.1 million.

Environmental Costs

In August 2011, the KCC issued an order ruling that Kansas City Power & Light Company's (KCPL) decision to make environmental upgrades at La Cygne to comply with environmental regulations is prudent and the $1.2 billion project cost estimate is reasonable. We have a 50% interest in La Cygne and intervened in the proceeding. The KCC denied our request to collect our approximately $610.0 million share of the capital investment for the environmental upgrades through our environmental cost recovery rider (ECRR). However, as noted above, the KCC approved our request to file an abbreviated rate review to update our prices to include capital costs associated with the project.

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. In the most recent three years, the KCC issued orders related to such filings allowing us to increase our annual retail revenues by approximately:

- $19.5 million effective in June 2012;
- $10.4 million effective in June 2011; and
- $13.8 million effective in June 2010.

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. In the most recent three years, the KCC issued orders related to such filings allowing us to increase our annual retail revenues by approximately:

- $36.7 million effective in April 2012;
- $17.4 million effective in April 2011; and
- $6.4 million effective in March 2010.

Energy Efficiency

We make annual filings with the KCC to adjust our prices to include previously deferred amounts associated with various energy efficiency programs. In the most recent three years, the KCC issued orders related to such filings allowing us to increase our annual retail revenues by approximately:

- $1.1 million effective in October 2012;
- $4.9 million effective in November 2011; and
- $5.8 million effective in November 2010.

FERC Proceedings

In October 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. In the most recent three years, we posted our transmission formula rate which was expected to increase our annual transmission revenues by approximately:

- $38.2 million effective in January 2012;
- $15.9 million effective in January 2011; and
- $16.8 million effective in January 2010.

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, private equity and real estate securities 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, a level 2 measurement, 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. In addition, we maintain certain level 3 investments in private equity and real estate securities that are also measured at fair value using net asset value, but require significant unobservable market information to measure the fair value of the underlying investments. The underlying investments in private equity are measured at fair value utilizing both market- and income-based models, public company comparables, investment cost or 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. The underlying real estate investments 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.

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. Our risk management department, which reports to the Chief Financial Officer, has established valuation processes and procedures to ensure that the valuation methodologies for energy marketing transactions are fair and consistent. Methodologies are periodically reviewed and tested to ensure they are representative of the current market dynamics. 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 fixed-rate debt.

	As of December 31, 2012		As of December 31, 2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In Thousands)			
Fixed-rate debt	$ 2,702,500	$ 3,178,752	$ 2,373,063	$ 2,623,993
Fixed-rate debt of VIEs	247,624	275,341	275,738	306,027

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, 2012	Level 1	Level 2	Level 3	Total
		(In Thousands)		
Assets:				
Energy Marketing Contracts	$ —	$ 381	$ 8,429	$ 8,810
Nuclear Decommissioning Trust:				
Domestic equity	—	56,157	4,899	61,056
International equity	—	30,041	—	30,041
Core bonds	—	28,350	—	28,350
High-yield bonds	—	8,782	—	8,782
Emerging market bonds	—	6,428	—	6,428
Combination debt/equity fund	—	8,194	—	8,194
Real estate securities	—	—	7,865	7,865
Cash equivalents	38	—	—	38
Total Nuclear Decommissioning Trust	38	137,952	12,764	150,754
Trading Securities:				
Domestic equity	—	22,470	—	22,470
International equity	—	5,744	—	5,744
Core bonds	—	15,104	—	15,104
Cash equivalents	166	—	—	166
Total Trading Securities	166	43,318	—	43,484
Total Assets Measured at Fair Value	$ 204	$ 181,651	$ 21,193	$ 203,048
Liabilities:				
Energy Marketing Contracts	$ —	$ 105	$ 1,367	$ 1,472
As of December 31, 2011				
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

We do not offset the fair value of energy marketing contracts executed with the same counterparty. As of December 31, 2012, we had no right to reclaim cash collateral and had recorded $1.8 million for our obligation to return cash collateral. 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.

The following table provides reconciliations of assets and liabilities measured at fair value using significant level 3 inputs for the years ended December 31, 2012 and 2011.

	Energy Marketing Contracts, net		Nuclear Decommissioning Trust			
			Domestic Equity	High-yield Bonds	Real Estate Securities	Net Balance
			(In Thousands)			
Balance as of December 31, 2011	$ 9,452		$ 3,931	$ —	$ 7,095	$ 20,478
Total realized and unrealized gains (losses) included in:						
Earnings (a)	2,176		—	—	—	2,176
Regulatory assets	(696)	(b)	—	—	—	(696)
Regulatory liabilities	2,114	(b)	90	—	770	2,974
Purchases	(5,034)		891	—	320	(3,823)
Sales	(620)		(13)	—	(320)	(953)
Settlements	(330)		—	—	—	(330)
Balance as of December 31, 2012	$ 7,062		$ 4,899	$ —	$ 7,865	$ 19,826
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

(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, 2012 and 2011, attributed to level 3 assets and liabilities.

	Year Ended December 31, 2012				
	Energy Marketing Contracts, net		Nuclear Decommissioning Trust Domestic Equity	Nuclear Decommissioning Trust Real Estate Securities	Net Balance
	(In Thousands)				
Total unrealized gains (losses) included in:					
Earnings (a)	$ (748)		$ —	$ —	$ (748)
Regulatory assets	(74)	(b)	—	—	(74)
Regulatory liabilities	332	(b)	77	451	860
Total	$ (490)		$ 77	$ 451	$ 38
	Year Ended December 31, 2011				
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

(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.

Our level 3 investments require unobservable quantitative inputs to measure fair value. The following table summarizes the quantitative inputs and assumptions for our level 3 investments not measured at net asset value.

	Fair Value as of December 31, 2012 Assets	Fair Value as of December 31, 2012 Liabilities	Valuation Methodology	Unobservable Inputs	Range of Inputs
	(In Thousands)				
Electricity - Forwards	$ 862	$ 358	Discounted cash flow	Basis (MWh)	$0 to $15
Gas - Forwards	—	74	Discounted cash flow	Basis (mmBtu)	$0 to $0.25
Options	7,567	935	Discounted cash flow	Basis - Electricity (MWh)	$0 to $15
				Basis - Gas (mmBtu)	$0 to $0.25
			Option models	Volatility - Electricity	10% to 75%
				Volatility - Gas	20% to 35%
				Correlation	60% to 90%
Total	$ 8,429	$ 1,367			

Our fair value measurement of energy marketing contracts is sensitive to level 3 fair value inputs. Increases or decreases to one unobservable input may magnify or mitigate the impact of other inputs. Holding all other inputs constant, an increase (decrease) in a significant unobservable input would typically impact our fair value measurement as follows.

Significant Unobservable Input	Position	Impact on Fair Value Measurement
Basis	Purchase	Increase (decrease)
	Sell	Decrease (increase)
Volatility	Purchase Option	Increase (decrease)
	Sell Option	Decrease (increase)
Correlation	Purchase Option	Decrease (increase)
	Sell Option	Increase (decrease)

Some of our investments in the NDT and our trading securities portfolio are measured at net asset value, 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, 2012		As of December 31, 2011		As of December 31, 2012	
	Fair Value	Unfunded Commitments	Fair Value	Unfunded Commitments	Redemption Frequency	Length of Settlement
	(In Thousands)					
Nuclear Decommissioning Trust:						
Domestic equity	$ 4,899	$ 1,024	$ 3,931	$ 1,914	(a)	(a)
Real estate securities	7,865	—	7,095	—	Quarterly	80 days
Total Nuclear Decommissioning Trust	$ 12,764	$ 1,024	$ 11,026	$ 1,914		
Trading Securities:						
Domestic equity	$ 22,470	$ —	$ 21,175	$ —	Upon Notice	1 day
International equity	5,744	—	4,896	—	Upon Notice	1 day
Core bonds	15,104	—	13,961	—	Upon Notice	1 day
Total Trading Securities	43,318	—	40,032	—		
Total	$ 56,082	$ 1,024	$ 51,058	$ 1,914		

(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.

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 2012, we recorded $3.1 million of additional AROs. In 2011, we recorded $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.

We measure the fair value of AROs 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, experts reporting to the Chief Operating Officer must estimate the cost of basic inputs such as labor, energy, materials, timing and disposal and make assumptions on the method of disposal or decommissioning. Our estimates are validated with contractor estimates and when we satisfy other similar obligations. We estimate the cost to satisfy the 2012 ARO layer as of December 31, 2012, is approximately $3.1 million.

To determine the appropriate discount rate, we use observable inputs such as inflation rates, short and long-term yields for U.S. government securities and our nonperformance risk. 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 entered into treasury yield hedge transactions to hedge our interest rate risk associated with a $125.0 million portion of a forcaseted issuance of fixed rate debt. These transactions were designated and qualified as cash flow hedges and 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 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. We recorded $0.2 million of hedge ineffectiveness losses in interest expense on our consolidated statements of income for the year ended December 31, 2011. During the first quarter of 2012, we settled the treasury yield hedge transactions for a cost of $29.7 million, which will be amortized to interest expense over the 30-year term of the debt issued in March 2012. See Note 9, "Long-Term Debt" for additional information regarding the debt issuance. As of December 31, 2012, we had recorded $28.6 million as a regulatory asset.

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 other current and other long-term assets and liabilities 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, 2012

Asset Derivatives		Liability Derivatives	
Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
	(In Thousands)		(In Thousands)
Current assets:		Current liabilities:	
Other	$ 4,776	Other	$ 1,472
Other assets:			
Other	4,034		
Total	$ 8,810		

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:	
Other	$ 8,180	Other	$ 6,353
Other assets:			
Other	7,551		
Total	$ 15,731		

The following table presents how changes in the fair value of commodity derivative instruments increased (decreased) line items on our consolidated financial statements for the years ended December 31, 2012 and 2011.

	Year Ended December 31, 2012		Year Ended December 31, 2011	
Location	Net Gain Recognized	Net Loss Recognized	Net Gain Recognized	Net Loss Recognized
	(In Thousands)			
Revenues	$ 6,200	$ —	$ 1,569	$ —
Regulatory assets	(374)	—	—	374
Regulatory liabilities	—	(1,790)	—	(1,623)

As of December 31, 2012 and 2011, we had under contract the following commodity derivatives.

		Net Quantity as of	
	Unit of Measure	December 31, 2012	December 31, 2011
Electricity	MWh	1,955,497	1,834,253
Natural Gas	MMBtu	1,674,000	1,467,500

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 and diesel 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 from 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 certain of our debt ratings. If such 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, 2012 and 2011, was $0.8 million and $3.1 million, respectively, for which we had posted no collateral as of either date, including independent amounts. If all credit-risk-related contingent features underlying these agreements had been triggered as of December 31, 2012 and 2011, we would have been required to provide to our counterparties $0.1 million and $0.5 million, respectively, of additional collateral after taking into consideration the offsetting impact of derivative assets and net accounts receivable.

5. FINANCIAL INVESTMENTS

We report 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 which we classify as trading securities in a trust used to fund certain retirement benefit obligations of $30.0 million and $29.4 million as of December 31, 2012 and 2011, respectively. For additional information on our benefit obligations, see Note 11, "Employee Benefit Plans."

As of December 31, 2012 and 2011, we measured the fair value of trust assets at $43.5 million and $40.2 million, respectively. We include unrealized gains or losses on these securities in investment earnings on our consolidated statements of income. For the years ended December 31, 2012, 2011 and 2010, we recorded unrealized gains of $4.1 million, $0.3 million and $4.3 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, 2012 and 2011. As of December 31, 2012, the fair value of available-for-sale debt securities in the core, high-yield and emerging market bond funds was $43.6 million. As of December 31, 2012, the NDT did not have investments in debt securities outside of investment funds.

Using the specific identification method to determine cost, we realized gains on our available-for-sale securities of $0.6 million in 2012, $1.3 million in 2011 and $13.2 million in 2010. 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, 2012 and 2011.

Security Type	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value	Allocation
	(Dollars In Thousands)				
As of December 31, 2012					
Domestic equity	$ 53,598	$ 7,458	$ —	$ 61,056	41%
International equity	28,248	1,793	—	30,041	20%
Core bonds	27,309	1,041	—	28,350	19%
High-yield bonds	8,022	760	—	8,782	6%
Emerging market bonds	6,080	348	—	6,428	4%
Combination debt/equity fund	8,074	120	—	8,194	5%
Real estate securities	9,981	—	(2,116)	7,865	5%
Cash equivalents	38	—	—	38	<1%
Total	$ 141,350	$ 11,520	$ (2,116)	$ 150,754	100%
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%

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, 2012 and 2011.

	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, 2012						
Real estate securities	$ —	$ —	$ 7,865	$ (2,116)	$ 7,865	$ (2,116)
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)

6. PROPERTY, PLANT AND EQUIPMENT

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

	As of December 31, 2012	2011
	(In Thousands)	
Electric plant in service	$ 9,389,192	$ 8,703,278
Electric plant acquisition adjustment	802,318	802,318
Accumulated depreciation	(3,791,545)	(3,703,372)
	6,399,965	5,802,224
Construction work in progress	532,332	534,003
Nuclear fuel, net	81,468	75,695
Net property, plant and equipment	$ 7,013,765	$ 6,411,922

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

	As of December 31, 2012	2011
	(In Thousands)	
Electric plant of VIEs	$ 543,548	$ 543,548
Accumulated depreciation of VIEs	(221,573)	(210,054)
Net property, plant and equipment of VIEs	$ 321,975	$ 333,494

We revised our depreciation rates to reflect changes in the estimated useful lives of some of our assets. We recorded depreciation expense on property, plant and equipment of $247.8 million in 2012, $262.6 million in 2011 and $249.2 million in 2010. Approximately $9.8 million, $9.8 million and $9.7 million of depreciation expense in 2012, 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, 2012, 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	$ 331,964	$ 156,722	$ 185,875	368	50
JEC unit 1 (a)	July 1978	528,478	196,511	80,217	661	92
JEC unit 2 (a)	May 1980	498,929	182,444	121	658	92
JEC unit 3 (a)	May 1983	703,393	282,481	1,000	664	92
Wolf Creek (b)	Sept. 1985	1,524,831	756,218	99,357	547	47
State Line (c)	June 2001	114,093	49,099	34	201	40
Total		$ 3,701,688	$ 1,623,475	$ 366,604	3,099	

(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 fuel expense for the above plants is generally based on the amount of power we take from the respective 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 $180.2 million as of December 31, 2012. 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

In 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 temporarily fund capital expenditures, to repay borrowings under Westar Energy's revolving credit facilities, for working capital and/or for other general corporate purposes. As of December 31, 2012, Westar Energy had issued $339.2 million of commercial paper. Westar Energy had no commercial paper outstanding as of December 31, 2011.

In September 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 in September 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, 2012, no amounts had been borrowed and $13.8 million of letters of credit had been issued under this revolving credit facility. 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.

In February 2011, Westar Energy entered into a revolving credit facility with a syndicate of banks for $270.0 million. In February 2013, Westar Energy extended this facility by one year. This facility now terminates in February 2016. As long as there is no default under the facility, Westar Energy may extend the facility one additional year 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, 2012 and 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 0.46% and 1.49% as of December 31, 2012 and 2011, respectively. Additional information regarding our short-term debt is as follows.

	As of December 31,	
	2012	2011
	(Dollars in Thousands)	
Weighted average short-term debt outstanding during the year	$ 298,907	$ 362,946
Weighted daily average interest rates during the year, excluding fees	0.55%	0.82%

Our interest expense on short-term debt was $3.2 million in 2012, $3.9 million in 2011 and $1.9 million in 2010.

9. LONG-TERM DEBT

Outstanding Debt

The following table summarizes our long-term debt outstanding.

	As of December 31,	
	2012	2011
	(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
8.625% due 2018	300,000	300,000
4.125% due 2042	550,000	—
	1,750,000	1,350,000
Pollution control bond series:		
Variable due 2032, 0.32% as of December 31, 2012; 0.22% as of December 31, 2011	45,000	45,000
Variable due 2032, 0.26% as of December 31, 2012; 0.24% as of December 31, 2011	30,500	30,500
5.00% due 2033	—	57,245
	75,500	132,745
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
Variable due 2027, 0.26% as of December 31, 2012; 0.28% as of December 31, 2011	21,940	21,940
5.30% due 2031	108,600	108,600
5.30% due 2031	18,900	18,900
Variable due 2032, 0.26% as of December 31, 2012; 0.28% as of December 31, 2011	14,500	14,500
Variable due 2032, 0.26% as of December 31, 2012; 0.28% as of December 31, 2011	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
	373,940	387,258
Total long-term debt	2,824,440	2,495,003
Unamortized debt discount (a)	(5,169)	(3,894)
Long-term debt due within one year	—	—
Long-term debt, net	$ 2,819,271	$ 2,491,109
Variable Interest Entities		
7.77% due 2012 (b)	$ —	$ 2,583
6.99% due 2014 (b)	866	2,094
5.92 % due 2019 (b)	17,630	22,748
5.647% due 2021 (b)	229,128	248,313
Total long-term debt of variable interest entities	247,624	275,738
Unamortized debt premium (a)	1,061	1,659
Long-term debt of variable interest entities due within one year	(25,942)	(28,114)
Long-term debt of variable interest entities, net	$ 222,743	$ 249,283

(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, 2012, approximately $830.0 million 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, 2012, approximately $870.0 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, 2012, we had $121.9 million of variable rate, tax-exempt bonds. While the interest rates for these bonds have been extremely low, we continue to monitor the credit markets and evaluate our options with respect to these bonds.

In May 2012, Westar Energy issued $300.0 million principal amount of first mortgage bonds at a discount yielding 4.157%, bearing stated interest at 4.125% and maturing in March 2042. These bonds constitute a further issuance of a series of bonds initially issued in March 2012 in the principal amount of $250.0 million, at a discount yielding 4.13%, bearing stated interest at 4.125% and maturing in March 2042. Proceeds from these issuances of $541.4 million were used to repay short-term debt, which was used to purchase capital equipment, to redeem bonds, and for working capital and general corporate purposes.

In May 2012, Westar Energy redeemed $150.0 million aggregate principal amount of 6.10% first mortgage bonds. Additionally, in March 2012 Westar Energy redeemed $57.2 million aggregate principal amount of 5.00% pollution control bonds and KGE redeemed $13.3 million aggregate principal amount of 5.10% pollution control bonds. The bonds were redeemed using short-term debt.

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 and they are used to determine compliance with our various debt covenants. We were in compliance with these covenants as of December 31, 2012.

Maturities

The principal amounts of our long-term debt maturities as of December 31, 2012, are as follows.

Year	Long-term debt	Long-term debt of VIEs
	(In Thousands)	
2013	$ —	$ 25,942
2014	250,000	27,479
2015	—	27,933
2016	—	28,309
2017	125,000	26,842
Thereafter	2,449,440	111,119
Total maturities	$ 2,824,440	$ 247,624

Interest expense on long-term debt was $145.6 million in 2012, $142.6 million in 2011 and $144.1 million in 2010. Interest expense on long-term debt of VIEs was $15.1 million in 2012, $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, 2012	2011	2010
	(In Thousands)		
Income Tax Expense (Benefit):			
Current income taxes:			
Federal	$ (691)	$ (8,575)	$ (32,107)
State	579	196	(3,030)
Deferred income taxes:			
Federal	102,960	93,089	102,568
State	26,300	21,337	20,305
Investment tax credit amortization	(3,012)	(2,703)	(2,704)
Income tax expense	$ 126,136	$ 103,344	$ 85,032

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

	As of December 31, 2012	2011
	(In Thousands)	
Other current liabilities (assets)	$ 8,654	$ (394)
Non-current deferred tax liabilities	1,197,837	1,110,463
Deferred tax liabilities	$ 1,206,491	$ 1,110,069

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,	
	2012	2011
	(In Thousands)	
Deferred tax assets:		
Tax credit carryforward (a)	$ 199,160	$ 159,163
Deferred employee benefit costs	191,997	202,687
Net operating loss carryforward (b)	111,869	84,365
Deferred state income taxes	55,577	42,209
Deferred regulatory gain on sale-leaseback	40,543	42,962
Alternative minimum tax carryforward (c)	36,471	36,471
Deferred compensation	28,319	28,286
Accrued liabilities	15,969	16,912
Disallowed costs	12,083	12,717
Capital loss carryforward (d)	11,509	12,554
Other	20,897	13,031
Total gross deferred tax assets	724,394	651,357
Less: Valuation allowance (e)	13,812	13,712
Deferred tax assets	$ 710,582	$ 637,645
Deferred tax liabilities:		
Accelerated depreciation	$ 1,255,892	$ 1,088,727
Deferred employee benefit costs	191,997	202,687
Acquisition premium	179,920	187,934
Amounts due from customers for future income taxes, net	169,091	168,804
Deferred state income taxes	50,134	39,512
Pension expense tracker	22,437	14,600
Debt reacquisition costs	22,313	21,683
Storm costs	4,373	10,176
Other	20,916	13,591
Total deferred tax liabilities	$ 1,917,073	$ 1,747,714
Net deferred tax liabilities	$ 1,206,491	$ 1,110,069

(a) Based on filed tax returns and amounts expected to be reported in current year tax returns (December 31, 2012), we had available federal general business tax credits of $39.3 million and state investment tax credits of $159.8 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 2032. The state investment tax credits expire beginning in 2013 and ending in 2028. As we do not expect to realize sufficient state taxable income in 2013, a valuation allowance of $1.3 million has been established for the state investment tax credits that expire in 2013 (see item (e) below).

(b) As of December 31, 2012, we had a federal net operating loss carryforward of $276.9 million, which is available to offset federal taxable income. The net operating losses will expire beginning in 2030 and ending in 2032.

(c) As of December 31, 2012, we had available an alternative minimum tax credit carryforward of $36.5 million, which has an unlimited carryforward period.

(d) As of December 31, 2012, we had an unused capital loss carryforward of $29.1 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 $11.5 million. In addition, we have established a valuation allowance of $2.3 million for certain deferred tax assets related to the write-down of other investments and state investment tax credits. The total valuation allowance related to the deferred tax assets was $13.8 million as of December 31, 2012, and $13.7 million as of December 31, 2011.

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.

	Year Ended December 31,		
	2012	2011	2010
Statutory federal income tax rate	35.0%	35.0%	35.0%
Effect of:			
Corporate-owned life insurance policies	(4.9)	(4.5)	(6.1)
State income taxes	4.3	4.1	3.8
Production tax credits	(2.4)	(2.9)	(3.4)
Flow through depreciation for plant-related differences	1.4	1.8	2.6
AFUDC equity	(1.0)	(0.6)	(0.4)
Amortization of federal investment tax credits	(0.7)	(0.8)	(0.9)
Capital loss utilization	(0.3)	(0.5)	(0.7)
Liability for unrecognized income tax benefits	0.2	—	(0.2)
Other	(0.7)	(1.2)	(0.7)
Effective income tax rate	30.9%	30.4%	29.0%

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 May 2012, the IRS commenced an examination of our 2010 federal income tax return and the amended federal income tax returns we filed for years 2007, 2008 and 2009. The examination was completed in January 2013 and resulted in a refund which is subject to formal review and approval by the IRS and the Joint Committee on Taxation of the U.S. Congress. The examination results will not have a significant impact on our consolidated statements of income or cash flows. We believe that it is reasonably possible that the administrative reviews will be completed in 2013.

The liability for unrecognized income tax benefits decreased from $2.5 million at December 31, 2011, to $1.2 million at December 31, 2012. The net decrease in the liability for unrecognized income tax benefits resulted from the reversal of a liability for unrecognized income tax benefits related to the capitalization of plant expenditures. The reversal was based on additional IRS guidance regarding deduction and capitalization of expenditures related to tangible property. 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:

	2012	2011	2010
		(In Thousands)	
Liability for unrecognized income tax benefits as of January 1	$ 2,483	$ 1,888	$ 8,357
Additions based on tax positions related to the current year	373	967	608
Additions for tax positions of prior years	—	939	2,323
Reductions for tax positions of prior years	(1,637)	(563)	(1,241)
Settlements	—	(748)	(8,159)
Liability for unrecognized income tax benefits as of December 31	$ 1,219	$ 2,483	$ 1,888

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 $0.3 million, $0.2 million and $1.0 million as of December 31, 2012, 2011 and 2010, respectively. The amounts of unrecognized income tax benefits that, if recognized, would favorably impact our effective income tax rate, were $2.0 million, $1.2 million and $1.3 million (net of tax) as of December 31, 2012, 2011 and 2010, respectively.

Interest related to income tax uncertainties is classified as interest expense and accrued interest liability. During 2011 and 2010, we reversed interest expense previously recorded for income tax uncertainties of $0.2 million and $1.0 million, respectively. As of December 31, 2012 and 2011, we had $0.2 million accrued for interest on our liability related to unrecognized income tax benefits. We accrued no penalties at either December 31, 2012, or December 31, 2011.

As of December 31, 2012 and 2011, we had recorded $1.5 million 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.

The amount we contribute to our pension plan for future periods is not yet known, however, we expect to fund our pension plan each year at least to a level equal to 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 2012	Pension Benefits 2011	Post-retirement Benefits 2012	Post-retirement Benefits 2011
	(In Thousands)			
Change in Benefit Obligation:				
Benefit obligation, beginning of year	$ 876,308	$ 747,460	$ 150,078	$ 137,759
Service cost	19,556	16,076	2,057	1,803
Interest cost	39,576	40,045	6,298	6,793
Plan participants' contributions	—	—	2,987	3,390
Benefits paid (a)	(60,229)	(31,107)	(9,799)	(10,114)
Actuarial losses (gains)	53,497	94,161	943	5,246
Amendments	—	—	—	4,451
Other (b)	—	9,673	—	750
Benefit obligation, end of year (c)	$ 928,708	$ 876,308	$ 152,564	$ 150,078
Change in Plan Assets:				
Fair value of plan assets, beginning of year	$ 481,077	$ 432,233	$ 91,858	$ 86,984
Actual return on plan assets	67,328	27,819	10,673	(174)
Employer contributions	56,700	50,000	10,803	10,793
Plan participants' contributions	—	—	2,845	3,244
Benefits paid (a)	(57,174)	(28,975)	(9,386)	(9,739)
Other (b)	—	—	—	750
Fair value of plan assets, end of year	$ 547,931	$ 481,077	$ 106,793	$ 91,858
Funded status, end of year	$ (380,777)	$ (395,231)	$ (45,771)	$ (58,220)
Amounts Recognized in the Balance Sheets Consist of:				
Current liability	$ (2,870)	$ (2,741)	$ (298)	$ (115)
Noncurrent liability	(377,907)	(392,490)	(45,473)	(58,105)
Net amount recognized	$ (380,777)	$ (395,231)	$ (45,771)	$ (58,220)
Amounts Recognized in Regulatory Assets Consist of:				
Net actuarial loss	$ 383,365	$ 397,691	$ 12,436	$ 18,178
Prior service cost	3,994	4,606	16,467	18,991
Transition obligation	—	—	325	4,236
Net amount recognized	$ 387,359	$ 402,297	$ 29,228	$ 41,405

(a) In 2012 certain former employees received a one-time lump sum payment of their pension benefits totaling $26.1 million.
(b) As of December 31, 2011, 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.
(c) As of December 31, 2012 and 2011, pension benefits include non-qualified benefit obligations of $30.0 million and $29.4 million, respectively, which are funded by a trust containing assets of $43.5 million and $40.2 million, respectively, classified as trading securities as discussed in Notes 4 and 5, "Financial and Derivative Instruments, Trading Securities, Energy marketing and Risk Management" and "Financial Investments," respectively.

As of December 31,	Pension Benefits 2012	Pension Benefits 2011	Post-retirement Benefits 2012	Post-retirement Benefits 2011
	(Dollars in Thousands)			
Pension Plans With a Projected Benefit Obligation In Excess of Plan Assets:				
Projected benefit obligation	$ 928,708	$ 876,308	$ —	$ —
Fair value of plan assets	547,931	481,077	—	—
Pension Plans With an Accumulated Benefit Obligation In Excess of Plan Assets:				
Accumulated benefit obligation	$ 806,888	$ 750,263	—	—
Fair value of plan assets	547,931	481,077	—	—
Post-retirement Plans With an Accumulated Post-retirement Benefit Obligation In Excess of Plan Assets:				
Accumulated post-retirement benefit obligation	—	—	$ 152,564	$ 150,078
Fair value of plan assets	—	—	106,793	91,858
Weighted-Average Actuarial Assumptions used to Determine Net Periodic Benefit Obligation:				
Discount rate	4.13%	4.50%	3.99%	4.25%
Compensation rate increase	4.00%	4.00%	—	—

We use a measurement date of December 31 for our pension and post-retirement benefit plans. The discount rate used to determine the current year pension obligation and the following year's pension expense is based on a bond selection-settlement portfolio approach. This approach develops a discount rate by selecting a portfolio of high quality, non-callable corporate bonds that generate sufficient cash flow to provide for the projected benefit payments of the plan. After the bond portfolio is selected, a single interest rate is determined that equates the present value of the plan's projected benefit payments discounted at this rate with the market value of the bonds selected.

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. The KCC allows us to us to record 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 accumulate such regulatory asset or liability between general rate reviews and amortize the accumulated amount as part of resetting our base prices. Following is additional information regarding our pension and post-retirement benefit plans.

	Pension Benefits			Post-retirement Benefits		
Year Ended December 31,	2012	2011	2010	2012	2011	2010
	(Dollars in Thousands)					
Components of Net Periodic Cost (Benefit):						
Service cost	$ 19,556	$ 16,076	$ 13,926	$ 2,057	$ 1,803	$ 1,526
Interest cost	39,576	40,045	39,391	6,298	6,793	7,083
Expected return on plan assets	(32,283)	(31,087)	(38,384)	(5,491)	(5,002)	(5,197)
Amortization of unrecognized:						
Transition obligation, net	—	—	—	3,912	3,911	3,912
Prior service costs	612	1,213	2,729	2,524	2,524	2,154
Actuarial loss/(gain), net	32,778	23,659	17,183	1,503	702	321
Net periodic cost before regulatory adjustment	60,239	49,906	34,845	10,803	10,731	9,799
Regulatory adjustment (a)	(6,523)	(22,098)	(12,167)	23	1,344	1,868
Net periodic cost	$ 53,716	$ 27,808	$ 22,678	$ 10,826	$ 12,075	$ 11,667
Other Changes in Plan Assets and Benefit Obligations Recognized in Regulatory Assets:						
Current year actuarial (gain)/loss	$ 18,451	$ 97,429	$ 65,690	$ (4,239)	$ 10,421	$ 3,298
Amortization of actuarial (loss)/gain	(32,778)	(23,659)	(17,183)	(1,503)	(702)	(321)
Current year prior service cost	—	—	676	—	4,451	—
Amortization of prior service costs	(612)	(1,213)	(2,729)	(2,524)	(2,524)	(2,154)
Amortization of transition obligation	—	—	—	(3,912)	(3,911)	(3,912)
Total recognized in regulatory assets	$ (14,939)	$ 72,557	$ 46,454	$ (12,178)	$ 7,735	$ (3,089)
Total recognized in net periodic cost and regulatory assets	$ 38,777	$ 100,365	$ 69,132	$ (1,352)	$ 19,810	$ 8,578
Weighted-Average Actuarial Assumptions used to Determine Net Periodic Cost (Benefit):						
Discount rate	4.50%	5.35%	5.95%	4.25%	5.00%	5.65%
Expected long-term return on plan assets	6.50%	6.50%	8.25%	6.00%	6.00%	7.75%
Compensation rate increase	4.00%	4.00%	4.00%	—	—	—

(a) The regulatory adjustment represents the difference between current period pension or post-retirement benefit expense and the amount of such expense recognized in setting our prices.

We estimate that we will amortize the following amounts from regulatory assets into net periodic cost in 2013.

	Pension Benefits	Post-retirement Benefits
	(In Thousands)	
Actuarial loss	$ 33,914	$ 1,125
Prior service cost	601	2,524
Transition obligation	—	325
Total	$ 34,515	$ 3,974

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.

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

	As of December 31,	
	2012	2011
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	2019	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	$ 67	$ (64)
Effect on post-retirement benefit obligation	1,489	(1,384)

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, to reduce concentration of risk, the pension plan will not invest in any fund that holds more than 25% of its total assets to be invested in the securities of one or more issuers conducting their principal business activities in the same industry. This restriction does not apply to investments in securities issued or guaranteed by the U.S. government or its agencies.

The target allocations for our pension plan assets are about 44% to debt securities, 42% to equity 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-stage 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 $35.6 million as of December 31, 2012, invested directly in long-term U.S. Treasury securities. We also maintain certain level 3 investments in private equity, 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, 2012 and 2011.

As of December 31, 2012	Level 1	Level 2	Level 3	Total
	(In Thousands)			
Assets:				
Domestic equity	$ —	$ 129,501	$ 18,493	$ 147,994
International equity	—	67,743	—	67,743
Core bonds	—	178,784	—	178,784
High-yield bonds	—	19,070	—	19,070
Emerging market bonds	—	14,276	—	14,276
Combination debt/equity fund	—	50,750	—	50,750
Real estate securities	—	—	20,927	20,927
Alternative funds	—	—	45,535	45,535
Cash equivalents	—	2,852	—	2,852
Total Assets Measured at Fair Value	$ —	$ 462,976	$ 84,955	$ 547,931
As of December 31, 2011				
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

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, 2012 and 2011.

	Domestic Equity	High-yield Bonds	Real Estate Securities	Alternative Funds	Total
	(In Thousands)				
Balance as of December 31, 2011	$ 15,375	$ —	$ 18,848	$ 40,716	$ 74,939
Actual gain (loss) on plan assets:					
Relating to assets still held at the reporting date	(25)	—	2,296	4,819	7,090
Relating to assets sold during the period	53	—	(27)	—	26
Purchases, issuances and settlements, net	3,090	—	(190)	—	2,900
Balance as of December 31, 2012	$ 18,493	$ —	$ 20,927	$ 45,535	$ 84,955
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

The following table provides the fair value of our post-retirement benefit plan assets and the corresponding level of hierarchy as of December 31, 2012 and 2011.

As of December 31, 2012	Level 1	Level 2	Level 3	Total
	(In Thousands)			
Assets:				
Domestic equity	$ —	$ 55,441	$ —	$ 55,441
International equity	—	14,037	—	14,037
Core bonds	—	36,738	—	36,738
Cash equivalents	—	577	—	577
Total Assets Measured at Fair Value	$ —	$ 106,793	$ —	$ 106,793
As of December 31, 2011				
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

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	(From) Company Assets	To/(From) Trust	(From) Company Assets
	(In Millions)			
Expected contributions:				
2013	$ 30.0		$ 6.0	
Expected benefit payments:				
2013	$ (31.3)	$ (2.9)	$ (7.9)	$ (0.3)
2014	(33.3)	(2.8)	(8.3)	(0.3)
2015	(35.3)	(2.8)	(8.8)	(0.3)
2016	(38.0)	(2.8)	(9.1)	(0.3)
2017	(41.1)	(2.8)	(9.5)	(0.3)
2018 - 2022	(247.1)	(13.0)	(49.6)	(1.2)

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 $7.1 million in 2012, $7.0 million in 2011 and $7.4 million in 2010.

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. In May 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, 2012, awards of approximately 4.8 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,		
	2012	2011	2010
		(In Thousands)	
Compensation expense	$ 7,203	$ 8,367	$ 11,321
Income tax benefits related to stock-based compensation arrangements	2,849	3,309	4,481

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 former chief executive officer that were subject to forfeiture were modified to provide for the vesting upon his retirement in July 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 former 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 in 2011 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 2012 valuation, inputs for expected volatility ranged from 17.6% to 33.6% and the risk-free interest rate was approximately 0.4%. 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 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, 2012, 2011 and 2010, our RSU activity for awards with only service requirements was as follows:

	As of December 31,					
	2012		2011		2010	
	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....	368.5	$ 23.83	600.4	$ 21.50	368.8	$ 21.98
Granted	131.0	27.82	284.1	26.30	366.4	22.14
Vested..	(127.8)	23.34	(187.3)	23.50	(118.1)	24.81
Forfeited..	(20.6)	24.40	(328.7)	24.37	(16.7)	22.32
Nonvested balance, end of year.............	351.1	25.47	368.5	23.83	600.4	21.50

Total unrecognized compensation cost related to RSU awards with only service requirements was $4.2 million as of December 31, 2012. We expect to recognize these costs over a remaining weighted-average period of 1.7 years. The total fair value of RSUs with only service requirements that vested during the years ended December 31, 2012, 2011 and 2010, was $3.7 million, $4.8 million and $2.7 million, respectively.

During the years ended December 31, 2012, 2011 and 2010, our RSU activity for awards with performance measures was as follows:

	As of December 31,					
	2012		2011		2010	
	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....	324.2	$ 28.31	348.4	$ 24.98	—	$ —
Granted	122.3	28.84	244.4	31.26	366.0	24.96
Vested..	(88.2)	25.46	(119.5)	24.12	(4.5)	23.32
Forfeited..	(18.2)	29.00	(149.1)	28.72	(13.1)	24.99
Nonvested balance, end of year.............	340.1	29.20	324.2	28.31	348.4	24.98

As of December 31, 2012 and 2011, total unrecognized compensation cost related to RSU awards with performance measures was $3.5 million and $3.3 million, respectively. 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 years ended December 31, 2012 and 2011, was $3.6 million. No performance RSUs vested in 2010.

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 666 shares of common stock for dividends in 2012, 4,757 shares in 2011 and 6,627 shares in 2010. Participants received common stock distributions of 1,461 shares in 2012, 67,426 shares in 2011 and 1,198 shares in 2010.

Income tax benefits resulting from 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.

	Pension Benefits		Post-retirement Benefits	
As of December 31,	2012	2011	2012	2011
	(In Thousands)			
Change in Benefit Obligation:				
Benefit obligation, beginning of year	$ 161,396	$ 131,460	$ 10,129	$ 10,144
Service cost	6,062	4,957	191	165
Interest cost	7,537	7,370	411	458
Plan participants' contributions	—	—	608	614
Benefits paid (a)	(8,569)	(3,033)	(988)	(979)
Actuarial losses (gains)	9,815	20,642	669	(360)
Amendments	650	—	—	—
Other (b)	—	—	—	87
Benefit obligation, end of year	$ 176,891	$ 161,396	$ 11,020	$ 10,129
Change in Plan Assets:				
Fair value of plan assets, beginning of year	$ 80,727	$ 76,086	$ 4	$ —
Actual return on plan assets	11,764	(2,578)	—	—
Employer contributions	13,887	10,009	389	369
Plan participants' contributions	—	—	608	614
Benefits paid	(8,327)	(2,790)	(988)	(979)
Fair value of plan assets, end of year	$ 98,051	$ 80,727	$ 13	$ 4
Funded status, end of year	$ (78,840)	$ (80,669)	$ (11,007)	$ (10,125)
Amounts Recognized in the Balance Sheets Consist of:				
Current liability	$ (243)	$ (243)	$ (625)	$ (609)
Noncurrent liability	(78,597)	(80,426)	(10,382)	(9,516)
Net amount recognized	$ (78,840)	$ (80,669)	$ (11,007)	$ (10,125)
Amounts Recognized in Regulatory Assets Consist of:				
Net actuarial loss	$ 64,535	$ 65,273	$ 3,643	$ 3,208
Prior service cost	675	31	—	—
Transition obligation	—	—	1	58
Net amount recognized	$ 65,210	$ 65,304	$ 3,644	$ 3,266

(a) In 2012 certain former employees received a one-time lump sum payment of their pension benefits. Our share of the payment totaled $4.9 million.
(b) Includes proceeds received as a result of the Early Retiree Reinsurance Program.

As of December 31,	Pension Benefits 2012	Pension Benefits 2011	Post-retirement Benefits 2012	Post-retirement Benefits 2011
	(Dollars in Thousands)			
Pension Plans With a Projected Benefit Obligation In Excess of Plan Assets:				
Projected benefit obligation	$ 176,891	$ 161,396	$ —	$ —
Fair value of plan assets	98,051	80,727	—	—
Pension Plans With an Accumulated Benefit Obligation In Excess of Plan Assets:				
Accumulated benefit obligation	$ 141,722	$ 128,633	$ —	$ —
Fair value of plan assets	98,051	80,727	—	—
Post-retirement Plans With an Accumulated Post-retirement Benefit Obligation In Excess of Plan Assets:				
Accumulated post-retirement benefit obligation	$ —	$ —	$ 11,020	$ 10,129
Fair value of plan assets	—	—	13	4
Weighted-Average Actuarial Assumptions used to Determine Net Periodic Benefit Obligation:				
Discount rate	4.16%	4.55%	3.78%	4.10%
Compensation rate increase	4.00%	4.00%	—	—

Wolf Creek uses a measurement date of December 31 for its pension and post-retirement benefit plans. The discount rate used to determine the current year pension obligation and the following year's pension expense is based on a bond selection-settlement portfolio approach. This approach develops a discount rate by selecting a portfolio of high quality, non-callable corporate bonds that generate sufficient cash flow to provide for the projected benefit payments of the plan. After the bond portfolio is selected, a single interest rate is determined that equates the present value of the plan's projected benefit payments discounted at this rate with the market value of the bonds selected.

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,	2012	2011	2010	2012	2011	2010
			(Dollars in Thousands)			
Components of Net Periodic Cost (Benefit):						
Service cost	$ 6,062	$ 4,957	$ 4,144	$ 191	$ 165	$ 179
Interest cost	7,537	7,370	6,941	411	458	519
Expected return on plan assets	(6,577)	(5,904)	(5,453)	—	—	—
Amortization of unrecognized:						
Transition obligation, net	—	52	57	57	58	58
Prior service costs	6	16	29	—	—	—
Actuarial loss, net	5,366	3,586	2,636	234	227	276
Net periodic cost before regulatory adjustment	12,394	10,077	8,354	893	908	1,032
Regulatory adjustment (a)	(1,776)	(2,546)	(1,498)	—	—	—
Net periodic cost	$ 10,618	$ 7,531	$ 6,856	$ 893	$ 908	$ 1,032
Other Changes in Plan Assets and Benefit Obligations Recognized in Regulatory Assets:						
Current year actuarial (gain)/loss	$ 4,629	$ 29,124	$ 7,514	$ 669	$ (360)	$ 363
Amortization of actuarial loss	(5,366)	(3,586)	(2,636)	(234)	(227)	(276)
Current year prior service cost	650	—	—	—	—	—
Amortization of prior service cost	(6)	(16)	(29)	—	—	—
Amortization of transition obligation	—	(52)	(57)	(57)	(58)	(58)
Total recognized in regulatory assets	$ (93)	$ 25,470	$ 4,792	$ 378	$ (645)	$ 29
Total recognized in net periodic cost and regulatory assets	$ 10,525	$ 33,001	$ 11,648	$ 1,271	$ 263	$ 1,061
Weighted-Average Actuarial Assumptions used to Determine Net Periodic Cost:						
Discount rate	4.55%	5.45%	6.05%	4.10%	4.90%	5.50%
Expected long-term return on plan assets	7.50%	7.50%	8.00%	—	—	—
Compensation rate increase	4.00%	4.00%	4.00%	—	—	—

(a) The regulatory adjustment represents the difference between current period pension or post-retirement benefit expense and the amount of such expense recognized in setting our prices.

We estimate that we will amortize the following amounts from regulatory assets into net periodic cost in 2013.

	Pension Benefits	Post-retirement Benefits
	(In Thousands)	
Actuarial loss	$ 5,421	$ 264
Prior service cost	58	—
Transition obligation	—	1
Total	$ 5,479	$ 265

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,	
	2012	2011
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	2019	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	$ (10)	$ 10
Effect on post-retirement benefit obligation	(129)	128

Plan Assets

In 2012 Wolf Creek changed its investment advisor resulting in the sale of its then existing levels 1, 2 and 3 investments and the purchase of other level 2 and 3 investments. Its pension and post-retirement plan investment strategy is to manage assets in a prudent manner with regard to preserving principal while providing reasonable returns. It has 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 its 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. Wolf Creek delegates the management of its 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 Wolf Creek, which include allowable and/or prohibited investment types. It measures and monitors investment risk on an ongoing basis through quarterly investment portfolio reviews and annual liability measurements.

The target allocations for Wolf Creek's pension plan assets are 31% to international equity securities, 25% to domestic equity securities, 25% to debt securities, 10% to real estate securities, 5% to commodity investments and 4% to other 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.

All of Wolf Creek's pension plan assets are recorded at fair value using daily net asset values as reported by the trustee. However, level 3 investments in real estate funds and alternative funds are invested in underlying investments that are illiquid and require significant judgment when measuring them at fair value using market- and income-based models. Significant unobservable inputs for underlying real estate investments include estimated market discount rates, projected cash flows and estimated value into perpetuity. Alternative funds invest in a wide range of investments typically with low correlations to traditional 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 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, 2012 and 2011.

As of December 31, 2012	Level 1	Level 2	Level 3	Total
		(In Thousands)		
Assets:				
Domestic equity	$ —	$ 24,305	$ —	$ 24,305
International equity	—	30,484	—	30,484
Core bonds	—	24,763	—	24,763
Real estate securities	—	4,972	4,541	9,513
Commodities	—	4,789	—	4,789
Alternative investments	—	—	3,900	3,900
Cash equivalents	—	297	—	297
Total Assets Measured at Fair Value	$ —	$ 89,610	$ 8,441	$ 98,051

As of December 31, 2011	Level 1	Level 2	Level 3	Total
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

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, 2012 and 2011.

	Real Estate Securities	Alternative Investments	Total
	(In Thousands)		
Balance as of December 31, 2011	$ 3,630	$ —	$ 3,630
Actual gain (loss) on plan assets:			
Relating to assets still held at the reporting date	(411)	23	(388)
Relating to assets sold during the period	755	—	755
Purchases, issuances and settlements, net	567	3,877	4,444
Balance as of December 31, 2012	$ 4,541	$ 3,900	$ 8,441
Balance as of December 31, 2010	$ 3,160	$ —	$ 3,160
Actual gain (loss) on plan assets:			
Relating to assets still held at the reporting date	500	—	500
Relating to assets sold during the period	2	—	2
Purchases, issuances and settlements, net	(32)	—	(32)
Balance as of December 31, 2011	$ 3,630	$ —	$ 3,630

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	(From) Company Assets	To/(From) Trust	(From) Company Assets
	(In Millions)			
Expected contributions:				
2013	$ 9.4		$ 0.6	
Expected benefit payments:				
2013	$ (3.7)	$ (0.2)	$ (0.6)	$ —
2014	(4.3)	(0.2)	(0.7)	—
2015	(5.0)	(0.2)	(0.7)	—
2016	(5.8)	(0.2)	(0.8)	—
2017	(6.7)	(0.2)	(0.8)	—
2018 - 2022	(46.9)	(0.9)	(4.5)	—

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 2012, $1.3 million in 2011 and $1.1 million in 2010.

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 and transmission, which are discussed below under "—Fuel, Purchased Power and Transmission Commitments," that had an unexpended balance of approximately $588.3 million as of December 31, 2012, of which $278.1 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, 2012, was as follows.

	Committed Amount
	(In Thousands)
2013	$ 159,546
2014	72,573
2015	29,271
Thereafter	16,727
Total amount committed	$ 278,117

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 emissions generated from our operations, including sulfur dioxide (SO_2), particulate matter (PM), nitrogen oxides (NOx), carbon monoxide (CO), mercury and acid gases.

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 the Environmental Protection Agency (EPA), we are required to install, operate 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 certain emissions considered harmful to public health and the environment, including PM, NOx, CO and SO_2, which result from fossil fuel 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. KDHE proposed to designate portions of the Kansas City area nonattainment for the eight-hour ozone standard, which has the potential to impact our operations. The EPA has not acted on KDHE's proposed designation of the Kansas City area and it is uncertain when, or if, such a designation might occur. The Wichita area also exceeded the eight-hour ozone standard and could be designated nonattainment in the future potentially impacting our operations.

In December 2012, the EPA strengthened an existing NAAQS for PM. The EPA anticipates making initial attainment/ nonattainment designations under this rule by the end of 2014. We are currently evaluating the rule, however, we cannot at this time predict the impact it may have on our operations or consolidated financial results, but it could be material.

In 2010, the EPA strengthened the NAAQS for both NOx and SO_2. We continue to communicate with our regulators regarding these standards and 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 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. We are not allowed to use the ECRR to collect cost associated with our approximately $610.0 million share of the projected capital investment associated with the $1.2 billion of environmental upgrades at La Cygne. We therefore must file for a general review of our rates or an abbreviated rate review with the KCC in order to collect these costs. As previously discussed, the KCC approved our request to file an abbreviated rate review within 12 months of the April 2012 order to update our prices to include capital costs related to environmental projects at La Cygne. 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 mercury, acid gases and other air toxics. In 2011, the EPA published Mercury and Air Toxics Standards for power plants, which replaces the prior federal Clean Air Mercury Rule and requires significant reductions in mercury, acid gases and other emissions. Companies impacted by the new standards will have up to three years, or four years with approval from a state environmental regulatory agency, and in certain limited circumstances up to five years, to comply. We have obtained approval from our state environmental regulatory agency and expect to be compliant with the new standards within four years. We continue to evaluate the new standards and believe that our related investment will be less than $16.0 million.

In mid 2011, the EPA finalized the Cross-State Air Pollution Rule (CSAPR) requiring 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 required to begin January 2012, with further reductions required beginning January 2014. The EPA also published a final supplemental rule to CSAPR later in 2011 requiring five states, including Missouri and Oklahoma, to make summertime reductions in NOx emissions beginning in May 2012. Although Kansas was included in the original proposed rule, the final supplemental rule instead called for the EPA to revisit Kansas' status once Kansas submitted an ozone state implementation plan. In August 2012, the U.S. Court of Appeals for the District of Columbia Circuit vacated CSAPR and remanded the rule to the EPA to promulgate a replacement. In October 2012, the EPA filed a petition with the court requesting a rehearing before the full court. In January 2013, the court issued orders declining to rehear the case. We cannot at this time predict how the EPA may proceed with rulemaking; however, based on our current and planned environmental controls, if the regulations were to be reinstated or replaced, either in part or in whole, we do not believe the impact on our operations and consolidated financial results would be material.

Greenhouse Gases

Under regulations 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 which impose recordkeeping and monitoring requirements and also mandate the implementation of best available control technology (BACT) for projects that cause a significant increase in GHG emissions (defined to be more than 75,000 tons or more per year or 100,000 tons or more per year, depending on various factors). 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 regulations on our operations and consolidated financial results, but we believe the cost of compliance with the regulations could be material.

Renewable Energy Standard

Kansas law mandates that we maintain a minimum amount of renewable energy sources. 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. In 2012, we began purchasing under 20-year supply contracts the renewable energy produced from approximately 370 MW of additional wind generation, which, together with existing facilities, supply contracts and renewable energy credits, 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.

EPA Consent Decree

As part of a 2010 settlement of a lawsuit filed by the Department of Justice on behalf of the EPA, we are installing selective catalytic reduction (SCR) equipment on one of three JEC coal units by the end of 2014, which we estimate will cost approximately $240.0 million. The settlement also required that we determine whether we needed to install additional SCR equipment on another JEC unit or if we can meet agreed upon plant-wide NOx emissions reduction limits using other controls. We have informed the EPA that we believe we can meet the terms of the settlement by installing less expensive NOx reduction equipment rather than additional SCR equipment. We plan to complete these projects in 2014 and recover the costs to install these systems through our ECRR, but such recovery remains subject to the approval of our regulators.

FERC Investigation

The Federal Energy Regulatory Commission (FERC) opened a non-public investigation of our use of transmission service between July 2006 and February 2008. 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 and that we received $14.3 million of unjust profits through such activities. Based on our response to these allegations, FERC staff substantially revised downward its preliminary conclusions to allege that we received $0.9 million of unjust profits and failed to pay $0.8 million to the SPP for transmission service. As of December 31, 2012 and 2011, we had recorded a liability of $1.6 million and $0.5 million, respectively, related to the potential settlement of this investigation and the risks of litigating this matter to a final outcome. We settled with FERC in January 2013 resulting in payments totaling $1.6 million.

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 2012, $3.2 million in 2011 and $3.1 million in 2010. We record our investment in the NDT fund at fair value, which approximated $150.8 million and $130.3 million as of December 31, 2012 and 2011, 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 $3.6 million in 2012, $3.1 million in 2011 and $4.0 million in 2010. 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. In August 2012, the court ordered the parties to report to it, no later than December 14, 2012 (later extended to January 4, 2013), whether Congress had provided funding for the NRC to proceed on the license application. By that date, Congress had not yet provided funding, and the parties filed their respective status reports and arguments on whether or not the court should order the NRC to resume its license review. The court has not yet acted on the pending request. 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 dispose 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 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, the owners of Wolf Creek may be subject to retrospective assessments under the current policies of approximately $30.2 million (our share is $14.2 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, Purchased Power and Transmission 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, 2012, our share of Wolf Creek's nuclear fuel commitments was approximately $42.2 million for uranium concentrates expiring in 2017, $6.3 million for conversion expiring in 2017, $106.3 million for enrichment expiring in 2025 and $36.0 million for fabrication expiring in 2023.

As of December 31, 2012, our coal and coal transportation contract commitments under the remaining terms of the contracts were approximately $648.2 million. The contracts are for plants that we operate and expire at various times through 2021.

As of December 31, 2012, our natural gas transportation contract commitments under the remaining terms of the contracts were approximately $129.0 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 four separate wind generation facilities with installed design capacities of 515 MW. The agreements expire in 2028 through 2032. Each of the 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 $68.2 million beginning in 2013.

We have acquired rights to transmit a total of 306 MW of power. Agreements providing transmission capacity for approximately 200 MW expire in 2016 while the remaining 106 MW expire in 2022. As of December 31, 2012, we are committed to spend approximately $34.3 million over the remaining terms of these agreements.

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, 2012	As of December 31, 2011
	(In Thousands)	
Beginning ARO	$ 142,508	$ 125,999
Liabilities settled	(1,389)	(1,027)
Accretion expense	8,454	7,623
Increase in nuclear decommissioning ARO liability	—	9,913
Revisions in estimated cash flows	3,075	—
Ending ARO	$ 152,648	$ 142,508

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 retirement obligation for the ash landfills 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, 2012 and 2011, we had $129.0 million and $82.3 million, respectively, in amounts collected, but not yet spent, for removal costs classified as a regulatory liability.

15. LEGAL PROCEEDINGS

In 2011, we reached agreements with two former executive officers settling all contractual obligations related to their previous employment. The agreements required us to make payments totaling approximately $57.0 million, pay approximately $8.4 million for their legal fees and expenses, and release deferred stock for compensation shares. We also reversed the remaining approximately $22.0 million of previously accrued liabilities in 2011, 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 effect 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

In May 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, 2012 and 2011, Westar Energy had issued 126.5 million shares and 125.7 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 2012, 2011 and 2010, Westar Energy issued 0.8 million shares, 0.8 million shares and 0.7 million shares, respectively, through the DSPP and other stock-based plans operated under the LTISA Plan. As of December 31, 2012 and 2011, a total of 1.5 million shares and 2.0 million shares, respectively, were available under the DSPP registration statement.

Issuances

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 18 months of the date each transaction is entered. In 2011 and 2010, Westar Energy entered into and settled forward sale transactions with respect to an aggregate of approximately 5.4 million shares of common stock for proceeds of approximately $118.3 million. During 2012, Westar Energy entered into additional forward sale transactions with respect to an aggregate of approximately 1.8 million shares of common stock. Assuming physical share settlement of these forward sale transactions as of December 31, 2012, Westar Energy would have received aggregate proceeds of approximately $48.1 million based on a forward price of $27.45 per share.

In November 2010, Westar Energy entered into a separate 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, increasing the total number of shares under the forward sale agreement to approximately 8.5 million shares. The underwriters received a commission equal to 3.5% of the sales price of all shares sold under the agreement. In November 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.

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

Preferred Stock Redemption

In May 2012, Westar Energy provided an irrevocable notice of redemption to holders of all of Westar Energy's preferred shares. Accordingly, we reduced preferred equity to zero, recognized the obligation to redeem the preferred shares as a liability and recognized the redemption premium as a preferred stock dividend. Payment was due to holders of the preferred shares effective July 1, 2012. The table below shows the redemption amounts for all series of preferred stock.

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

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 power 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,	
	2012	2011
	(In Thousands)	
Assets:		
Property, plant and equipment of variable interest entities, net	$ 321,975	$ 333,494
Regulatory assets (a)	5,810	4,915
Liabilities:		
Current maturities of long-term debt of variable interest entities	$ 25,942	$ 28,114
Accrued interest (b)	3,948	4,448
Long-term debt of variable interest entities, net	222,743	249,283

(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 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:	
2010	$ 15,464
2011	17,577
2012	17,080
Future commitments:	
2013	$ 14,453
2014	12,550
2015	10,142
2016	8,390
2017	6,694
Thereafter	18,049
Total future commitments	$ 70,278

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 three to five years.

In 2012, we signed an agreement to lease electrical facilities that connect a wind generating facility to the transmission system. The agreement extends through August 2032, at which time it may be extended or we may exercise an option to purchase the line. The terms of the agreement meet the criteria of a capital lease; therefore, we recorded an $8.3 million capital lease.

In 2011, FERC issued an order approving a power supply agreement. The agreement extends through May 2039 and the terms meet the criteria to be classified as a capital lease. Accordingly, we recorded a $40.0 million capital lease in 2011.

Assets recorded under capital leases, including the 2012 and 2011 leases described above presented as generation plant, are listed below.

	As of December 31, 2012	As of December 31, 2011
	(In Thousands)	
Vehicles	$ 12,594	$ 14,241
Computer equipment	1,423	1,720
Generation plant	48,346	40,048
Accumulated amortization	(6,928)	(6,485)
Total capital leases	$ 55,435	$ 49,524

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)
2013	$ 6,538
2014	6,363
2015	5,840
2016	5,087
2017	4,708
Thereafter	76,800
	105,336
Amounts representing imputed interest	(48,461)
Present value of net minimum lease payments under capital leases	56,875
Less: Current portion	3,066
Total long-term obligation under capital leases	$ 53,809

19. 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.

2012	First	Second	Third	Fourth
	(In Thousands, Except Per Share Amounts)			
Revenues (a)	$ 475,677	$ 566,262	$ 695,758	$ 523,772
Net income (a)	29,237	64,462	141,067	47,695
Net income attributable to common stock (a)	27,282	61,361	139,281	45,607
Per Share Data (a):				
Basic:				
Earnings available	$ 0.21	$ 0.48	$ 1.10	$ 0.36
Diluted:				
Earnings available	$ 0.21	$ 0.48	$ 1.09	$ 0.36
Cash dividend declared per common share	$ 0.33	$ 0.33	$ 0.33	$ 0.33
Market price per common share:				
High	$ 29.13	$ 30.17	$ 33.04	$ 30.29
Low	$ 27.12	$ 26.80	$ 28.96	$ 27.33

(a) 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.

2011	First	Second	Third	Fourth
	(In Thousands, Except Per Share Amounts)			
Revenues (a)	$ 481,720	$ 524,892	$ 678,152	$ 486,228
Net income (a)	32,957	45,525	136,392	21,306
Net income attributable to common stock (a)	31,342	43,887	134,708	19,335
Per Share Data (a):				
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) 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, 2013

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 12-31-2012	
Ratio Description	**Westar Ratio**
Total Debt to Total Capitalization	54.8 %
Funds from Operations Interest Coverage	4.9 X
Funds from Operations as a Percent of Total Debt	21.4 %

Westar Energy, Inc. Standalone

Summary of Westar Stand-Alone Financial Ratios for Fiscal Year Ending 12-31-2012 *	
Ratio Description	**Westar Ratio**
Total Debt to Total Capitalization	43.3 %
Funds from Operations Interest Coverage	5.5 X
Funds from Operations as a Percent of Total Debt	22.9 %

Kansas Gas and Electric Company Standalone

Summary of KGE Stand-Alone Financial Ratios for Fiscal Year Ending 12-31-2012 *	
Ratio Description	**Westar Ratio**
Total Debt to Total Capitalization	44.5 %
Funds from Operations Interest Coverage	5.0 X
Funds from Operations as a Percent of Total Debt	20.5 %

* 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.

Westar Energy.

PETER L. SUMNERS
Director, Law
and Assistant Corporate Secretary

May 29, 2013

Received
on

MAY 2 9 2013

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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pete.sumners@WestarEnergy.com