BEFORE 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
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

Respectfully submitted,

WESTAR ENERGY, INC.

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Dated at Topeka, Kansas, this 29th day of May, 2015.

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

Ringfencing Compliance Filing

May 31, 2015

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:

A copy of the most recent Westar Cost Allocation Manual was provided to the KCC as part of the Company's May, 2014 ringfencing compliance filing. The Manual provided in the 2014 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. There were no changes to the Cost Allocation Manual in 2014.

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:

Westar is not required to file a FERC Form No. 60.

Westar Energy, Inc. **Attachment B(1),(2)**

Ringfencing Compliance Filing

May 31, 2015

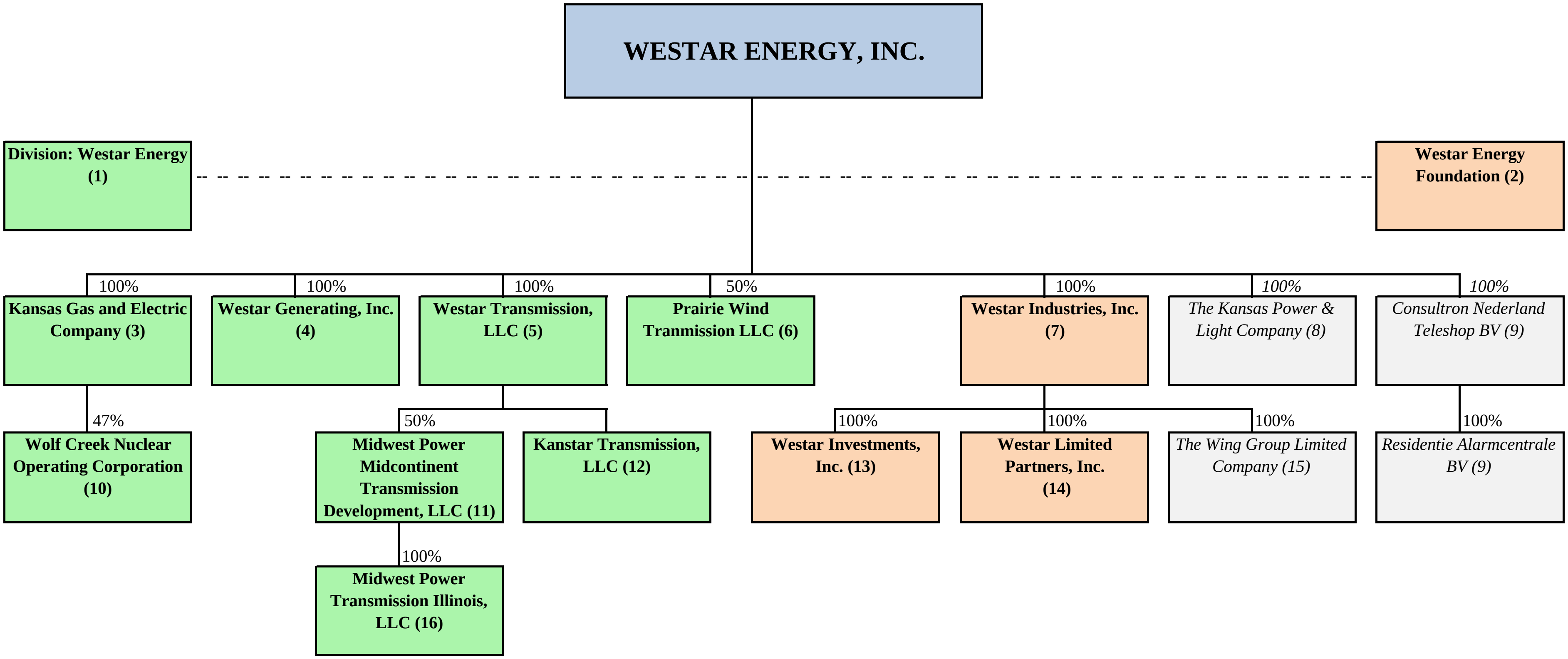
B. Each jurisdictional public utility shall provide annually by May 31st the following information using diagrams, schedules or narrative discussion as may be appropriate:

1. A complete, detailed organizational chart identifying each regulated utility and each associate company;
2. A detailed description of the activities and business conducted at each non-utility associate company;

Westar Compliance Filing Comments:

The required organizational chart is attached. Pursuant to the exception 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, the chart indicated the existence of such entities and describes their business activities generally (or states that they are inactive).

CORPORATE STRUCTURE
As of April 20, 2015



NOTES:

(1) Operating division. All employees are employees of Westar Energy, Inc.
(2) Kansas non-profit charitable foundation.
(3) Kansas corporation also known as KGE, KG&E and Westar Energy.
(4) Kansas corporation. Holds interest in State Line generating facility.
(5) Delaware LLC. Will hold interests in transmission subsidiaries & joint ventures.
(6) Delaware LLC & regulated transmission utility in Kansas.
(7) Delaware corporation. Holds unregulated businesses.
(8) Inactive Kansas corporation retained to hold corporate name.
(9) Inactive Netherlands corporations.
(10) Delaware corporation. Operates nuclear generating facility.
(11) Delaware LLC. Will be regulated utility for transmission project(s).
(12) Delaware LLC. Will be regulated utility for KS transmission project(s).
(13) Delaware corporation. Holds minor investments.
(14) Kansas corporation. Holds interests in affordable housing & other investments.
(15) Inactive Delaware corporation. Held interests in international power projects.
(16) Delaware LLC. Will be regulated utility for transmission project(s).

Color Key:

Parent Corporation
Regulated Operations, Subsidiaries & Joint Ventures
Unregulated Operations & Subsidiaries
Inactive Subsidiaries

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

Ringfencing Compliance Filing

May 31, 2015

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 directors and director 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
- 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.
Senior Vice President, Chief Financial Officer and Treasurer, Anthony D. Somma
Responsible for general supervision and management of the company's accounting, finance, investor relations, risk management and tax departments.
Senior Vice President, Operations Support and Administration, Jerl L. Banning
Responsible for operations support, human resources, technology and facilities
Senior Vice President, Generation and Marketing, John T. Bridson
Responsible for general supervision and management of the company's generation and power marketing activities.
Senior Vice President, Power Delivery, Bruce A. Akin
Responsible for general supervision and management of the company's transmission, substation and distribution plant and operations.
Senior Vice President, Strategy, Greg A. Greenwood
Responsible for general supervision and management of the company's strategic planning, major construction, customer care and regulatory affairs departments.
Vice President, Controller, Kevin L. Kongs
Responsible for supervision and day-to-day management of the company's accounting and tax departments.
Vice President, Corporate Communications and Public Affairs, Michel' P. Cole
Responsible for general supervision and management of the company's corporate communications, community affairs, and public and governmental affairs departments.
Vice President, Customer Care, Jeffrey L. Beasley
Responsible for supervision and day-to-day management of the company's customer care department.
Vice President, General Counsel, Corporate Secretary, Larry D. Irick
Responsible for supervision and day-to-day management of the company's legal and environmental departments.
Vice President, Regulatory Affairs, Jeffrey L. Martin
Responsible for supervision and day-to-day management of the company's regulatory affairs department.
Vice President, Transmission, Kelly B. Harrison
Responsible for supervision and day-to-day management of the company's transmission department.
Assistant Secretary, Jeffrey C. DeBruin
Responsible for support of the Vice President and General Counsel and various related legal functions.
Assistant Treasurer, Carolyn A. Starkey
Responsible for support of the Vice President and Treasurer and various related management and treasury functions.

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

Director:

Mark A. Ruelle, Chair

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 Secretary, Jeffrey C. DeBruin
Responsible for support of the Vice President and General Counsel and various related legal functions.
Assistant Treasurer, Carolyn A. Starkey
Responsible for support of the Vice President and Treasurer and certain finance and treasury functions.

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

Ringfencing Compliance Filing

May 31, 2015

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>

44 supplemental indentures

Parent

Westar Energy, Inc. (WEI)

<u>1940 Mortgage</u>

61 supplemental indentures

Subsidiary

Kansas Gas and Electric Company (KGE)

<u>Westar Energy, Inc. Mortgage</u>

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 WEI'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.

<u>Westar Energy, Inc. Credit Facilities</u>

WEI has two revolving credit facilities in the amounts of $730.0 million and $270.0 million. In September 2014, WEI extended the term of the $730.0 million facility by one year to terminate in September 2018, $81.4 million of which will expire in September 2017. In February 2014, WEI had extended the term of its $270.0 million credit facility to February 2017, $20.0 million of which was set to terminate in February 2016. In April 2015, the $20.0 million was extended to also terminate in February 2017. As long as there is no default under the facilities, the $730.0 million facility may be extended an additional two years and the aggregate amount of borrowings under the $730.0 million and $270.0 million facilities may be increased to $1.0 billion and $400.0 million, respectively, subject to lender participation. All borrowings under the facility are secured by first mortgage bonds of Kansas Gas and Electric Company. Total combined borrowings under the revolving credit facilities and the commercial paper program described below may not exceed $1.0 billion at any given time. As of April 30, 2015, no amounts were borrowed and $22.6 million in letters of credit had been issued under the $730.0 million facility. No amounts were borrowed and no letters of credit were issued under the $270.0 million facility as of the same date.

Copies of the two credit facilities, and the various extensions of the two credit facilities, are attached to filings made by WEI with the Securities and Exchange Commission, as follows:

- <u>$270 Million Credit Facility</u>: Credit Agreement dated as of February 18, 2011 - Filed as Exhibit 10.1 to WEI's Form 8-K filed on February 22, 2011
  - First Extension Agreement dated as of February 12, 2013 – Filed as Exhibit 10.1 to WEI's Form 8-K filed on February 15, 2013
  - Second Extension Agreement dated as of February 14, 2014 – Filed as Exhibit 10(v) to WEI's Form 10-K for the period ended December 31, 2013 filed on February 26, 2014

- <u>$730 Million Credit Facility</u>: Fourth Amended and Restated Credit Agreement dated as of September 29, 2011 – Filed as Exhibit 10.1 to WEI's Form 8-K filed on September 29, 2011
  - First Extension Agreement dated as of July 19, 2013 – Filed as Exhibit 10(a) to WEI's Form 10-Q for the period ended September 30, 2014 filed on November 5, 2014
  - Second Extension Agreement dated as of September 18, 2014 – Filed as Exhibit 10(b) to WEI's Form 10-Q for the period ended September 30, 2014 filed on November 5, 2014

<u>Westar Energy, Inc. Commercial Paper Program</u>

WEI maintains 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 WEI's revolving credit facilities. 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 redeem debt on an interim basis, for working capital and/or for other general corporate purposes. As of April 30, 2015, WEI had $478.0 million of commercial paper issued and outstanding. 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, 2015

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; and

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 XX, 2015 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 statement regarding consolidated non-regulated operations are not attached.

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

	As of December 31, 2014	As of December 31, 2013
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 4,556	$ 4,487
Accounts receivable, net of allowance for doubtful accounts of $5,309 and $4,596, respectively	267,327	250,036
Fuel inventory and supplies	247,406	239,511
Deferred tax assets	29,636	37,954
Prepaid expenses	15,793	15,821
Regulatory assets	105,549	135,408
Other	30,655	23,608
Total Current Assets	700,922	706,825
PROPERTY, PLANT AND EQUIPMENT, NET	8,162,908	7,551,916
PROPERTY, PLANT AND EQUIPMENT OF VARIABLE INTEREST ENTITIES, NET	278,573	296,626
OTHER ASSETS:		
Regulatory assets	754,229	620,006
Nuclear decommissioning trust	185,016	175,625
Other	265,353	246,140
Total Other Assets	1,204,598	1,041,771
TOTAL ASSETS	$ 10,347,001	$ 9,597,138
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt	$ —	$ 250,000
Current maturities of long-term debt of variable interest entities	27,933	27,479
Short-term debt	257,600	134,600
Accounts payable	219,351	233,351
Accrued dividends	44,971	43,604
Accrued taxes	74,356	69,769
Accrued interest	79,707	80,457
Regulatory liabilities	55,142	35,982
Other	90,571	80,184
Total Current Liabilities	849,631	955,426
LONG-TERM LIABILITIES:		
Long-term debt, net	3,215,539	2,968,958
Long-term debt of variable interest entities, net	166,565	194,802
Deferred income taxes	1,475,487	1,363,148
Unamortized investment tax credits	211,040	192,265
Regulatory liabilities	288,343	293,574
Accrued employee benefits	532,622	331,558
Asset retirement obligations	230,668	160,682
Other	75,799	68,194
Total Long-Term Liabilities	6,196,063	5,573,181
COMMITMENTS AND CONTINGENCIES (See Notes 13 and 15)		
EQUITY:		
Westar Energy, Inc. Shareholders' Equity:		
Common stock, par value $5 per share; authorized 275,000,000 shares; issued and outstanding 131,687,454 shares and 128,254,229 shares, respective to each date	658,437	641,271
Paid-in capital	1,781,120	1,696,727
Retained earnings	855,299	724,776
Total Westar Energy, Inc. Shareholders' Equity	3,294,856	3,062,774
Noncontrolling Interests	6,451	5,757
Total Equity	3,301,307	3,068,531
TOTAL LIABILITIES AND EQUITY	$ 10,347,001	$ 9,597,138

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,		
	2014	2013	2012
REVENUES	$ 2,601,703	$ 2,370,654	$ 2,261,470
OPERATING EXPENSES:			
Fuel and purchased power	705,450	634,797	589,990
SPP network transmission costs	218,924	178,604	166,547
Operating and maintenance	367,188	359,060	342,055
Depreciation and amortization	286,442	272,593	270,464
Selling, general and administrative	250,439	224,133	226,012
Taxes other than income tax	140,302	122,282	104,269
Total Operating Expenses	1,968,745	1,791,469	1,699,337
INCOME FROM OPERATIONS	632,958	579,185	562,133
OTHER INCOME (EXPENSE):			
Investment earnings	10,622	10,056	7,411
Other income	31,522	35,609	35,378
Other expense	(18,389)	(18,099)	(19,987)
Total Other Income (Expense)	23,755	27,566	22,802
Interest expense	183,118	182,167	176,337
INCOME BEFORE INCOME TAXES	473,595	424,584	408,598
Income tax expense	151,270	123,721	126,136
NET INCOME	322,325	300,863	282,462
Less: Net income attributable to noncontrolling interests	9,066	8,343	7,316
NET INCOME ATTRIBUTABLE TO WESTAR ENERGY, INC.	313,259	292,520	275,146
Preferred dividends	—	—	1,616
NET INCOME ATTRIBUTABLE TO COMMON STOCK	$ 313,259	$ 292,520	$ 273,530
BASIC AND DILUTED EARNINGS PER AVERAGE COMMON SHARE OUTSTANDING ATTRIBUTABLE TO WESTAR ENERGY (see Note 2):			
Basic earnings per common share	$ 2.40	$ 2.29	$ 2.15
Diluted earnings per common share	$ 2.35	$ 2.27	$ 2.15
AVERAGE EQUIVALENT COMMON SHARES OUTSTANDING	130,014,941	127,462,994	126,711,869
DIVIDENDS DECLARED PER COMMON SHARE	$ 1.40	$ 1.36	$ 1.32

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, 2014	2013	2012
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:			
Net income	$ 322,325	$ 300,863	$ 282,462
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	286,442	272,593	270,464
Amortization of nuclear fuel	26,051	22,690	24,369
Amortization of deferred regulatory gain from sale leaseback	(5,495)	(5,495)	(5,495)
Amortization of corporate-owned life insurance	20,202	15,149	28,792
Non-cash compensation	7,280	8,188	7,255
Net deferred income taxes and credits	151,451	123,307	126,248
Stock-based compensation excess tax benefits	(875)	(576)	(1,698)
Allowance for equity funds used during construction	(17,029)	(14,143)	(11,706)
Changes in working capital items:			
Accounts receivable	(17,291)	(24,649)	2,408
Fuel inventory and supplies	(8,773)	10,124	(19,227)
Prepaid expenses and other	36,717	(12,316)	(3,630)
Accounts payable	6,189	7,856	(19,161)
Accrued taxes	6,596	14,218	11,937
Other current liabilities	(31,624)	(52,829)	(105,169)
Changes in other assets	6,378	(4,167)	13,015
Changes in other liabilities	35,811	41,990	(1,758)
Cash Flows from Operating Activities	824,355	702,803	599,106
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:			
Additions to property, plant and equipment	(852,052)	(780,098)	(810,209)
Purchase of securities - trusts	(9,075)	(66,668)	(20,473)
Sale of securities - trusts	11,125	81,994	21,604
Investment in corporate-owned life insurance	(16,250)	(17,724)	(18,404)
Proceeds from investment in corporate-owned life insurance	43,234	147,658	33,542
Proceeds from federal grant	—	876	4,775
Investment in affiliated company	(8,000)	(4,947)	(8,669)
Other investing activities	(7,730)	(2,992)	497
Cash Flows used in Investing Activities	(838,748)	(641,901)	(797,337)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:			
Short-term debt, net	122,406	(205,241)	52,900
Proceeds from long-term debt	417,943	492,347	541,374
Retirements of long-term debt	(427,500)	(100,000)	(220,563)
Retirements of long-term debt of variable interest entities	(27,479)	(25,942)	(28,114)
Repayment of capital leases	(3,340)	(2,995)	(2,679)
Borrowings against cash surrender value of corporate-owned life insurance	59,766	59,565	67,791
Repayment of borrowings against cash surrender value of corporate-owned life insurance	(41,249)	(145,418)	(34,838)
Stock-based compensation excess tax benefits	875	576	1,698
Preferred stock redemption	—	—	(22,567)
Issuance of common stock	87,669	32,906	6,996
Distributions to shareholders of noncontrolling interests	(1,030)	(2,419)	(3,295)
Cash dividends paid	(171,507)	(162,904)	(158,182)
Other financing activities	(2,092)	(2,719)	—
Cash Flows from (used in) Financing Activities	14,462	(62,244)	200,521
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	69	(1,342)	2,290
CASH AND CASH EQUIVALENTS:			
Beginning of period	4,487	5,829	3,539
End of period	$ 4,556	$ 4,487	$ 5,829

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, 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	—	—	242,463	1,212	5,784	—	—	6,996
Issuance of stock for compensation and reinvested dividends	—	—	562,889	2,815	6,274	—	—	9,089
Tax withholding related to stock compensation	—	—	—	—	(3,490)	—	—	(3,490)
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)
Stock compensation expense	—	—	—	—	7,203	—	—	7,203
Tax benefit on stock compensation	—	—	—	—	1,698	—	—	1,698
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
Net income	—	—	—	—	—	292,520	8,343	300,863
Issuance of stock	—	—	1,256,391	6,282	26,624	—	—	32,906
Issuance of stock for compensation and reinvested dividends	—	—	494,090	2,470	7,171	—	—	9,641
Tax withholding related to stock compensation	—	—	—	—	(2,719)	—	—	(2,719)
Dividends on common stock ($1.36 per share)	—	—	—	—	—	(174,393)	—	(174,393)
Stock compensation expense	—	—	—	—	8,103	—	—	8,103
Tax benefit on stock compensation	—	—	—	—	576	—	—	576
Deconsolidation of noncontrolling interests	—	—	—	—	—	—	(14,282)	(14,282)
Distributions to shareholders of noncontrolling interests	—	—	—	—	—	—	(2,419)	(2,419)
Balance as of December 31, 2013	—	—	128,254,229	641,271	1,696,727	724,776	5,757	3,068,531
Net income	—	—	—	—	—	313,259	9,066	322,325
Issuance of stock	—	—	3,026,239	15,131	72,538	—	—	87,669
Issuance of stock for compensation and reinvested dividends	—	—	406,986	2,035	7,120	—	—	9,155
Tax withholding related to stock compensation	—	—	—	—	(2,092)	—	—	(2,092)
Dividends on common stock ($1.40 per share)	—	—	—	—	—	(182,736)	—	(182,736)
Stock compensation expense	—	—	—	—	7,193	—	—	7,193
Tax benefit on stock compensation	—	—	—	—	875	—	—	875
Deconsolidation of noncontrolling interests	—	—	—	—	—	—	(7,342)	(7,342)
Distributions to shareholders of noncontrolling interests	—	—	—	—	—	—	(1,030)	(1,030)
Other	—	—	—	—	(1,241)	—	—	(1,241)
Balance as of December 31, 2014	—	$ —	131,687,454	$ 658,437	$ 1,781,120	$ 855,299	$ 6,451	$ 3,301,307

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 698,000 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 generally accepted accounting principles (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.

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,	
	2014	2013
	(In Thousands)	
Fuel inventory	$ 70,416	$ 78,368
Supplies	176,990	161,143
Fuel inventory and supplies	$ 247,406	$ 239,511

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,		
	2014	2013	2012
	(Dollars In Thousands)		
Borrowed funds	$ 12,044	$ 11,706	$ 10,399
Equity funds	17,029	14,143	11,706
Total	$ 29,073	$ 25,849	$ 22,105
Average AFUDC Rates	6.7%	4.8%	5.0%

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 2.4% in 2014, 2.5% in 2013 and 2.6% in 2012.

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

	Years
Fossil fuel generating facilities	6 to 78
Nuclear fuel generating facility	55 to 71
Wind generating facilities	19 to 20
Transmission facilities	15 to 75
Distribution facilities	22 to 68
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 $72.3 million as of December 31, 2014, and $46.2 million as of December 31, 2013. The cost of nuclear fuel charged to fuel and purchased power expense was $27.3 million in 2014, $26.5 million in 2013 and $28.3 million in 2012.

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 (COLI) policies.

	As of December 31,	
	2014	2013
	(In Thousands)	
Cash surrender value of policies	$ 1,306,777	$ 1,289,457
Borrowings against policies	(1,173,956)	(1,156,341)
Corporate-owned life insurance, net	$ 132,821	$ 133,116

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

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 $61.0 million as of December 31, 2014, and $60.1 million as of December 31, 2013.

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 the extent capital losses, operating losses, or tax credits will be carried forward to future periods. 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).

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 and RSUs with forfeitable rights to dividend equivalents. 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,		
	2014	2013	2012
	(Dollars In Thousands, Except Per Share Amounts)		
Net income	$ 322,325	$ 300,863	$ 282,462
Less: Net income attributable to noncontrolling interests	9,066	8,343	7,316
Net income attributable to Westar Energy, Inc.	313,259	292,520	275,146
Less: Preferred dividends	—	—	1,616
Net income allocated to RSUs	790	810	778
Net income allocated to common stock	$ 312,469	$ 291,710	$ 272,752
Weighted average equivalent common shares outstanding – basic	130,014,941	127,462,994	126,711,869
Effect of dilutive securities:			
RSUs	181,397	17,195	97,757
Forward sale agreements	2,628,187	818,505	89,160
Weighted average equivalent common shares outstanding – diluted (a)	132,824,525	128,298,694	126,898,786
Earnings per common share, basic	$ 2.40	$ 2.29	$ 2.15
Earnings per common share, diluted	$ 2.35	$ 2.27	$ 2.15

(a) For the years ended December 31, 2014, 2013 and 2012, we had no antidilutive securities.

Supplemental Cash Flow Information

	Year Ended December 31,		
	2014	2013	2012
		(In Thousands)	
CASH PAID FOR (RECEIVED FROM):			
Interest on financing activities, net of amount capitalized	$ 160,292	$ 148,691	$ 143,564
Interest on financing activities of VIEs	12,183	13,892	16,214
Income taxes, net of refunds	458	(11)	(4,378)
NON-CASH INVESTING TRANSACTIONS:			
Property, plant and equipment additions	143,192	127,544	89,354
Property, plant and equipment of VIEs	(7,342)	(14,282)	—
NON-CASH FINANCING TRANSACTIONS:			
Issuance of common stock for reinvested dividends and compensation plans	9,155	9,641	9,089
Deconsolidation of VIEs	(7,342)	(14,282)	—
Assets acquired through capital leases	8,717	334	10,683

New Accounting Pronouncements

We prepare our consolidated financial statements in accordance with GAAP for the United States of America. To address current issues in accounting, regulatory bodies have issued the following new accounting pronouncements that may affect our accounting and/or disclosure.

Extraordinary and Unusual Items

In January 2015, the Financial Accounting Standards Board (FASB) issued guidance that eliminates the accounting concept of extraordinary items. The objective of the new guidance is to reduce complexity in accounting standards while maintaining or improving the usefulness of information provided. The guidance is effective for fiscal years beginning after December 15, 2015, with early adoption permitted. We have elected to adopt effective January 1, 2015, without a material impact to our financial statements.

Revenue Recognition

In May 2014, the FASB issued guidance that addresses revenue from contracts with customers. The objective of the new guidance is to establish principles to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue from contracts with customers. This guidance is effective for fiscal years beginning after December 15, 2016. Early application of the standard is not permitted. The standard permits the use of either the retrospective application or cumulative effect transition method. We have not yet selected a transition method or determined the impact on our consolidated financial statements but we do not expect it to be material.

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,	
	2014	2013
	(In Thousands)	
Regulatory Assets:		
Deferred employee benefit costs	$ 435,590	$ 277,122
Amounts due from customers for future income taxes, net	153,984	163,742
Depreciation	68,422	71,047
Debt reacquisition costs	61,079	63,882
Ad valorem tax	39,428	34,492
Treasury yield hedges	26,614	27,594
Asset retirement obligations	26,106	23,555
Disallowed plant costs	15,809	15,964
Wolf Creek outage	11,165	29,026
Energy efficiency program costs	8,933	14,477
Retail energy cost adjustment	—	22,138
Other regulatory assets	12,648	12,375
Total regulatory assets	$ 859,778	$ 755,414
Regulatory Liabilities:		
Removal costs	$ 88,242	$ 114,148
Deferred regulatory gain from sale leaseback	81,055	86,551
Nuclear decommissioning	43,641	43,272
Retail energy cost adjustment	33,274	15,414
Jurisdictional allowance for funds used during construction	33,103	7,893
La Cygne leasehold dismantling costs	22,918	20,505
Other post-retirement benefits costs	15,473	19,000
Kansas tax credits	12,725	11,076
Gain on sale of oil	2,337	4,278
Fuel supply and electricity contracts	1,738	2,635
Other regulatory liabilities	8,979	4,784
Total regulatory liabilities	$ 343,485	$ 329,556

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 $399.8 million for pension and post-retirement benefit obligations and $35.8 million for actual pension expense in excess of the amount of such expense recognized in setting our prices. The increase from 2013 to 2014 is attributable primarily to a decrease in the discount rates used to calculate our and Wolf Creek's pension benefit obligations and the adoption of updated mortality tables. During 2015, we will amortize to expense approximately $39.5 million of the benefit obligations and approximately $9.8 million of the excess pension expense. We are amortizing the excess pension expense 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. 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 net 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.

- **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.

- **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 Instruments and Trading Securities—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.

- **Disallowed plant costs:** Originally there was a decision to disallow certain costs related to the Wolf Creek plant. Subsequently, in 1987, the KCC revised its original conclusion and provided for recovery of an indirect disallowance with no return on investment. This regulatory asset represents the present value of the future expected revenues to be provided to recover these costs, net of the amounts amortized.

- **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.

- **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.

- **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 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 Generating 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 amount recorded for the accumulated accretion and depreciation expense associated with our ARO. See Note 4, 5 and 14, "Financial Instruments and Trading Securities," "Financial Investments" and "Asset Retirement Obligations," respectively, for information regarding our nuclear decommissioning trust (NDT) and our ARO.

- **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.

- **Jurisdictional allowance for funds used during construction:** This item represents AFUDC that is accrued subsequent to the time the associated construction charges are included in our rates and prior to the time the charges are placed in service. The AFUDC is amortized to depreciation expense over the useful life of the asset that is placed in service.

- **La Cygne leasehold 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.

- **Other post-retirement benefits costs:** Represents 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.

- **Kansas tax credits:** This item 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.

- **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

We, staff of the Kansas Corporation Commission (KCC) and a consumer advocate joined in a request filed with the KCC to defer depreciation expense and carrying costs related to our capital investment associated with environmental upgrades at La Cygne until new retail prices become effective following a general rate case expected to be filed in March 2015. We estimate our share of these deferred costs will be approximately $20.0 million and we expect to begin deferring these costs in March 2015. In September 2014, the KCC issued an order approving the joint application that will allow us to include these deferred costs in our next general rate case, which is expected to increase our annual revenues by approximately $4.0 million.

In November 2013, the KCC issued an order allowing us to adjust our prices to include the additional investment in the La Cygne environmental upgrades, as discussed below, and to reflect cost reductions elsewhere. The new prices were expected to increase our annual retail revenues by approximately $30.7 million.

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 decreased annual depreciation expense by $43.6 million. The new prices were effective shortly after having received the order.

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, we received an order regarding an abbreviated rate review to update our prices to include a portion of the capital costs associated with the project. We will request to collect our remaining investment in La Cygne environmental upgrades as part of a general rate case expected to be filed in March 2015.

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:

- $11.0 million effective in June 2014;
- $27.3 million effective in June 2013; and
- $19.5 million effective in June 2012.

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:

- $41.0 million effective in April 2014;
- $11.8 million effective in March 2013; and
- $36.7 million effective in April 2012.

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 authorizing us to adjust our annual retail revenues by approximately:

- $5.0 million decrease effective in November 2014;
- $1.3 million decrease effective in November 2013; and
- $1.1 million increase effective in October 2012.

Property Tax Surcharge

We make annual filings with the KCC to adjust our prices to include the cost incurred for property taxes. In the most recent three years, the KCC issued orders related to such filings allowing us to increase our annual retail revenues by approximately:

- $12.7 million effective in January 2014;
- $15.2 million effective in January 2013; and
- $5.9 million effective in January 2012.

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:

- $44.3 million effective in January 2014;
- $12.2 million effective in January 2013; and
- $38.2 million effective in January 2012.

In August 2014, the KCC filed a challenge with the Federal Energy Regulatory Commission (FERC) regarding rate making as it pertains to the cost of interstate electrical transmission service we operate. The KCC is requesting that we lower our transmission return on equity by nearly two percentage points, which would result in reductions of the TFR revenue requirement if granted. We are currently in settlement discussions. If we are unable to reach a settlement, FERC may schedule a hearing.

4. FINANCIAL INSTRUMENTS AND TRADING SECURITIES

Values of Financial and Derivative Instruments

GAAP establishes a hierarchical 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.

- 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.

- 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. Level 3 includes investments in private equity, real estate securities and other alternative investments, which are measured at net asset value.

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, alternative investments 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 alternative investments include collateralized debt obligations, mezzanine debt and a variety of other investments. The fair value of these investments is measured using a variety of primarily market-based models utilizing inputs such as security prices, maturity, call features, ratings and other developments related to specific securities. 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.

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, 2014		As of December 31, 2013	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In Thousands)			
Fixed-rate debt	$ 3,105,000	$ 3,488,410	$ 3,102,500	$ 3,294,209
Fixed-rate debt of VIEs	194,204	213,579	221,682	241,241

Recurring Fair Value Measurements

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

As of December 31, 2014	Level 1	Level 2	Level 3	Total
		(In Thousands)		
Assets:				
Nuclear Decommissioning Trust:				
Domestic equity funds	$ —	$ 54,925	$ 6,047	$ 60,972
International equity funds	—	30,791	—	30,791
Core bond fund	—	19,289	—	19,289
High-yield bond fund	—	13,198	—	13,198
Emerging market bond fund	—	10,988	—	10,988
Other fixed income fund	—	4,779	—	4,779
Combination debt/equity/other funds	—	18,141	—	18,141
Alternative investment fund	—	—	16,970	16,970
Real estate securities fund	—	—	9,548	9,548
Cash equivalents	340	—	—	340
Total Nuclear Decommissioning Trust	340	152,111	32,565	185,016
Trading Securities:				
Domestic equity funds	—	18,698	—	18,698
International equity fund	—	4,252	—	4,252
Core bond fund	—	12,379	—	12,379
Cash equivalents	168	—	—	168
Total Trading Securities	168	35,329	—	35,497
Total Assets Measured at Fair Value	$ 508	$ 187,440	$ 32,565	$ 220,513

As of December 31, 2013	Level 1	Level 2	Level 3	Total
Assets:				
Nuclear Decommissioning Trust:				
Domestic equity funds	$ —	$ 49,957	$ 5,817	$ 55,774
International equity funds	—	31,816	—	31,816
Core bond fund	—	18,107	—	18,107
High-yield bond fund	—	12,902	—	12,902
Emerging market bond fund	—	11,055	—	11,055
Other fixed income fund	—	4,690	—	4,690
Combination debt/equity/other funds	—	17,093	—	17,093
Alternative investment fund	—	—	15,675	15,675
Real estate securities fund	—	—	8,511	8,511
Cash equivalents	2	—	—	2
Total Nuclear Decommissioning Trust	2	145,620	30,003	175,625
Trading Securities:				
Domestic equity funds	—	18,075	—	18,075
International equity fund	—	4,519	—	4,519
Core bond fund	—	12,166	—	12,166
Cash equivalents	166	—	—	166
Total Trading Securities	166	34,760	—	34,926
Total Assets Measured at Fair Value	$ 168	$ 180,380	$ 30,003	$ 210,551

The following table provides reconciliations of assets held in the NDT measured at fair value using significant level 3 inputs for the years ended December 31, 2014 and 2013.

	Domestic Equity Funds	Alternative Investment Fund	Real Estate Securities Fund	Net Balance
	(In Thousands)			
Balance as of December 31, 2013	$ 5,817	$ 15,675	$ 8,511	$ 30,003
Total realized and unrealized gains included in:				
Regulatory liabilities	391	1,295	1,037	2,723
Purchases	335	—	351	686
Sales	(496)	—	(351)	(847)
Balance as of December 31, 2014	$ 6,047	$ 16,970	$ 9,548	$ 32,565
Balance as of December 31, 2012	$ 4,899	$ —	$ 7,865	$ 12,764
Total realized and unrealized gains included in:				
Regulatory liabilities	940	675	646	2,261
Purchases	341	15,000	287	15,628
Sales	(363)	—	(287)	(650)
Balance as of December 31, 2013	$ 5,817	$ 15,675	$ 8,511	$ 30,003

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 to regulatory liabilities on our consolidated financial statements during the years ended December 31, 2014 and 2013, attributed to level 3 assets and liabilities.

	Domestic Equity Funds	Alternative Investment Fund	Real Estate Securities Fund	Net Balance
	(In Thousands)			
Year ended December 31, 2014	$ (105)	$ 1,296	$ 685	$ 1,876
Year ended December 31, 2013	577	675	359	1,611

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, 2014		As of December 31, 2013		As of December 31, 2014	
	Fair Value	Unfunded Commitments	Fair Value	Unfunded Commitments	Redemption Frequency	Length of Settlement
	(In Thousands)					
Nuclear Decommissioning Trust:						
Domestic equity funds	$ 6,047	$ 2,348	$ 5,817	$ 2,683	(a)	(a)
Alternative investment fund	16,970	—	15,675	—	(b)	(b)
Real estate securities fund	9,548	—	8,511	—	Quarterly	80 days
Total Nuclear Decommissioning Trust	$ 32,565	$ 2,348	$ 30,003	$ 2,683		
Trading Securities:						
Domestic equity funds	$ 18,698	$ —	$ 18,075	$ —	Upon Notice	1 day
International equity funds	4,252	—	4,519	—	Upon Notice	1 day
Core bond fund	12,379	—	12,166	—	Upon Notice	1 day
Total Trading Securities	35,329	—	34,760	—		
Total	$ 67,894	$ 2,348	$ 64,763	$ 2,683		

(a) This investment is in three 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. Two funds have begun to make distributions. Our initial investment in the third fund occurred in the third quarter of 2013. This fund's term will be 15 years, subject to the general partner's right to extend the term for up to three additional one-year periods.

(b) This fund has an initial lock-up period of 24 months, which began in April 2013. Redemptions are allowed, on a quarterly basis, after 24 months at the sole discretion of the fund's board of directors. A 65-day notice of redemption is required. There is a holdback on final redemptions.

Derivative Instruments

Cash Flow Hedges

In 2011, we entered into treasury yield hedge transactions to hedge our interest rate risk associated with a $125.0 million portion of a forecasted 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. In 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, 2014 and 2013, we had recorded $26.6 million and $27.6 million, respectively, as a regulatory asset.

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.

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. These obligations totaled $29.8 million and $27.0 million as of December 31, 2014 and 2013, respectively. For additional information on our benefit obligations, see Note 11, "Employee Benefit Plans."

As of December 31, 2014 and 2013, we measured the fair value of trust assets at $35.5 million and $34.9 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, 2014, 2013 and 2012, we recorded unrealized gains of $2.6 million, $6.7 million and $4.1 million, respectively.

Available-for-Sale Securities

We hold investments 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, 2014 and 2013.

Using the specific identification method to determine cost, we realized gains on our available-for-sale securities of $0.1 million in 2014, $5.3 million in 2013 and $0.6 million in 2012. 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, respectively, 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, 2014 and 2013.

Security Type	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value	Allocation
	(Dollars In Thousands)				
As of December 31, 2014					
Domestic equity funds	$ 46,126	$ 14,853	$ (7)	$ 60,972	33%
International equity funds	27,521	3,683	(413)	30,791	17%
Core bond fund	18,811	478	—	19,289	10%
High-yield bond fund	13,342	—	(144)	13,198	7%
Emerging market bond fund	12,556	—	(1,568)	10,988	6%
Other fixed income fund	4,798	—	(19)	4,779	3%
Combination debt/equity/other funds	14,975	3,786	(620)	18,141	10%
Alternative investment fund	15,000	1,970	—	16,970	9%
Real estate securities fund	10,619	—	(1,071)	9,548	5%
Cash equivalents	340	—	—	340	<1%
Total	$ 164,088	$ 24,770	$ (3,842)	$ 185,016	100%
As of December 31, 2013					
Domestic equity funds	$ 40,976	$ 14,799	$ (1)	$ 55,774	32%
International equity funds	26,581	5,266	(31)	31,816	18%
Core bond fund	18,287	—	(180)	18,107	10%
High-yield bond fund	12,275	627	—	12,902	7%
Emerging market bond fund	12,207	—	(1,152)	11,055	6%
Other fixed income fund	4,684	6	—	4,690	3%
Combination debt/equity/other funds	14,964	2,380	(251)	17,093	10%
Alternative investment fund	15,000	675	—	15,675	9%
Real estate securities fund	10,268	—	(1,757)	8,511	5%
Cash equivalents	2	—	—	2	<1%
Total	$ 155,244	$ 23,753	$ (3,372)	$ 175,625	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, 2014 and 2013.

	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, 2014						
Domestic equity funds	$ —	$ —	$ 263	$ (7)	$ 263	$ (7)
International equity funds	5,905	(413)	—	—	5,905	(413)
High-yield bond fund	13,198	(144)	—	—	13,198	(144)
Emerging market bond fund	—	—	10,988	(1,568)	10,988	(1,568)
Other fixed income fund	4,779	(19)	—	—	4,779	(19)
Combination debt/equity/other funds	—	—	5,892	(620)	5,892	(620)
Real estate securities fund	—	—	9,548	(1,071)	9,548	(1,071)
Total	$ 23,882	$ (576)	$ 26,691	$ (3,266)	$ 50,573	$ (3,842)
As of December 31, 2013						
Domestic equity funds	$ 59	$ (1)	$ —	$ —	$ 59	$ (1)
International equity funds	6,244	(31)	—	—	6,244	(31)
Core bond fund	18,107	(180)	—	—	18,107	(180)
Emerging market bond fund	11,055	(1,152)	—	—	11,055	(1,152)
Combination debt/equity/other funds	6,283	(251)	—	—	6,283	(251)
Real estate securities fund	—	—	8,511	(1,757)	8,511	(1,757)
Total	$ 41,748	$ (1,615)	$ 8,511	$ (1,757)	$ 50,259	$ (3,372)

6. PROPERTY, PLANT AND EQUIPMENT

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

	As of December 31,	
	2014	2013
	(In Thousands)	
Electric plant in service	$ 10,620,292	$ 9,753,787
Electric plant acquisition adjustment	802,318	802,318
Accumulated depreciation	(4,112,483)	(3,971,735)
	7,310,127	6,584,370
Construction work in progress	773,144	904,586
Nuclear fuel, net	79,637	62,960
Net property, plant and equipment	$ 8,162,908	$ 7,551,916

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

	As of December 31,	
	2014	2013
	(In Thousands)	
Electric plant of VIEs	$ 497,999	$ 513,793
Accumulated depreciation of VIEs	(219,426)	(217,167)
Net property, plant and equipment of VIEs	$ 278,573	$ 296,626

We revised our depreciation rates to reflect changes in the estimated useful lives of some of our assets in 2012. We recorded depreciation expense on property, plant and equipment of $263.8 million in 2014, $249.9 million in 2013 and $247.8 million in 2012. Approximately $9.7 million, $9.7 million and $9.8 million of depreciation expense in 2014, 2013 and 2012, 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, 2014, 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	$ 345,866	$ 157,550	$ 368,445	367	50
JEC unit 1 (a)	July 1978	789,142	189,973	11,150	661	92
JEC unit 2 (a)	May 1980	540,871	190,769	3,189	658	92
JEC unit 3 (a)	May 1983	709,497	309,540	3,246	664	92
Wolf Creek (b)	Sept. 1985	1,818,005	788,602	73,333	549	47
State Line (c)	June 2001	100,671	53,347	22	193	40
Total		$ 4,304,052	$ 1,689,781	$ 459,385	3,092	

(a) Jointly owned with KCPL. Our 8% leasehold interest in Jeffrey Energy Center (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 341 MW of net capacity. The VIE's investment in the 50% interest was $392.1 million and accumulated depreciation was $194.5 million as of December 31, 2014. We include these amounts in property, plant and equipment of VIEs, net on our consolidated balance sheets. See Note 17, "Variable Interest Entities," for additional information about VIEs.

8. SHORT-TERM DEBT

In September 2014, Westar Energy extended the term of its $730.0 million revolving credit facility to terminate in September 2018, $81.4 million of which will expire in September 2017. 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, 2014, no amounts had been borrowed and $15.6 million of letters of credit had been issued under this revolving credit facility. As of December 31, 2013, no amounts had been borrowed and $18.4 million of letters of credit had been issued under this revolving credit facility.

In 2011, Westar Energy entered into a revolving credit facility with a syndicate of banks for $270.0 million. In February 2014, Westar Energy extended the term of the $270.0 million revolving credit facility to February 2017, of which $20.0 million of this facility will terminate in February 2016. So long as there is no default under the facility, Westar Energy may 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 KGE first mortgage bonds. As of December 31, 2014 and 2013, Westar Energy had no borrowed amounts or letters of credit outstanding under this revolving credit facility.

Westar Energy maintains 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. 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 redeem debt on an interim basis, for working capital and/or for other general corporate purposes. Westar Energy had $257.6 million and $134.6 million of commercial paper issued and outstanding as of December 31, 2014 and 2013, respectively.

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 outstanding as of December 31, 2014 and 2013, was 0.52% and 0.28%, respectively. Additional information regarding our short-term debt is as follows.

	As of December 31,	
	2014	2013
	(Dollars in Thousands)	
Weighted average short-term debt outstanding during the year	$ 232,336	$ 228,352
Weighted daily average interest rates during the year, excluding fees	0.30%	0.39%

Our interest expense on short-term debt was $2.0 million in 2014, $2.4 million in 2013 and $3.2 million in 2012.

9. LONG-TERM DEBT

Outstanding Debt

The following table summarizes our long-term debt outstanding.

	As of December 31, 2014	As of December 31, 2013
	(In Thousands)	
Westar Energy		
First mortgage bond series:		
6.00% due 2014	$ —	$ 250,000
5.15% due 2017	125,000	125,000
8.625% due 2018	300,000	300,000
5.10% due 2020	250,000	250,000
5.95% due 2035	125,000	125,000
5.875% due 2036	150,000	150,000
4.125% due 2042	550,000	550,000
4.10% due 2043	430,000	250,000
4.625% due 2043	250,000	250,000
	2,180,000	2,250,000
Pollution control bond series:		
Variable due 2032, 0.06% as of December 31, 2014; 0.12% as of December 31, 2013	45,000	45,000
Variable due 2032, 0.08% as of December 31, 2014; 0.12% as of December 31, 2013	30,500	30,500
	75,500	75,500
KGE		
First mortgage bond series:		
6.70% due 2019	300,000	300,000
6.15% due 2023	50,000	50,000
6.53% due 2037	175,000	175,000
6.64% due 2038	100,000	100,000
4.30% due 2044	250,000	—
	875,000	625,000
Pollution control bond series:		
Variable due 2027, 0.08% as of December 31, 2014; 0.10% as of December 31, 2013	21,940	21,940
5.30% due 2031	—	108,600
5.30% due 2031	—	18,900
4.85% due 2031	50,000	50,000
5.00% due 2031	—	50,000
Variable due 2032, 0.08% as of December 31, 2014; 0.10% as of December 31, 2013	14,500	14,500
Variable due 2032, 0.08% as of December 31, 2014; 0.10% as of December 31, 2013	10,000	10,000
	96,440	273,940
Total long-term debt	3,226,940	3,224,440
Unamortized debt discount (a)	(11,401)	(5,482)
Long-term debt due within one year	—	(250,000)
Long-term debt, net	$ 3,215,539	$ 2,968,958
Variable Interest Entities		
6.99% due 2014 (b)	—	316
5.92% due 2019 (b)	8,413	13,243
5.647% due 2021 (b)	185,791	208,123
Total long-term debt of variable interest entities	194,204	221,682
Unamortized debt premium (a)	294	599
Long-term debt of variable interest entities due within one year	(27,933)	(27,479)
Long-term debt of variable interest entities, net	$ 166,565	$ 194,802

(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, 2014, approximately $743.2 million principal amount of additional first mortgage bonds could be issued under the most restrictive provisions in Westar Energy's mortgage. As of December 31, 2014, approximately $1.3 billion principal amount of additional KGE first mortgage bonds could be issued under the most restrictive provisions in KGE's mortgage.

As of December 31, 2014, 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 January 2015, Westar Energy redeemed $125.0 million in principal amount of first mortgage bonds bearing stated interest at 5.95% and maturing January 2035.

In July 2014, KGE issued $250.0 million in principal amount of first mortgage bonds bearing stated interest at 4.30% and maturing July 2044, the proceeds of which were used to retire Westar Energy first mortgage bonds in a principal amount of $250.0 million with a stated interest of 6.00% maturing in July 2014.

In May 2014, Westar Energy issued $180.0 million in principal amount of first mortgage bonds bearing stated interest at 4.10% and maturing April 2043. These bonds constitute a further issuance of a series of bonds initially issued in March 2013 in a principal amount of $250.0 million. Proceeds from the May 2014 issuance were used in June 2014 to redeem three KGE pollution control bond series totaling $177.5 million principal amount at stated interest rates between 5.00% and 5.30%.

In August 2013, Westar Energy issued $250.0 million principal amount of first mortgage bonds bearing stated interest at 4.625% and maturing September 2043.

In June 2013, KGE redeemed two pollution control bond series with a principal amount of $100.0 million and stated interest rates at 5.60% and 6.00%.

In March 2013, Westar Energy issued $250.0 million principal amount of first mortgage bonds bearing stated interest at 4.10% and maturing April 2043.

Proceeds from issuances 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.

Maturities

The principal amounts of our long-term debt maturities as of December 31, 2014, are as follows.

Year	Long-term debt	Long-term debt of VIEs
	(In Thousands)	
2015	$ —	$ 27,933
2016	—	28,309
2017	125,000	26,842
2018	300,000	28,538
2019	300,000	31,485
Thereafter	2,501,940	51,097
Total maturities	$ 3,226,940	$ 194,204

Interest expense on long-term debt was $158.8 million in 2014, $154.9 million in 2013 and $145.6 million in 2012. Interest expense on long-term debt of VIEs was $11.4 million in 2014, $13.0 million in 2013 and $15.1 million in 2012.

10. TAXES

Income tax expense is comprised of the following components.

	Year Ended December 31,		
	2014	2013	2012
		(In Thousands)	
Income Tax Expense (Benefit):			
Current income taxes:			
Federal	$ 416	$ 135	$ (691)
State	(597)	279	579
Deferred income taxes:			
Federal	124,923	102,030	102,960
State	29,657	24,443	26,300
Investment tax credit amortization	(3,129)	(3,166)	(3,012)
Income tax expense	$ 151,270	$ 123,721	$ 126,136

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

	As of December 31,	
	2014	2013
	(In Thousands)	
Current deferred tax assets	$ 29,636	$ 37,954
Non-current deferred tax liabilities	1,475,487	1,363,148
Net deferred tax liabilities	$ 1,445,851	$ 1,325,194

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,	
	2014	2013
	(In Thousands)	
Deferred tax assets:		
Tax credit carryforward (a)	$ 257,827	$ 212,635
Net operating loss carryforward (b)	179,285	108,885
Deferred employee benefit costs	158,102	85,720
Deferred state income taxes	66,557	57,243
Deferred regulatory gain on sale-leaseback	35,706	38,124
Deferred compensation	29,315	30,022
Alternative minimum tax carryforward (c)	24,114	35,666
Accrued liabilities	23,048	17,396
Disallowed costs	10,829	11,453
LaCygne dismantling cost	9,064	8,110
Capital loss carryforward (d)	1,981	3,447
Other	27,689	20,058
Total gross deferred tax assets	823,517	628,759
Less: Valuation allowance (e)	1,981	3,504
Deferred tax assets	$ 821,536	$ 625,255
Deferred tax liabilities:		
Accelerated depreciation	$ 1,664,367	$ 1,390,669
Acquisition premium	163,894	171,907
Deferred employee benefit costs	158,102	85,720
Amounts due from customers for future income taxes, net	153,984	163,742
Deferred state income taxes	59,170	51,504
Debt reacquisition costs	20,102	19,985
Storm costs	15,713	21,165
Pension expense tracker	14,187	21,230
Other	17,868	24,527
Total deferred tax liabilities	$ 2,267,387	$ 1,950,449
Net deferred tax liabilities	$ 1,445,851	$ 1,325,194

(a) Based on filed tax returns and amounts expected to be reported in current year tax returns (December 31, 2014), we had available federal general business tax credits of $73.5 million and state investment tax credits of $184.3 million. The federal general business tax credits were primarily generated from production tax credits. These tax credits expire beginning in 2020 and ending in 2034. The state investment tax credits expire beginning in 2017 and ending in 2030.

(b) As of December 31, 2014, we had a federal net operating loss carryforward of $452.8 million, which is available to offset federal taxable income. The net operating losses will expire beginning in 2031 and ending in 2034.

(c) As of December 31, 2014, we had available an alternative minimum tax credit carryforward of $24.1 million, which has an unlimited carryforward period.

(d) As of December 31, 2014, we had an unused capital loss carryforward of $5.0 million that is available to offset future capital gains. The capital losses will expire in 2016.

(e) As we do not expect to realize any significant capital gains in the future, we have established a valuation allowance of $2.0 million. The total valuation allowance related to the deferred tax assets was $2.0 million as of December 31, 2014, and $3.5 million as of December 31, 2013.

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,		
	2014	2013	2012
Statutory federal income tax rate	35.0%	35.0%	35.0%
Effect of:			
State income taxes	4.0	3.8	4.3
Corporate-owned life insurance policies	(4.0)	(5.4)	(4.9)
Production tax credits	(2.1)	(2.3)	(2.4)
Flow through depreciation for plant-related differences	2.0	2.2	1.4
AFUDC equity	(1.3)	(1.2)	(1.0)
Amortization of federal investment tax credits	(0.7)	(0.7)	(0.7)
Capital loss utilization carryforward	(0.3)	(1.1)	(0.3)
Liability for unrecognized income tax benefits	(0.2)	0.1	0.2
Other	(0.5)	(1.3)	(0.7)
Effective income tax rate	31.9%	29.1%	30.9%

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 2011 and forward.

Effective January 1, 2014, we adopted new regulations released by the IRS and United States Treasury Department regarding the deduction and capitalization of expenditures related to tangible property, including the tax treatment of, among other things, materials and supplies and the determination of whether expenditures with respect to tangible property are a deductible repair or must be capitalized, and regulations regarding dispositions of property under the Modified Accelerated Cost Recovery System. The adoption of these regulations did not have a material impact on our consolidated financial results.

Additionally, also effective January 1, 2014, we implemented new FASB accounting guidance regarding the presentation of an unrecognized tax benefit. An unrecognized tax benefit should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, similar tax loss, or a tax credit carryforward. To the extent such tax assets are not available to settle any additional income taxes that would result from the disallowance of a tax position at the reporting date, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. We adopted this guidance with retrospective application to prior periods and it did not have a material impact on our consolidated financial statements.

The unrecognized income tax benefits increased from $1.7 million at December 31, 2013, to $3.2 million at December 31, 2014. The increase for unrecognized income tax benefits was largely attributable to tax positions taken with respect to research and experimental tax credits. We do not expect significant changes in the 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:

	2014	2013	2012
		(In Thousands)	
Unrecognized income tax benefits as of January 1	$ 1,703	$ 1,219	$ 2,483
Additions based on tax positions related to the current year	872	224	373
Additions for tax positions of prior years	813	325	—
Reductions for tax positions of prior years	(200)	(65)	(1,637)
Settlements	—	—	—
Unrecognized income tax benefits as of December 31	$ 3,188	$ 1,703	$ 1,219

The amounts of unrecognized income tax benefits that, if recognized, would favorably impact our effective income tax rate, were $3.2 million, $2.4 million and $2.0 million (net of tax) as of December 31, 2014, 2013 and 2012, respectively.

Interest related to income tax uncertainties is classified as interest expense and accrued interest liability. As of December 31, 2014, we had no amounts accrued for interest related to unrecognized income tax benefits, compared to $0.2 million as of December 31, 2013. We accrued no penalties at either December 31, 2014 or 2013.

As of December 31, 2014 and 2013, 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 retired executive officers. 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. In 2014 and prior years, our retirees were covered under a health insurance policy. In January 2015, we began giving our retirees a fixed annual allowance, which provides them the flexibility to obtain health coverage in the marketplace that is tailored to their needs.

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 2014	Pension Benefits 2013	Post-retirement Benefits 2014	Post-retirement Benefits 2013
	(In Thousands)			
Change in Benefit Obligation:				
Benefit obligation, beginning of year	$ 823,780	$ 928,708	$ 133,061	$ 152,564
Service cost	16,218	21,420	1,381	2,028
Interest cost	41,600	38,520	6,351	6,007
Plan participants' contributions	—	—	4,232	2,961
Benefits paid	(39,225)	(36,529)	(12,184)	(10,968)
Actuarial (gains) losses	188,272	(128,339)	16,509	(19,531)
Amendments	—	—	(7,834)	—
Benefit obligation, end of year (a)	$ 1,030,645	$ 823,780	$ 141,516	$ 133,061
Change in Plan Assets:				
Fair value of plan assets, beginning of year	$ 609,817	$ 547,931	$ 121,766	$ 106,793
Actual return on plan assets	61,291	68,151	7,189	17,361
Employer contributions	26,400	27,500	—	5,318
Plan participants' contributions	—	—	4,074	2,830
Benefits paid	(36,367)	(33,765)	(11,680)	(10,536)
Fair value of plan assets, end of year	$ 661,141	$ 609,817	$ 121,349	$ 121,766
Funded status, end of year	$ (369,504)	$ (213,963)	$ (20,167)	$ (11,295)
Amounts Recognized in the Balance Sheets Consist of:				
Current liability	$ (2,716)	$ (2,740)	$ (246)	$ (242)
Noncurrent liability	(366,788)	(211,223)	(19,921)	(11,053)
Net amount recognized	$ (369,504)	$ (213,963)	$ (20,167)	$ (11,295)
Amounts Recognized in Regulatory Assets Consist of:				
Net actuarial loss (gain)	$ 329,572	$ 186,365	$ (2,253)	$ (18,890)
Prior service cost	2,867	3,393	3,585	13,942
Transition obligation	—	—	—	—
Net amount recognized	$ 332,439	$ 189,758	$ 1,332	$ (4,948)

(a) As of December 31, 2014 and 2013, pension benefits include non-qualified benefit obligations of $29.8 million and $27.0 million, respectively, which are funded by a trust containing assets of $35.5 million and $34.9 million, respectively, classified as trading securities. The assets in the aforementioned trust are not included in the table above. See Notes 4 and 5, "Financial Instruments and Trading Securities" and "Financial Investments," respectively, for additional information regarding these amounts.

As of December 31,	Pension Benefits 2014	Pension Benefits 2013	Post-retirement Benefits 2014	Post-retirement Benefits 2013
	(Dollars in Thousands)			
Pension Plans With a Projected Benefit Obligation In Excess of Plan Assets:				
Projected benefit obligation	$ 1,030,645	$ 823,780	$ —	$ —
Fair value of plan assets	661,141	609,817	—	—
Pension Plans With an Accumulated Benefit Obligation In Excess of Plan Assets:				
Accumulated benefit obligation	$ 914,800	$ 732,150	—	—
Fair value of plan assets	661,141	609,817	—	—
Post-retirement Plans With an Accumulated Post-retirement Benefit Obligation In Excess of Plan Assets:				
Accumulated post-retirement benefit obligation	—	—	$ 141,516	$ 133,061
Fair value of plan assets	—	—	121,349	121,766
Weighted-Average Actuarial Assumptions used to Determine Net Periodic Benefit Obligation:				
Discount rate	4.17%	5.07%	4.10%	4.88%
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. The decrease in the discount rates used as of December 31, 2014, increased the pension and post-retirement benefit obligations by approximately $123.5 million and $11.2 million, respectively.

We utilize actuarial assumptions about mortality to calculate the pension and post-retirement benefit obligations. In 2014, revised mortality tables were published which reflect improved life expectancies based on past experience and future projections. We adopted the revised mortality tables as of December 31, 2014, resulting in an increase to the pension and post-retirement benefit obligations by approximately $58.6 million and $5.9 million, respectively.

We amortize prior service cost 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 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,	2014	2013	2012	2014	2013	2012
	(Dollars in Thousands)					
Components of Net Periodic Cost (Benefit):						
Service cost	$ 16,218	$ 21,420	$ 19,556	$ 1,381	$ 2,028	$ 2,057
Interest cost	41,600	38,520	39,576	6,351	6,007	6,298
Expected return on plan assets	(36,438)	(33,405)	(32,283)	(6,576)	(6,691)	(5,491)
Amortization of unrecognized:						
Transition obligation, net	—	—	—	—	325	3,912
Prior service costs	526	601	612	2,524	2,524	2,524
Actuarial loss, net	19,362	33,914	32,778	(742)	1,125	1,503
Net periodic cost before regulatory adjustment	41,268	61,050	60,239	2,938	5,318	10,803
Regulatory adjustment (a)	15,479	3,693	(6,523)	4,499	2,922	23
Net periodic cost	$ 56,747	$ 64,743	$ 53,716	$ 7,437	$ 8,240	$ 10,826
Other Changes in Plan Assets and Benefit Obligations Recognized in Regulatory Assets:						
Current year actuarial (gain)/loss	$ 162,569	$ (163,086)	$ 18,451	$ 15,896	$ (30,201)	$ (4,239)
Amortization of actuarial (loss)	(19,362)	(33,914)	(32,778)	742	(1,125)	(1,503)
Current year prior service cost	—	—	—	(7,834)	—	—
Amortization of prior service costs	(526)	(601)	(612)	(2,524)	(2,525)	(2,524)
Amortization of transition obligation	—	—	—	—	(325)	(3,912)
Total recognized in regulatory assets	$ 142,681	$ (197,601)	$ (14,939)	$ 6,280	$ (34,176)	$ (12,178)
Total recognized in net periodic cost and regulatory assets	$ 199,428	$ (132,858)	$ 38,777	$ 13,717	$ (25,936)	$ (1,352)
Weighted-Average Actuarial Assumptions used to Determine Net Periodic Cost (Benefit):						
Discount rate	5.07%	4.13%	4.50%	4.88%	3.99%	4.25%
Expected long-term return on plan assets	6.50%	6.50%	6.50%	6.00%	6.00%	6.00%
Compensation rate increase	4.00%	4.00%	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 2015.

	Pension Benefits	Post-retirement Benefits
	(In Thousands)	
Actuarial loss	$ 32,131	$ 379
Prior service cost	520	455
Total	$ 32,651	$ 834

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,	
	2014 (a)	2013
Health care cost trend rate assumed for next year	—	7.5%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	—	5.0%
Year that the rate reaches the ultimate trend rate	—	2019

(a) Amounts are zero due to a change in our post retirement medical plan, effective January 2015, whereby we began to offer retirees a fixed cost allowance to obtain health coverage.

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	$ 134	$ (120)
Effect on post-retirement benefit obligation (a)	—	—

(a) Amounts are zero due to a change in our post retirement medical plan, effective January 2015, whereby we began to offer retirees a fixed cost allowance to obtain health coverage.

Plan Assets

We believe 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 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 are instructed 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.

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.

Target allocations for our pension plan assets are approximately 39% to debt securities, 39% to equity securities, 12% to alternative investments such as real estate securities, hedge funds and private equity investments, and the remaining 10% to a fund which provides tactical portfolio overlay by investing in debt and equity securities. 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.

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 Instruments and Trading Securities," 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 $59.0 million as of December 31, 2014, invested directly in long-term U.S. Treasury securities. We also maintain certain level 3 investments in private equity, alternative investments 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 alternative investments include collateralized debt obligations, mezzanine debt and a variety of other investments. The fair value of these investments is measured using a variety of primarily market-based models utilizing inputs such as security prices, maturity, call features, ratings and other developments related to specific securities. 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.

The following table provides the fair value of our pension plan assets and the corresponding level of hierarchy as of December 31, 2014 and 2013.

As of December 31, 2014	Level 1	Level 2	Level 3	Total
		(In Thousands)		
Assets:				
Domestic equity funds	$ —	$ 160,574	$ 23,996	$ 184,570
International equity fund	—	82,604	—	82,604
Core bond funds	—	224,740	—	224,740
High-yield bond fund	—	20,412	—	20,412
Emerging market bond fund	—	14,685	—	14,685
Combination debt/equity/other fund	—	61,632	—	61,632
Alternative investment funds	—	—	41,141	41,141
Real estate securities fund	—	—	26,439	26,439
Cash equivalents	—	4,918	—	4,918
Total Assets Measured at Fair Value	$ —	$ 569,565	$ 91,576	$ 661,141

As of December 31, 2013	Level 1	Level 2	Level 3	Total
Assets:				
Domestic equity funds	$ —	$ 161,272	$ 22,488	$ 183,760
International equity fund	—	75,872	—	75,872
Core bond funds	—	191,506	—	191,506
High-yield bond fund	—	20,796	—	20,796
Emerging market bond fund	—	13,113	—	13,113
Combination debt/equity/other fund	—	58,336	—	58,336
Alternative investment funds	—	—	39,171	39,171
Real estate securities fund	—	—	24,022	24,022
Cash equivalents	—	3,241	—	3,241
Total Assets Measured at Fair Value	$ —	$ 524,136	$ 85,681	$ 609,817

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, 2014 and 2013.

	Domestic Equity Funds	Alternative Investment Funds	Real Estate Securities Fund	Total
		(In Thousands)		
Balance as of December 31, 2013	$ 22,488	$ 39,171	$ 24,022	$ 85,681
Actual gain (loss) on plan assets:				
Relating to assets still held at the reporting date	(154)	1,970	2,630	4,446
Relating to assets sold during the period	1,365	—	29	1,394
Purchases, issuances and settlements, net	297	—	(242)	55
Balance as of December 31, 2014	$ 23,996	$ 41,141	$ 26,439	$ 91,576
Balance as of December 31, 2012	$ 18,493	$ 45,535	$ 20,927	$ 84,955
Actual gain (loss) on plan assets:				
Relating to assets still held at the reporting date	3,845	1,936	3,307	9,088
Relating to assets sold during the period	—	826	—	826
Purchases, issuances and settlements, net	150	(9,126)	(212)	(9,188)
Balance as of December 31, 2013	$ 22,488	$ 39,171	$ 24,022	$ 85,681

The following table provides the fair value of our post-retirement benefit plan assets and the corresponding level of hierarchy as of December 31, 2014 and 2013.

As of December 31, 2014	Level 1	Level 2	Level 3	Total
		(In Thousands)		
Assets:				
Domestic equity funds	$ —	$ 63,600	$ —	$ 63,600
International equity fund	—	14,783	—	14,783
Core bond funds	—	42,390	—	42,390
Cash equivalents	—	576	—	576
Total Assets Measured at Fair Value	$ —	$ 121,349	$ —	$ 121,349
As of December 31, 2013				
Assets:				
Domestic equity funds	$ —	$ 64,080	$ —	$ 64,080
International equity fund	—	16,018	—	16,018
Core bond funds	—	41,092	—	41,092
Cash equivalents	—	576	—	576
Total Assets Measured at Fair Value	$ —	$ 121,766	$ —	$ 121,766

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:				
2015	$ 42.0		$ —	
Expected benefit payments:				
2015	$ (35.1)	$ (2.8)	$ (8.2)	$ (0.2)
2016	(37.3)	(2.8)	(8.3)	(0.2)
2017	(39.5)	(2.8)	(8.4)	(0.2)
2018	(41.9)	(2.7)	(8.6)	(0.2)
2019	(44.2)	(2.7)	(8.7)	(0.2)
2020-2024	(257.8)	(13.0)	(43.5)	(1.0)

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 plan are deposited with a trustee and invested at the direction of plan participants into one or more of the investment alternatives we provide under the plan. Our contributions totaled $7.0 million in 2014, $6.9 million in 2013 and $7.1 million in 2012.

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. Up to 8.25 million shares of common stock may be granted under the LTISA Plan. As of December 31, 2014, awards of approximately 5.0 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,		
	2014	2013	2012
	(In Thousands)		
Compensation expense	$ 7,193	$ 8,121	$ 7,203
Income tax benefits related to stock-based compensation arrangements	2,845	3,212	2,849

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.

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 2014 valuation, inputs for expected volatility ranged from 15.2% to 23.3% and the risk-free interest rate was approximately 0.3%. For the 2013 valuation, inputs for expected volatility ranged from 15.0% to 23.5% and the risk-free interest rate was approximately 0.3%. 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, 2014, 2013 and 2012, our RSU activity for awards with only service requirements was as follows.

	As of December 31,					
	2014		2013		2012	
	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....	352.5	$ 28.38	351.1	$ 25.47	368.5	$ 23.83
Granted	131.5	34.53	139.6	31.06	131.0	27.82
Vested..	(118.2)	26.19	(125.5)	23.22	(127.8)	23.34
Forfeited...	(23.6)	30.00	(12.7)	28.35	(20.6)	24.40
Nonvested balance, end of year	342.2	31.38	352.5	28.38	351.1	25.47

Total unrecognized compensation cost related to RSU awards with only service requirements was $4.4 million and $4.4 million as of December 31, 2014 and 2013, respectively. We expect to recognize these costs over a remaining weighted-average period of 1.9 years. The total fair value of RSUs with only service requirements that vested during the years ended December 31, 2014, 2013 and 2012, was $3.9 million, $3.7 million and $3.7 million, respectively.

During the years ended December 31, 2014, 2013 and 2012, our RSU activity for awards with performance measures was as follows.

	As of December 31,					
	2014		2013		2012	
	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....	350.1	$ 30.35	340.1	$ 29.20	324.2	$ 28.31
Granted	126.1	35.97	134.4	31.54	122.3	28.84
Vested..	(108.2)	30.56	(112.5)	28.29	(88.2)	25.46
Forfeited...	(22.9)	30.70	(11.9)	30.45	(18.2)	29.00
Nonvested balance, end of year	345.1	32.31	350.1	30.35	340.1	29.20

As of December 31, 2014 and 2013, total unrecognized compensation cost related to RSU awards with performance measures was $3.8 million and $4.0 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, 2014, 2013 and 2012, was $0.5 million, $2.3 million and $3.6 million, respectively.

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 403 shares of common stock for dividends in 2014, 551 shares in 2013 and 666 shares in 2012. Participants received common stock distributions of 1,944 shares in 2014, 3,456 shares in 2013 and 1,461 shares in 2012.

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,	2014	2013	2014	2013
	(In Thousands)			
Change in Benefit Obligation:				
Benefit obligation, beginning of year	$ 162,820	$ 176,891	$ 10,010	$ 11,020
Service cost	5,695	6,835	173	206
Interest cost	8,469	7,562	464	413
Plan participants' contributions	—	—	766	696
Benefits paid	(5,039)	(4,349)	(1,292)	(1,022)
Actuarial (gains) losses	38,375	(24,119)	(1,881)	(1,303)
Benefit obligation, end of year	$ 210,320	$ 162,820	$ 8,240	$ 10,010
Change in Plan Assets:				
Fair value of plan assets, beginning of year	$ 114,734	$ 98,051	$ 17	$ 13
Actual return on plan assets	7,626	13,166	—	—
Employer contributions	7,089	7,624	515	330
Plan participants' contributions	—	—	766	696
Benefits paid	(4,789)	(4,107)	(1,292)	(1,022)
Fair value of plan assets, end of year	$ 124,660	$ 114,734	$ 6	$ 17
Funded status, end of year	$ (85,660)	$ (48,086)	$ (8,234)	$ (9,993)
Amounts Recognized in the Balance Sheets Consist of:				
Current liability	$ (247)	$ (237)	$ (575)	$ (614)
Noncurrent liability	(85,413)	(47,849)	(7,659)	(9,379)
Net amount recognized	$ (85,660)	$ (48,086)	$ (8,234)	$ (9,993)
Amounts Recognized in Regulatory Assets Consist of:				
Net actuarial loss	$ 65,049	$ 29,203	$ 29	$ 2,076
Prior service cost	559	617	—	—
Net amount recognized	$ 65,608	$ 29,820	$ 29	$ 2,076

As of December 31,	Pension Benefits 2014	Pension Benefits 2013	Post-retirement Benefits 2014	Post-retirement Benefits 2013
	(Dollars in Thousands)			
Pension Plans With a Projected Benefit Obligation In Excess of Plan Assets:				
Projected benefit obligation	$ 210,320	$ 162,820	$ —	$ —
Fair value of plan assets	124,660	114,734	—	—
Pension Plans With an Accumulated Benefit Obligation In Excess of Plan Assets:				
Accumulated benefit obligation	$ 179,228	$ 137,459	$ —	$ —
Fair value of plan assets	124,660	114,734	—	—
Post-retirement Plans With an Accumulated Post-retirement Benefit Obligation In Excess of Plan Assets:				
Accumulated post-retirement benefit obligation	$ —	$ —	$ 8,240	$ 10,010
Fair value of plan assets	—	—	6	16
Weighted-Average Actuarial Assumptions used to Determine Net Periodic Benefit Obligation:				
Discount rate	4.20%	5.11%	3.89%	4.70%
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 decrease in the discount rates used as of December 31, 2014, increased Wolf Creek's pension and post-retirement benefit obligations by approximately $26.9 million and $0.6 million, respectively.

Wolf Creek utilizes actuarial assumptions about mortality to calculate the pension and post-retirement benefit obligations. In 2014, revised mortality tables were published which reflect improved life expectancies based on past experience and future projections. Wolf Creek adopted the revised mortality tables as of December 31, 2014, resulting in an increase to the pension and post-retirement benefit obligations by approximately $11.3 million and $0.2 million, respectively.

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,	2014	2013	2012	2014	2013	2012
	(Dollars in Thousands)					
Components of Net Periodic Cost (Benefit):						
Service cost	$ 5,695	$ 6,835	$ 6,062	$ 173	$ 206	$ 191
Interest cost	8,469	7,562	7,537	464	413	411
Expected return on plan assets	(8,084)	(7,373)	(6,577)	—	—	—
Amortization of unrecognized:						
Transition obligation, net	—	—	—	—	—	57
Prior service costs	58	58	6	—	—	—
Actuarial loss, net	2,987	5,421	5,366	165	265	234
Net periodic cost before regulatory adjustment	9,125	12,503	12,394	802	884	893
Regulatory adjustment (a)	2,328	(641)	(1,776)	—	—	—
Net periodic cost	$ 11,453	$ 11,862	$ 10,618	$ 802	$ 884	$ 893
Other Changes in Plan Assets and Benefit Obligations Recognized in Regulatory Assets:						
Current year actuarial (gain) loss	$ 38,833	$ (29,911)	$ 4,629	$ (1,881)	$ (1,303)	$ 669
Amortization of actuarial loss (gain)	(2,987)	(5,421)	(5,366)	(165)	(265)	(234)
Current year prior service cost	—	—	650	—	—	—
Amortization of prior service cost	(58)	(58)	(6)	—	—	—
Amortization of transition obligation	—	—	—	—	—	(57)
Total recognized in regulatory assets	$ 35,788	$ (35,390)	$ (93)	$ (2,046)	$ (1,568)	$ 378
Total recognized in net periodic cost and regulatory assets	$ 47,241	$ (23,528)	$ 10,525	$ (1,244)	$ (684)	$ 1,271
Weighted-Average Actuarial Assumptions used to Determine Net Periodic Cost:						
Discount rate	5.11%	4.16%	4.55%	4.70%	3.78%	4.10%
Expected long-term return on plan assets	7.50%	7.50%	7.50%	—	—	—
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 2015.

	Pension Benefits	Post-retirement Benefits
	(In Thousands)	
Actuarial loss	$ 5,930	$ 2
Prior service cost	57	—
Total	$ 5,987	$ 2

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,	
	2014	2013
Health care cost trend rate assumed for next year	7.0%	7.5%
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	2019

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

	One-Percentage-Point Increase	One-Percentage-Point Decrease
	(In Thousands)	
Effect on total of service and interest cost	$ (8)	$ 8
Effect on post-retirement benefit obligation	(111)	113

Plan Assets

Wolf Creek's 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 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 are instructed 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 Instruments and Trading Securities," 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, 2014 and 2013.

As of December 31, 2014	Level 1	Level 2	Level 3	Total
		(In Thousands)		
Assets:				
Domestic equity funds	$ —	$ 31,580	$ —	$ 31,580
International equity funds	—	38,624	—	38,624
Core bond funds	—	31,854	—	31,854
Real estate securities fund	—	6,313	5,649	11,962
Commodities fund	—	5,887	—	5,887
Alternative investment fund	—	—	4,309	4,309
Cash equivalents	—	444	—	444
Total Assets Measured at Fair Value	$ —	$ 114,702	$ 9,958	$ 124,660

As of December 31, 2013	Level 1	Level 2	Level 3	Total
Assets:				
Domestic equity funds	$ —	$ 30,599	$ —	$ 30,599
International equity funds	—	36,868	—	36,868
Core bond funds	—	26,926	—	26,926
Real estate securities fund	—	5,440	5,094	10,534
Commodities fund	—	5,245	—	5,245
Alternative investment fund	—	—	4,147	4,147
Cash equivalents	—	415	—	415
Total Assets Measured at Fair Value	$ —	$ 105,493	$ 9,241	$ 114,734

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, 2014 and 2013.

	Real Estate Securities Fund	Alternative Investment Fund	Total
		(In Thousands)	
Balance as of December 31, 2013	$ 5,094	$ 4,147	$ 9,241
Actual gain on plan assets:			
Relating to assets still held at the reporting date	555	162	717
Balance as of December 31, 2014	$ 5,649	$ 4,309	$ 9,958
Balance as of December 31, 2012	$ 4,541	$ 3,900	$ 8,441
Actual gain on plan assets:			
Relating to assets still held at the reporting date	553	247	800
Balance as of December 31, 2013	$ 5,094	$ 4,147	$ 9,241

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:				
2015	$ 4.7		$ 0.6	
Expected benefit payments:				
2015	$ (5.4)	$ (0.2)	$ (0.6)	$ —
2016	(6.1)	(0.2)	(0.6)	—
2017	(6.8)	(0.2)	(0.6)	—
2018	(7.5)	(0.2)	(0.6)	—
2019	(8.2)	(0.2)	(0.7)	—
2020 - 2024	(51.0)	(1.1)	(3.2)	—

Savings Plan

Wolf Creek maintains a qualified 401(k) savings plan in which most of its employees participate. Wolf Creek matches 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 $1.4 million in 2014, $1.4 million in 2013 and $1.3 million in 2012.

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." 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, 2014, was as follows.

	Committed Amount
	(In Thousands)
2015	$ 406,859
2016	39,551
2017	9,223
Thereafter	27,247
Total amount committed	$ 482,880

Environmental Matters

Air Emissions

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.

Sulfur Dioxide and Nitrogen Oxide

Through the combustion of fossil fuels at our generating facilities, we emit SO_2 and NOx. Federal and state laws and regulations, including those noted above, and permits issued to us limit the amount of these substances we can emit. If we exceed these limits, we could be subject to fines and penalties. In order to meet SO_2 and NOx regulations applicable to our generating facilities, we use low-sulfur coal and natural gas and have equipped the majority of our fossil fuel generating facilities with equipment to control such emissions.

We are subject to the SO_2 allowance and trading program under the federal Clean Air Act Acid Rain Program. Under this program, each unit must have enough allowances to cover its SO_2 emissions for that year. In 2014, we had adequate SO_2 allowances to meet planned generation and we expect to have enough to cover emissions under this program in 2015.

Cross-State Air Pollution Rule

In 2011, the EPA finalized the Cross-State Air Pollution Rule (CSAPR) requiring 28 states, including Kansas, Missouri and Oklahoma, to further reduce emissions of SO_2, NOx and fine PM. In April 2014, the U.S. Supreme Court reversed a 2012 decision by the U.S. Court of Appeals for the District of Columbia Circuit that had vacated CSAPR and remanded CSAPR back to the U.S. Court of Appeals for further proceedings consistent with the U.S. Supreme Court decision. In June 2014, the U.S. Department of Justice, on behalf of the EPA, filed a motion to lift the CSAPR stay. In October 2014, the U.S. Court of Appeals granted the motion to lift the CSAPR stay and established a schedule to hear arguments on the remaining outstanding issues beginning in March 2015. During the CSAPR stay, we installed various emission controls at our generation facilities and have projects for additional controls in progress or planned that will reduce the impact of CSAPR. We are unable to determine the full impact of reinstatement of CSAPR until the U.S. Court of Appeals and the EPA take further action, however, we are prepared to comply with CSAPR in its current form.

National Ambient Air Quality Standards

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 two classes of PM, NOx (a precursor to ozone), 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, our state environmental regulatory agency, proposed to designate portions of the Kansas City area nonattainment for the eight-hour ozone standard. 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. Nonattainment designations on areas that impact our operations could have a material impact on our consolidated financial results.

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 and consolidated financial results. 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.

In December 2014, the EPA published a proposed rule revising NAAQS for ozone and to make certain other changes, including extending the ozone monitoring season by at least one month. The EPA intends to issue a final rule regarding the ozone NAAQS by October 2015 and make attainment/nonattainment designations for any revised standards by October 2017. We are currently reviewing this proposed new standard and cannot at this time predict the impact it may have on our operations, but it could be material.

In December 2012, the EPA strengthened an existing NAAQS for one class of PM. In December 2014, the EPA designated the entire state of Kansas as unclassifiable/in attainment with the standard. We cannot at this time predict the impact this designation may have on our operations or consolidated financial results, but it could be material.

Mercury and Air Toxics Standards

The operation of power plants results in emissions of mercury, acid gases and other air toxics. In 2012, the EPA's Mercury and Air Toxics Standards (MATS) for power plants became effective, replacing the prior federal Clean Air Mercury Rule and requiring significant reductions in mercury, acid gases and other emissions. Several lawsuits challenging MATS have been filed by other parties and consolidated into a single proceeding before the U.S. Court of Appeals for the District of Columbia Circuit. In April 2014, the U.S. Court of Appeals issued an opinion upholding MATS. In July 2014, numerous states and two trade groups petitioned the U.S. Supreme Court to review this opinion, and in November 2014, the U.S. Supreme Court agreed to such review. The U.S. Supreme Court is expected to rule by June 2015; however, we currently cannot predict the outcome of this litigation, or its impact, if any, on our MATS compliance planning. Nonetheless, we expect to be compliant with the MATS in its current form by April 2016 as currently approved by KDHE. We currently believe that our related investment, based on MATS in its current form, will not be significant.

Greenhouse Gases

Byproducts of burning coal and other fossil fuels include carbon dioxide (CO_2) and other gases referred to as greenhouse gases (GHGs), which are believed by many to contribute to climate change. The EPA is currently, and has further proposed, using the federal Clean Air Act to limit CO_2 and other GHG emissions, and other measures are being imposed or offered by individual states, municipalities and regional agreements with the goal of reducing GHG emissions.

In January 2014, the EPA re-proposed a New Source Performance Standard that would limit CO_2 emissions for new coal and natural gas fueled electric generating units. The re-proposal would limit CO_2 emissions to 1,000 lbs per Megawatt hour (MWh) generated for larger natural gas units and 1,100 lbs per MWh generated for smaller natural gas units and coal units. The EPA issued proposed standards addressing CO_2 emissions for modified, reconstructed and existing power plants in June 2014. The standards for existing plants is known as the Clean Power Plan. The EPA anticipates issuing final rules for new, modified, reconstructed and existing power plants by summer 2015 and requiring states to submit their implementation state plans to the EPA by no later than summer 2016. The EPA is expected to propose in summer 2015 a federal plan that will implement the Clean Power Plan to be used for states that fail to submit adequate state plans, with such federal plan expected to be finalized by summer 2016. While the Clean Power Plan is not yet final, various legal and judicial challenges to it have been filed. We cannot at this time determine the impact of such proposals on our operations or consolidated financial results, but we believe the costs to comply could be material.

Under regulations formerly known as the Tailoring Rule, the EPA regulates GHG emissions from certain stationary sources. The regulations are implemented pursuant to two federal Clean Air Act programs, the Prevention of Significant Deterioration (PSD) and Title V Operating Permit Programs, that 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 (currently defined to be more than 75,000 tons or more per year or 100,000 tons or more per year, depending on various factors). In June 2014, the U.S. Supreme Court ruled that the EPA had exceeded its statutory authority in issuing the Tailoring Rule by regulating under the PSD program sources based solely on their GHG emissions. However, the U.S. Supreme Court also held that the EPA could impose GHG BACT requirements for sources already required to implement PSD for other pollutants. Therefore, if future modifications to our sources require PSD review for other pollutants, it may also trigger GHG BACT requirements. 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 future operations or consolidated financial results as the rule has not been finalized, but we believe the cost of compliance with the regulations could be material.

Water

We discharge some of the water used in our operations. This water may contain substances deemed to be pollutants. Revised rules governing such discharges from coal-fired power plants are expected to be issued by the EPA by the end of September 2015. Although we cannot at this time determine the timing or impact of compliance with any new regulations, more stringent regulations could have a material impact on our operations or consolidated financial results.

In October 2014, the EPA's final standards for cooling intake structures at power plants to protect aquatic life took effect. The standards, based on Section 316(b) of the federal Clean Water Act (CWA), require subject facilities to choose among seven Best Technology Available options to reduce fish impingement. In addition, some facilities must conduct studies to assist permitting authorities to determine whether and what site-specific controls, if any, would be required to reduce entrainment of aquatic organisms. Our current analysis indicates this rule will not have a significant impact on our coal plants that employ cooling towers. Biological monitoring may be required for LaCygne and Wolf Creek. We are currently evaluating the rule's impact on those two plants and cannot predict the resulting impact on our operations or consolidated financial results, but we do not expect it to be material.

In April 2014, the EPA along with the U.S. Army Corps of Engineers issued a proposed rule defining the Waters of the United States for purposes of the CWA. This rulemaking has the potential to impact all programs under the CWA. Expansion of regulated waterways is possible under the proposal, which could impact several permitting programs. Although we cannot at this time determine the timing or impact of compliance with any new regulations, more stringent regulations could have a material impact on our operations or consolidated financial results.

Regulation of Coal Combustion Byproducts

In the course of operating our coal generation plants, we produce coal combustion byproducts (CCBs), including fly ash, gypsum and bottom ash. We recycle some of our ash production, principally by selling to the aggregate industry. In 2010, the EPA proposed a rule to regulate CCB by the federal government. The EPA released a pre-publication version of the rule in December 2014, which we believe will require additional CCB handling, processing and storage equipment and potential closure of certain ash disposal areas, but it has not yet published the final rule. While we cannot at this time estimate the impact and costs associated with future regulations of CCB, we believe the impact on our operations or consolidated financial results could be material.

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.

We are currently permitted to recover certain of these costs through the ECRR, which, in comparison to a general rate review, 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 approximately $610.0 million of the projected capital investment associated with the environmental upgrades at La Cygne. In November 2013, the KCC issued an order allowing us to adjust our prices to include the additional investment in the La Cygne environmental upgrades and to reflect cost reductions elsewhere. The new prices are expected to increase our annual retail revenues by approximately $30.7 million. To change our prices to collect increased operating and maintenance costs, we must file a general rate review with the KCC. We intend to file our next general rate review in March 2015. In addition, the installation of new equipment may cause us to reduce the net production, reliability and availability of our plants. Furthermore, enhancements to our power plants, even if they result in greater efficiency, can trigger a regulatory review, which could result in increased costs or other operational requirements. For additional information regarding our abbreviated rate review, see Note 3, "Rate Matters and Regulation."

EPA Consent Decree

As part of a 2010 settlement of a lawsuit filed by the U.S. Department of Justice on behalf of the EPA, we completed installation of selective catalytic reduction equipment on one of our three JEC coal units in December 2014, at a cost of approximately $225.0 million. We also completed installation of less expensive NOx reduction equipment on the other two units to satisfy other terms of the settlement. We plan to recover the costs of installing these systems through our ECRR, but such recovery remains subject to the approval of our regulators.

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 retail 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. With our existing wind generation facilities, supply contracts and renewable energy credits, we are able to satisfy the net renewable generation requirement through 2015. With our agreements to purchase an additional 400 MW of installed design capacity from wind generation facilities beginning in 2015 through 2016, we expect to meet the increased requirements for 2020 and thereafter. If we are unable to meet future requirements, our operations and consolidated financial results could be adversely impacted.

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 updated 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 2014, Wolf Creek updated the nuclear decommissioning cost study. Based on the study, our share of decommissioning costs, including decontamination, dismantling and site restoration, is estimated to be approximately $360.0 million. This amount compares to the prior site study estimate of $296.2 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 $2.8 million in 2014, $2.9 million in 2013 and $3.2 million in 2012. We record our investment in the NDT fund at fair value, which approximated $185.0 million and $175.6 million as of December 31, 2014 and 2013, 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 paid into a federal Nuclear Waste Fund administered by the DOE a quarterly fee for the future disposal of spent nuclear fuel. In November 2013, a federal court of appeals ruled that the DOE must stop collecting this fee effective May 2014. Our share of the fee, calculated as one tenth of a cent for each kilowatt-hour of net nuclear generation delivered to customers, was $0.8 million in 2014, $3.0 million in 2013 and $3.6 million in 2012. 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 2013, the court ordered the NRC to resume its review of the DOE's application. 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 approximately four years of plant operations and believes it would be able to expand that storage capacity if needed.

Nuclear Insurance

We maintain nuclear liability, property and business interruption insurance for Wolf Creek. These policies contain certain industry standard terms, conditions and exclusions, including, but not limited to, ordinary wear and tear and war. An industry aggregate limit of $3.2 billion plus any reinsurance, indemnity or any other source recoverable by Nuclear Electric Insurance Limited (NEIL), our property and business interruption insurance provider, exists for acts of terrorism affecting Wolf Creek or any other NEIL insured plant within 12 months from the date of the first act. 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 2025 by the Energy Policy Act of 2005, we are required to insure against public liability claims resulting from nuclear incidents to the current limit of public liability, which is approximately $13.6 billion. This limit of liability consists of the maximum available commercial insurance of $375.0 million and the remaining $13.2 billion is provided through mandatory participation in an industry-wide retrospective assessment program. In addition, Congress could impose additional revenue-raising measures to pay claims. Under this retrospective assessment program, the owners of Wolf Creek are jointly and severally subject to an assessment of up to $127.3 million (our share is $59.8 million), payable at no more than $19.0 million (our share is $8.9 million) per incident per year per reactor. Both the total and yearly assessment is subject to an inflationary adjustment every five years with the next adjustment in 2018.

Nuclear Property and Business Interruption 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. 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 or, if certain requirements are met, including decommissioning the plant, toward a shortfall in the NDT fund. The owners also carry additional insurance with NEIL to cover costs of replacement power and other extra expenses incurred during a prolonged outage resulting from accidental property damage at Wolf Creek. If significant losses were incurred at any of the nuclear plants insured under the NEIL policies, we may be subject to retrospective assessments under the current policies of approximately $39.5 million (our share is $18.6 million).

Accidental Nuclear Outage Insurance

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, 2014, our share of Wolf Creek's nuclear fuel commitments was approximately $27.1 million for uranium concentrates expiring in 2017, $4.1 million for conversion expiring in 2017, $93.3 million for enrichment expiring in 2025 and $33.3 million for fabrication expiring in 2023.

As of December 31, 2014, our coal and coal transportation contract commitments under the remaining terms of the contracts were approximately $1.1 billion. The contracts are for plants that we operate and expire at various times through 2020.

As of December 31, 2014, our natural gas transportation contract commitments under the remaining terms of the contracts were approximately $118.5 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 power purchase agreements with the owners of six separate wind generation facilities with installed design capacities of 915 MW expiring in 2028 through 2036. Of the 915 MW under contract, 400 MW are associated with agreements pursuant to which generation providers are scheduled to deliver power beginning in 2015 and 2016. 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 in 2015 and approximately $110.0 million for the next several years thereafter.

We have acquired rights to transmit a total of 306 MW. Agreements providing transmission capacity for approximately 200 MW expire in 2016 while the remaining 106 MW expire in 2022. As of December 31, 2014, we are committed to spend approximately $34.0 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 or an offset to a regulatory liability.

We initially recorded AROs at fair value for the estimated cost to decommission Wolf Creek (KGE's 47% share), 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,	
	2014	2013
	(In Thousands)	
Beginning ARO	$ 160,682	$ 152,648
Increase in nuclear decommissioning ARO liability	50,683	—
Increase in other ARO liabilities	9,580	—
Liabilities settled	(593)	(973)
Accretion expense	10,316	9,007
Ending ARO	$ 230,668	$ 160,682

Wolf Creek filed a nuclear decommissioning cost study with the KCC in 2014. As a result of the study, we recorded a $50.7 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, 2014 and 2013, we had $88.2 million and $114.1 million, respectively, in amounts collected, but not yet spent, for removal costs classified as a regulatory liability.

15. LEGAL PROCEEDINGS

We and our subsidiaries are involved in various 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 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, 2014 and 2013, Westar Energy had issued 131.7 million shares and 128.3 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 2014 and 2013, Westar Energy issued 0.5 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, 2014 and 2013, a total of 1.6 million shares and 2.0 million shares, respectively, were available under the DSPP registration statement.

Issuances

In September 2013, Westar Energy entered into two forward sale agreements with two banks. Under the terms of the agreements, the banks, as forward sellers, borrowed 8.0 million shares of Westar Energy's common stock from third parties and sold them to a group of underwriters for $31.15 per share. Pursuant to over-allotment options granted to the underwriters, the underwriters purchased in October 2013 an additional 0.9 million shares from the banks as forward sellers, increasing the total number of shares under the forward sale agreements to approximately 8.9 million. The underwriters received a commission equal to 3.5% of the sales price of all shares sold under each agreement. Westar Energy must settle such transactions within 24 months of the applicable agreement.

In March 2013, Westar Energy entered into a three-year sales agency financing agreement and master forward sale agreement with a bank. The maximum amount that Westar Energy may offer and sell under the March 2013 master agreements is the lesser of an aggregate of $500.0 million or approximately 25.0 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. In addition, under the terms of the sales agency financing agreement and master forward sale confirmation, 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 agent. The agent receives a commission equal to 1% of the sales price of all shares sold under the agreements. Westar Energy must settle the forward sale transactions within 18 months of the date each transaction is entered.

In April 2010, Westar Energy entered into a three-year sales agency financing agreement and master forward sale agreement with a bank that was terminated in March 2013. The maximum amount that Westar Energy could offer and sell under the agreements was 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. Terms under these agreements were generally similar to the March 2013 agreements described above.

The following table summarizes our common stock activity pursuant to the three forward sale agreements.

	Year Ended December 31,		
	2014	2013	2012
Shares that could be settled at beginning of year	12,052,976	1,753,415	—
Transactions entered	—	11,367,673	1,753,415
Transactions settled (a)	2,892,476	1,068,112	—
Shares that could be settled at end of year (b)	9,160,500	12,052,976	1,753,415

(a) The shares settled during the years ended December 31, 2014 and 2013, were settled with a physical settlement amount of approximately $82.9 million and $27.0 million, respectively.

(b) Assuming physical share settlement of the 9.2 million shares associated with the forward sale transactions that could be settled as of December 31, 2014, Westar Energy would have received aggregate proceeds of approximately $258.3 million based on a weighted average forward price of $28.20 per share. In February 2015, Westar Energy settled 0.2 million shares with a physical settlement amount of approximately $7.5 million.

The forward sale transactions are entered into at market prices; therefore, the forward sale agreements have no initial fair value. Westar Energy does not receive any proceeds from the sale of common stock under the forward sale agreements until transactions are settled. Upon settlement, Westar Energy will record the forward sale agreements within equity. Except in specified circumstances or events that would require physical share settlement, Westar Energy is able to elect to settle any forward sale transactions by means of physical share, cash or net share settlement, and is also able to elect to settle the forward sale transactions in whole, or in part, earlier than the stated maturity dates. Currently, Westar Energy anticipates settling the forward sale transactions through physical share settlement. The shares under the forward sale agreements are initially priced when the transactions are entered into and are subject to certain fixed pricing adjustments during the term of the agreements. Accordingly, assuming physical share settlement, Westar Energy's net proceeds from the forward sale transactions will represent the prices established by the forward sale agreements applicable to the time periods in which physical settlement occurs.

Westar Energy used the proceeds from the transactions described above to repay short-term borrowings, with such borrowed amounts principally used for 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 in 2010 requires the primary beneficiary of a VIE to consolidate the VIE. The trusts holding our 8% interest in JEC and our 50% interest in La Cygne unit 2 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, we leased railcars from unrelated trusts to transport coal to some of our power plants. We consolidated the trusts as a VIEs until the agreements expired in May 2013 and November 2014. As a result of deconsolidating the trusts, property, plant and equipment of VIEs, net and noncontrolling interests decreased $14.3 million in 2013 and $7.3 million in 2014.

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,	
	2014	2013
	(In Thousands)	
Assets:		
Property, plant and equipment of variable interest entities, net	$ 278,573	$ 296,626
Regulatory assets (a)	7,882	6,792
Liabilities:		
Current maturities of long-term debt of variable interest entities	$ 27,933	$ 27,479
Accrued interest (b)	2,961	3,472
Long-term debt of variable interest entities, net	166,565	194,802

(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:	
2012	$ 17,080
2013	16,484
2014	14,143
Future commitments:	
2015	$ 12,396
2016	10,434
2017	8,560
2018	7,148
2019	5,930
Thereafter	9,115
Total future commitments	$ 53,583

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.

Assets recorded under capital leases are listed below.

	As of December 31,	
	2014	2013
	(In Thousands)	
Vehicles	$ 18,819	$ 12,141
Computer equipment	1,504	1,758
Generation plant	40,049	48,346
Accumulated amortization	(11,741)	(10,493)
Total capital leases	$ 48,631	$ 51,752

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)
2015	$ 6,379
2016	5,717
2017	5,284
2018	5,131
2019	4,493
Thereafter	59,660
	86,664
Amounts representing imputed interest	(34,922)
Present value of net minimum lease payments under capital leases	51,742
Less: Current portion	3,833
Total long-term obligation under capital leases	$ 47,909

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.

2014	First	Second	Third	Fourth
	(In Thousands, Except Per Share Amounts)			
Revenues (a)	$ 628,556	$ 612,668	$ 764,040	$ 596,439
Net income (a)	70,970	55,822	149,760	45,773
Net income attributable to Westar Energy, Inc. (a)	68,955	53,473	147,382	43,449
Per Share Data (a):				
Basic:				
Earnings available	$ 0.53	$ 0.41	$ 1.13	$ 0.33
Diluted:				
Earnings available	$ 0.52	$ 0.40	$ 1.10	$ 0.32
Cash dividend declared per common share	$ 0.35	$ 0.35	$ 0.35	$ 0.35
Market price per common share:				
High	$ 35.33	$ 38.24	$ 38.23	$ 43.15
Low	$ 31.67	$ 34.51	$ 33.76	$ 33.73

(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.

2013	First	Second	Third	Fourth
	(In Thousands, Except Per Share Amounts)			
Revenues (a)	$ 546,212	$ 569,589	$ 694,974	$ 559,878
Net income (a)	53,256	69,451	135,095	43,061
Net income attributable to Westar Energy, Inc. (a)	51,144	67,188	133,125	41,062
Per Share Data (a):				
Basic:				
Earnings available	$ 0.40	$ 0.53	$ 1.04	$ 0.32
Diluted:				
Earnings available	$ 0.40	$ 0.52	$ 1.04	$ 0.32
Cash dividend declared per common share	$ 0.34	$ 0.34	$ 0.34	$ 0.34
Market price per common share:				
High	$ 33.35	$ 34.96	$ 34.31	$ 32.56
Low	$ 28.59	$ 30.13	$ 29.79	$ 29.95

(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, 2015

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 <u>consistent with the method used to report such information to the principal bond rating agency</u> 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 and Electric Company 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 non-regulated operations are not attached.

Westar Energy, Inc.
KCC Ringfencing Compliance
Financial Ratios as Reported to the Rating Agencies
12/31/2014

	Westar Consolidated 2014	Westar[1] 2014	KGE[1] 2014
Total debt to total capitalization	53.7%	44.8%	32.3%
Funds from operations interest coverage	5.2	5.5	7.7
Funds from operations as a percentage of total debt	22.1%	22.6%	32.1%

[1] Westar and KGE stand alone ratios are based on Westar Energy and KGE's FERC Form 1, Westar Energy's Annual Report, KGE's Consolidated Financial Statements; adjusted for off-balance sheet debt.