
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2009

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 1-3523

WESTAR ENERGY, INC.

(Exact name of registrant as specified in its charter)

Kansas

(State or other jurisdiction of
incorporation or organization)

48-0290150

(I.R.S. Employer
Identification Number)

818 South Kansas Avenue, Topeka, Kansas 66612 (785) 575-6300

(Address, including Zip Code and telephone number, including area code, of registrant's principal executive offices)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company (as defined in Rule 12b-2 of the Act). Check one:

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Common Stock, par value \$5.00 per share

(Class)

108,857,990 shares

(Outstanding at July 30, 2009)

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FORWARD-LOOKING STATEMENTS

Certain matters discussed in this Form 10-Q are “forward-looking statements.” The Private Securities Litigation Reform Act of 1995 has established that these statements qualify for safe harbors from liability. Forward-looking statements may include words like we “believe,” “anticipate,” “target,” “expect,” “pro forma,” “estimate,” “intend” and words of similar meaning. Forward-looking statements describe our future plans, objectives, expectations or goals. Such statements address future events and conditions concerning matters such as, but not limited to:

- amount, type and timing of capital expenditures,
- earnings,
- cash flow,
- liquidity and capital resources,
- litigation,
- accounting matters,
- possible corporate restructurings, acquisitions and dispositions,
- compliance with debt and other restrictive covenants,
- interest rates and dividends,
- environmental matters,
- regulatory matters,
- nuclear operations, and
- the overall economy of our service area and its impact on our customers’ demand for electricity and their ability to pay for service.

What happens in each case could vary materially from what we expect because of such things as:

- regulated and competitive markets,
- economic and capital market conditions, including the impact of changes in interest rates and the cost and availability of capital,
- inflation,
- execution of our planned capital expenditure program,
- performance of our generating plants,
- changes in accounting requirements and other accounting matters,
- changing weather,
- the impact of the formation of regional transmission organizations and independent system operators such as the Southwest Power Pool, including changes in the energy markets in which we participate resulting from the development and implementation of real time and next day trading markets, and the effect of the retroactive repricing of transactions in such markets following execution because of changes or adjustments in market pricing mechanisms by regional transmission organizations and independent system operators,
- the impact of economic changes and downturns in the energy industry and the market for trading wholesale energy, including counterparty performance,
- the outcome of the lawsuit filed by the Department of Justice on behalf of the Environmental Protection Agency on February 4, 2009, alleging violations of the Federal Clean Air Act, and developments related to environmental matters including possible future legislative or regulatory mandates related to emissions of gases or substances, including what are now referred to as greenhouse gases,
- political, legislative, judicial and regulatory developments at the municipal, state and federal level that can affect us or our industry, including in particular those relating to environmental laws,
- the impact of our potential liability to former executive officers for unpaid compensation and the impact of claims they have made against us related to the termination of their employment,
- the outcome of the Federal Energy Regulatory Commission non-public investigation of our use of transmission service within the Southwest Power Pool,
- the impact of changes in interest rates on pension and other post-retirement and post-employment benefit liability calculations, as well as actual and assumed investment returns on invested plan assets,
- the impact of changes in estimates regarding our Wolf Creek Generating Station decommissioning obligation,
- the impact of adverse changes in market conditions potentially resulting in the need for additional funding for the nuclear decommissioning and pension trusts,

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- changes in regulation of nuclear generating facilities and nuclear materials and fuel, including possible shutdown or required modification of nuclear generating facilities,
- uncertainty regarding the establishment of interim or permanent sites for spent nuclear fuel storage and disposal,
- homeland and information security considerations,
- coal, natural gas, uranium, diesel, oil and wholesale electricity prices,
- cost, availability and timely provision of equipment, supplies, labor and fuel we need to operate our business, and
- other circumstances affecting anticipated operations, sales and costs.

These lists are not all-inclusive because it is not possible to predict all factors. This report should be read in its entirety and in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2008. No one section of this report deals with all aspects of the subject matter and additional information on some matters that could impact our operations and financial results may be included in our Annual Report on Form 10-K for the year ended December 31, 2008. Any forward-looking statement speaks only as of the date such statement was made, and we are not obligated to update any forward-looking statement to reflect events or circumstances after the date on which such statement was made except as required by applicable laws or regulations.

GLOSSARY OF TERMS

The following is a glossary of frequently used abbreviations or acronyms that are found throughout this report.

<u>Abbreviation or Acronym</u>	<u>Definition</u>
2008 Form 10-K	Annual Report on Form 10-K for the year ended December 31, 2008
AFUDC	Allowance for Funds Used During Construction
CO₂	Carbon dioxide
Codification	FASB Accounting Standards Codification
COLI	Corporate-owned life insurance
DOJ	Department of Justice
EPA	Environmental Protection Agency
EPS	Earnings per share
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
Fitch	Fitch Investors Service
GAAP	Generally Accepted Accounting Principles
IRS	Internal Revenue Service
KCC	Kansas Corporation Commission
KDHE	Kansas Department of Health and Environment
KGE	Kansas Gas and Electric Company
kV	Kilovolt
MMBtu	Millions of British Thermal Units
Moody's	Moody's Investors Service
MWh	Megawatt hours
OTC	Over-the-counter
RECA	Retail energy cost adjustment
RSUs	Restricted share units
S&P	Standard & Poor's Ratings Group
SEC	Securities and Exchange Commission
SPP	Southwest Power Pool
Wolf Creek	Wolf Creek Generating Station

PART I. FINANCIAL INFORMATION**ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

WESTAR ENERGY, INC.
CONSOLIDATED BALANCE SHEETS
(Dollars in Thousands)
(Unaudited)

	June 30, 2009	December 31, 2008
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 4,941	\$ 22,914
Accounts receivable, net of allowance for doubtful accounts of \$4,310 and \$4,810, respectively	240,478	199,116
Inventories and supplies, net	206,904	204,297
Energy marketing contracts	106,189	131,647
Taxes receivable	65,324	36,462
Deferred tax assets	15,613	16,416
Prepaid expenses	11,682	33,419
Regulatory assets	71,116	79,783
Other	18,024	19,077
Total Current Assets	<u>740,271</u>	<u>743,131</u>
PROPERTY, PLANT AND EQUIPMENT, NET	<u>5,708,556</u>	<u>5,533,521</u>
OTHER ASSETS:		
Regulatory assets	834,790	872,487
Nuclear decommissioning trust	94,425	85,555
Energy marketing contracts	10,058	25,601
Other	212,232	182,964
Total Other Assets	<u>1,151,505</u>	<u>1,166,607</u>
TOTAL ASSETS	<u><u>\$7,600,332</u></u>	<u><u>\$ 7,443,259</u></u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt	\$ 146,394	\$ 146,366
Short-term debt	62,700	174,900
Accounts payable	151,531	195,683
Accrued taxes	49,555	44,008
Energy marketing contracts	110,103	104,622
Accrued interest	48,381	42,142
Regulatory liabilities	23,852	31,123
Other	137,909	133,565
Total Current Liabilities	<u>730,425</u>	<u>872,409</u>
LONG-TERM LIABILITIES:		
Long-term debt, net	2,491,428	2,192,538
Obligation under capital leases	108,395	117,909
Deferred income taxes	1,035,304	1,004,920
Unamortized investment tax credits	58,036	59,386
Deferred gain from sale-leaseback	111,279	114,027
Accrued employee benefits	510,190	526,177
Asset retirement obligations	97,055	95,083
Energy marketing contracts	3,186	2,262
Regulatory liabilities	95,789	91,934
Other	124,149	155,612
Total Long-Term Liabilities	<u>4,634,811</u>	<u>4,359,848</u>
COMMITMENTS AND CONTINGENCIES (see Notes 7 and 8)		
TEMPORARY EQUITY	<u>3,434</u>	<u>3,422</u>
SHAREHOLDERS' EQUITY:		
Cumulative preferred stock, par value \$100 per share; authorized 600,000 shares; issued and outstanding 214,363 shares	21,436	21,436
Common stock, par value \$5 per share; authorized 150,000,000 shares; issued and outstanding 108,722,335 shares and 108,311,135 shares, respectively	543,612	541,556
Paid-in capital	1,332,302	1,326,391
Retained earnings	334,312	318,197
Total Shareholders' Equity	<u>2,231,662</u>	<u>2,207,580</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>\$7,600,332</u></u>	<u><u>\$ 7,443,259</u></u>

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

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

	Three Months Ended June 30,	
	2009	2008
SALES	\$ 467,812	\$ 451,219
OPERATING EXPENSES:		
Fuel and purchased power	120,508	191,355
Operating and maintenance	139,810	130,966
Depreciation and amortization	63,814	49,605
Selling, general and administrative	53,638	44,254
Total Operating Expenses	<u>377,770</u>	<u>416,180</u>
INCOME FROM OPERATIONS	<u>90,042</u>	<u>35,039</u>
OTHER INCOME (EXPENSE):		
Investment earnings	5,322	1,788
Other income	1,153	4,343
Other expense	(2,341)	(2,327)
Total Other Income	<u>4,134</u>	<u>3,804</u>
Interest expense	<u>40,094</u>	<u>30,311</u>
INCOME FROM OPERATIONS BEFORE INCOME TAXES	54,082	8,532
Income tax expense	<u>15,696</u>	<u>2,687</u>
NET INCOME	38,386	5,845
Preferred dividends	242	242
NET INCOME ATTRIBUTABLE TO COMMON STOCK	<u>\$ 38,144</u>	<u>\$ 5,603</u>
BASIC AND DILUTED EARNINGS PER AVERAGE COMMON SHARE OUTSTANDING (See Note 2)	<u>\$ 0.35</u>	<u>\$ 0.06</u>
Average equivalent common shares outstanding	109,538,854	100,733,815
DIVIDENDS DECLARED PER COMMON SHARE	\$ 0.30	\$ 0.29

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

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

	Six Months Ended June 30,	
	2009	2008
SALES	\$ 889,579	\$ 858,046
OPERATING EXPENSES:		
Fuel and purchased power	261,152	337,804
Operating and maintenance	261,978	246,984
Depreciation and amortization	122,028	98,501
Selling, general and administrative	101,619	85,910
Total Operating Expenses	<u>746,777</u>	<u>769,199</u>
INCOME FROM OPERATIONS	142,802	88,847
OTHER INCOME (EXPENSE):		
Investment earnings	4,530	84
Other income	4,410	10,160
Other expense	(6,903)	(6,661)
Total Other Income	<u>2,037</u>	<u>3,583</u>
Interest expense	75,170	41,001
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	69,669	51,429
Income tax expense (benefit)	20,098	(15,552)
INCOME FROM CONTINUING OPERATIONS	49,571	66,981
Results of discontinued operations, net of tax	32,978	—
NET INCOME	82,549	66,981
Preferred dividends	485	485
NET INCOME ATTRIBUTABLE TO COMMON STOCK	<u>\$ 82,064</u>	<u>\$ 66,496</u>
BASIC AND DILUTED EARNINGS PER AVERAGE COMMON SHARE OUTSTANDING (See Note 2):		
Earnings available from continuing operations	\$ 0.45	\$ 0.67
Discontinued operations, net of tax	0.30	—
Earnings per common share, basic and diluted	<u>\$ 0.75</u>	<u>\$ 0.67</u>
Average equivalent common shares outstanding	109,435,488	99,074,840
DIVIDENDS DECLARED PER COMMON SHARE	\$ 0.60	\$ 0.58

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

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

	<u>Six Months Ended June 30,</u>	
	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:		
Net income	\$ 82,549	\$ 66,981
Discontinued operations, net of tax	(32,978)	—
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	122,028	98,501
Amortization of nuclear fuel	8,602	5,498
Amortization of deferred gain from sale-leaseback	(2,748)	(2,747)
Amortization of prepaid corporate-owned life insurance	10,238	7,760
Non-cash compensation	2,720	2,571
Net changes in energy marketing assets and liabilities	6,434	10,363
Accrued liability to certain former officers	312	(937)
Net deferred income taxes and credits	32,045	27,942
Stock based compensation excess tax benefits	(269)	(378)
Allowance for equity funds used during construction	(3,277)	(9,199)
Changes in working capital items, net of acquisitions and dispositions:		
Accounts receivable	(41,362)	(51,437)
Inventories and supplies	(2,607)	(19,074)
Prepaid expenses and other	(341)	(69,526)
Accounts payable	(21,330)	(16,086)
Accrued taxes	10,207	14,903
Other current liabilities	67,866	(13,685)
Changes in other assets	16,589	(4,983)
Changes in other liabilities	(38,692)	(48,621)
Cash flows from (used in) operating activities	<u>215,986</u>	<u>(2,154)</u>
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:		
Additions to property, plant and equipment	(338,768)	(419,883)
Investment in corporate-owned life insurance	(17,724)	(18,720)
Purchase of securities within the nuclear decommissioning trust fund	(22,538)	(164,634)
Sale of securities within the nuclear decommissioning trust fund	21,145	163,639
Proceeds from investment in corporate-owned life insurance	1,216	533
Other investing activities	1,300	995
Cash flows used in investing activities	<u>(355,369)</u>	<u>(438,070)</u>
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:		
Short-term debt, net	(112,200)	(800)
Proceeds from long-term debt	297,507	152,023
Retirements of long-term debt	(802)	(608)
Repayment of capital leases	(9,013)	(9,049)
Borrowings against cash surrender value of corporate-owned life insurance	7,547	61,628
Repayment of borrowings against cash surrender value of corporate-owned life insurance	(3,151)	(1,464)
Stock based compensation excess tax benefits	269	378
Issuance of common stock, net	2,181	291,833
Cash dividends paid	(60,928)	(50,472)
Cash flows from financing activities	<u>121,410</u>	<u>443,469</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(17,973)	3,245
CASH AND CASH EQUIVALENTS:		
Beginning of period	22,914	5,753
End of period	<u>\$ 4,941</u>	<u>\$ 8,998</u>

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

WESTAR ENERGY, INC.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)**

1. DESCRIPTION OF BUSINESS

We are the largest electric utility in Kansas. Unless the context otherwise indicates, all references in this quarterly report on Form 10-Q 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 684,000 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. KGE owns a 47% interest in the Wolf Creek Generating Station (Wolf Creek), a nuclear power plant located near Burlington, Kansas. Both Westar Energy and KGE conduct business using the name Westar Energy.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

We prepare our condensed consolidated financial statements in accordance with generally accepted accounting principles (GAAP) for the United States of America for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, certain information and footnote disclosures normally included in financial statements presented in accordance with GAAP have been condensed or omitted. In our opinion, all adjustments, consisting only of normal recurring adjustments considered necessary for a fair presentation of the financial statements, have been included. We evaluated subsequent events up to the time we issued our condensed consolidated financial statements on August 6, 2009.

The accompanying condensed consolidated financial statements and notes should be read in conjunction with the consolidated financial statements and notes included in our Annual Report on Form 10-K for the year ended December 31, 2008 (2008 Form 10-K).

Use of Management’s Estimates

When we prepare our condensed consolidated financial statements, we are required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of our consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. We evaluate our estimates on an on-going basis, including those related to bad debts, inventories, valuation of commodity contracts, depreciation, unbilled revenue, investments, valuation of our energy marketing portfolio, intangible assets, forecasted fuel costs included in our retail energy cost adjustment (RECA) billed to customers, income taxes, pension and other post-retirement and post-employment benefits, our asset retirement obligations including the decommissioning of Wolf Creek, environmental issues, contingencies and litigation. Actual results may differ from those estimates under different assumptions or conditions. The results of operations for the three and six months ended June 30, 2009, are not necessarily indicative of the results to be expected for the full year.

Allowance for Funds Used During Construction

Allowance for funds used during construction (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 to other income (for equity funds) and interest expense (for borrowed funds) the amount of AFUDC capitalized as construction cost on the accompanying consolidated statements of income as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	(In Thousands)			
Borrowed funds	\$ 717	\$ 5,142	\$2,846	\$10,687
Equity funds	722	3,819	3,277	9,199
Total	<u>\$ 1,439</u>	<u>\$ 8,961</u>	<u>\$6,123</u>	<u>\$19,886</u>
Average AFUDC Rates	3.2%	5.7%	4.7%	6.5%

Earnings Per Share

Effective January 1, 2009, we adopted guidance issued by the Financial Accounting Standards Board (FASB) for determining whether instruments granted in share-based payment transactions are participating securities. According to the provisions of this guidance, we have participating securities related to unvested restricted share units (RSUs) with nonforfeitable rights to dividend equivalents that receive dividends as declared on an equal basis with common shares. As a result, we apply the two-class method of computing basic and diluted earnings per share (EPS). This guidance was adopted with retrospective application to prior periods and resulted in no change to our previously reported EPS for the three and six months ended June 30, 2008.

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	(Dollars In Thousands, Except Per Share Amounts)			
Income from continuing operations	\$ 38,386	\$ 5,845	\$ 49,571	\$ 66,981
Less: Preferred dividends	242	242	485	485
Income from continuing operations allocated to RSUs	154	47	224	552
Income from continuing operations attributable to common stock	\$ 37,990	\$ 5,556	\$ 48,862	\$ 65,944
Weighted average equivalent common shares outstanding – basic	109,538,854	100,733,815	109,435,488	99,074,840
Effect of dilutive securities:				
Employee stock options	339	807	368	822
Weighted average equivalent common shares outstanding – diluted (a)	109,539,193	100,734,622	109,435,856	99,075,662
Earnings from continuing operations per common share, basic and diluted	\$ 0.35	\$ 0.06	\$ 0.45	\$ 0.67

(a) For the three and six months ended June 30, 2009, we did not have any antidilutive shares. For the three and six months ended June 30, 2008, potentially dilutive shares not included in the denominator because they are antidilutive totaled 21,300 shares.

Supplemental Cash Flow Information

	Six Months Ended June 30,	
	2009	2008
	(In Thousands)	
CASH PAID FOR (RECEIVED FROM):		
Interest on financing activities, net of amount capitalized	\$67,484	\$50,246
Income taxes, net of refunds	(9,063)	600
NON-CASH INVESTING TRANSACTIONS:		
Property, plant and equipment additions	41,927	84,054
NON-CASH FINANCING TRANSACTIONS:		
Issuance of common stock for reinvested dividends and RSUs	5,409	7,460
Assets acquired through capital leases	1,178	2,503

New Accounting Pronouncements

We prepare our condensed consolidated financial statements in accordance with GAAP for the United States of America for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. To address current issues in accounting, regulatory bodies have issued the following new accounting pronouncements that may affect our accounting and/or disclosure.

FASB Codification

In June 2009, FASB approved its Accounting Standards Codification (Codification) as the exclusive authoritative reference for U.S. GAAP to be applied by nongovernmental entities. Under the Codification, with the exception of a small change in revenue recognition guidance, existing U.S. GAAP did not change. In addition, Securities and Exchange Commission (SEC) rules and interpretive releases are still considered authoritative GAAP for SEC registrants. The Codification, which changes the referencing of accounting standards, is effective for interim and annual reporting periods ending after September 15, 2009. We adopted the Codification effective July 1, 2009, without a material impact on our consolidated financial statements.

Variable Interest Entities

In June 2009, FASB issued guidance that changes the approach to determining a variable interest entity's primary beneficiary and requires ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity. This guidance is effective for annual reporting periods beginning after November 15, 2009. We are currently evaluating what impact the adoption of this guidance will have on our consolidated financial statements.

Subsequent Events

In May 2009, FASB issued guidance on subsequent events that sets forth the period after the balance sheet date during which a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements and the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. This guidance is effective for interim or annual financial periods ending after June 15, 2009. We adopted this guidance without a material impact on our consolidated financial statements.

Recognition and Presentation of Other-Than-Temporary Impairments

In April 2009, FASB issued guidance that changes how other-than-temporary impairments of investments in debt securities are recognized and measured. The guidance also provides for changes in the presentation and disclosure requirements surrounding other-than-temporary impairments of investments in debt and equity securities. This guidance is effective for interim and annual reporting periods ending after June 15, 2009. We adopted this guidance effective April 1, 2009, without a material impact on our consolidated financial statements.

Employers' Disclosures about Postretirement Benefit Plan Assets

In December 2008, FASB issued guidance that requires enhanced disclosures about the plan assets of defined benefit pension and other postretirement benefit plans. These disclosures include how investment allocation decisions are made, the factors pertinent to understanding investment policies and strategies, the fair value of each major category of plan assets for pension plans and other postretirement benefit plans separately, the inputs and valuation techniques used to measure the fair value of plan assets, the effect of fair value measurements using significant unobservable inputs on changes in plan assets and significant concentrations of risk within plan assets. This guidance is effective for fiscal years ending after December 15, 2009. We are currently evaluating what impact the adoption of this guidance will have on our consolidated financial statements.

Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities

In June 2008, FASB issued guidance for determining whether instruments granted in share-based payment transactions are participating securities. The guidance provides that all outstanding unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents are participating securities and shall be included in the computation of EPS pursuant to the two-class method. This guidance is effective for fiscal years beginning after December 15, 2008, with retrospective application to prior periods. We adopted this guidance effective January 1, 2009. See "—Earnings Per Share" above for additional information.

Disclosures about Derivative Instruments and Hedging Activities

In March 2008, FASB issued guidance that requires expanded disclosure to help investors better understand how derivative instruments and hedging activities affect an entity's financial position, financial performance and cash flows. The guidance amends and expands the disclosure requirements related to derivative instruments and hedging activities by requiring qualitative disclosure about objectives and strategies for using derivatives, quantitative disclosure about fair value amounts of gains and losses on derivative instruments and disclosures about credit-risk-related contingent features in derivative agreements. This guidance is effective for fiscal years beginning after November 15, 2008. We adopted this guidance effective January 1, 2009. See Note 3, "Financial and Derivative Instruments, Energy Marketing and Risk Management," for additional information.

Fair Value Measurements

In September 2006, FASB issued guidance that defines fair value, establishes a framework for measuring fair value in GAAP and expands disclosures about fair value measurements. This guidance is effective for fiscal years beginning after November 15, 2007, with the cumulative effect of the change in accounting principle recorded as an adjustment to opening retained earnings. In February 2008, FASB issued additional guidance that delays the effective date of the aforementioned guidance for all non-financial assets and liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), until fiscal years beginning after November 15, 2008, and interim periods within those fiscal years. The non-financial items subject to the deferral include assets and liabilities such as non-financial assets and liabilities assumed in a business combination, reporting units measured at fair value in a goodwill impairment test and asset retirement obligations initially measured at fair value. We adopted the guidance for financial assets and liabilities recognized at fair value on a recurring basis effective January 1, 2008. We adopted the guidance for non-financial assets and liabilities recognized at fair value on a non-recurring basis effective January 1, 2009. The adoption of this guidance did not have a material impact on our consolidated financial statements. See Note 3, "Financial and Derivative Instruments, Energy Marketing and Risk Management," for additional information.

In April 2009, FASB issued guidance on two separate fair value issues. Both of the releases are effective for interim and annual reporting periods ending after June 15, 2009, and we adopted both of them effective April 1, 2009. One of the releases provides guidance for determining fair value when the volume and level of activity for an asset or liability have significantly decreased and for identifying transactions that are not orderly. We adopted this guidance without a material impact on our consolidated financial statements. The other release requires disclosures about the fair value of financial instruments in interim reporting periods as well as in annual financial statements. See Note 3, "Financial and Derivative Instruments, Energy Marketing and Risk Management," for additional information.

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

Values of Financial and Derivative Instruments

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

Most of our investments in equity, debt and commodity instruments are recorded at fair value using quoted market prices or valuation models utilizing observable market data when available. A portion of our investments is comprised of private equity investments, debt or real estate securities that require significant unobservable market information to measure the fair value of the investments. The fair value of private equity investments is initially measured at cost or at the value derived from subsequent financing with adjustments when actual performance differs significantly from expected performance; when market, economic or company-specific conditions change; or when other news or events have a material impact on the security. Debt investments for which we apply unobservable information to measure fair value are principally invested in mortgage-backed securities and collateralized loans. These investments are measured at fair value using subjective estimates such as projected cash flows and interest rates. Real estate securities are measured at fair value using market discount rates, projected cash flows and the estimated value into perpetuity.

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

We measure fair value based on information available as of the measurement date. The following table provides the carrying values and measured fair values of our financial instruments as of June 30, 2009.

	<u>Carrying Value</u>	<u>Fair Value</u>
	<u>(In Thousands)</u>	
Fixed-rate debt, net of current maturities	\$ 2,324,013	\$2,227,072

[Table of Contents](#)**Recurring Fair Value Measurements**

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>(In Thousands)</u>			
As of June 30, 2009				
Assets:				
Energy Marketing Contracts	\$10,568	\$ 65,838	\$39,841	\$ 116,247
Nuclear Decommissioning Trust:				
Equity securities	36,197	24,744	1,791	62,732
Debt securities	14,324	6,083	4,684	25,091
Real estate securities	—	—	3,930	3,930
Commodities	1,666	—	—	1,666
Cash equivalents	1,006	—	—	1,006
Total Nuclear Decommissioning Trust	<u>53,193</u>	<u>30,827</u>	<u>10,405</u>	<u>94,425</u>
Trading Securities:				
Equity securities	—	18,994	—	18,994
Debt securities	—	—	10,211	10,211
Total Trading Securities	<u>—</u>	<u>18,994</u>	<u>10,211</u>	<u>29,205</u>
Total Assets Measured at Fair Value	<u>\$63,761</u>	<u>\$ 115,659</u>	<u>\$60,457</u>	<u>\$ 239,877</u>
Liabilities:				
Energy Marketing Contracts	\$10,879	\$ 65,203	\$37,207	\$ 113,289
As of December 31, 2008				
Assets:				
Energy Marketing Contracts	\$ 1,600	\$104,821	\$50,827	\$ 157,248
Nuclear Decommissioning Trust:				
Equity securities	31,875	20,511	2,006	54,392
Debt securities	12,622	10,013	—	22,635
Real estate securities	—	—	6,028	6,028
Commodities	1,459	—	—	1,459
Cash equivalents	1,041	—	—	1,041
Total Nuclear Decommissioning Trust	<u>46,997</u>	<u>30,524</u>	<u>8,034</u>	<u>85,555</u>
Trading Securities (a):				
Equity securities	13,420	—	—	13,420
Debt securities	—	9,503	—	9,503
Total Trading Securities	<u>13,420</u>	<u>9,503</u>	<u>—</u>	<u>\$ 22,923</u>
Total Assets Measured at Fair Value	<u>\$62,017</u>	<u>\$144,848</u>	<u>\$58,861</u>	<u>\$265,726</u>
Liabilities:				
Energy Marketing Contracts	\$ 1,594	\$ 99,004	\$ 6,286	\$ 106,884

(a) Does not include cash and cash equivalents recorded at cost.

We do not offset the fair value of energy marketing contracts executed with the same counterparty. As of June 30, 2009, we have recorded \$2.2 million for our right to reclaim cash collateral and \$1.9 million for our obligation to return cash collateral. As of December 31, 2008, we had recorded \$5.1 million for our right to reclaim cash collateral and \$4.5 million for our obligation to return cash collateral.

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The following table provides a reconciliation of assets and liabilities measured at fair value using significant level 3 inputs for the three and six months ended June 30, 2009.

	Energy Marketing Contracts, net	Nuclear Decommissioning Trust			Trading Securities Debt	Net Balance
		Equity	Debt	Real Estate Securities		
(In Thousands)						
Balance as of March 31, 2009	\$ 5,663	\$1,736	\$ —	\$ 4,828	\$ —	\$ 12,227
Total realized and unrealized gains (losses) included in:						
Earnings (a)	(758)	—	—	—	672	(86)
Regulatory assets	(2,045)(b)	—	—	—	—	(2,045)
Regulatory liabilities	(286)(b)	(65)	387	(898)	—	(862)
Purchases, issuances and settlements	60	120	—	—	9,539	9,719
Transfers in/out	—	—	4,297	—	—	4,297
Balance as of June 30, 2009	<u>\$ 2,634</u>	<u>\$1,791</u>	<u>\$4,684</u>	<u>\$ 3,930</u>	<u>\$10,211</u>	<u>\$ 23,250</u>
Balance as of December 31, 2008	\$ 44,541	\$2,006	\$ —	\$ 6,028	\$ —	52,575
Total realized and unrealized gains (losses) included in:						
Earnings (a)	814	—	—	—	672	1,486
Regulatory assets	(25,104)(b)	—	—	—	—	(25,104)
Regulatory liabilities	(10,708)(b)	(335)	387	(2,098)	—	(12,754)
Purchases, issuances and settlements	(6,909)	120	—	—	9,539	2,750
Transfers in/out	—	—	4,297	—	—	4,297
Balance as of June 30, 2009	<u>\$ 2,634</u>	<u>\$1,791</u>	<u>\$4,684</u>	<u>\$ 3,930</u>	<u>\$10,211</u>	<u>\$ 23,250</u>

(a) Unrealized and realized gains and losses included in earnings resulting from energy marketing activities are reported in sales. Unrealized and realized gains and losses resulting from trading securities are included in other income.

(b) Includes changes in the fair value of certain fuel supply and electricity sale contracts.

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The following table provides a reconciliation of assets and liabilities measured at fair value using significant level 3 inputs for the three and six months ended June 30, 2008.

	Energy Marketing Contracts, net	Nuclear Decommissioning Trust		Net Balance
		Equity	Real Estate Securities	
(In Thousands)				
Balance as of March 31, 2008	\$ 60,431	\$ 1,566	\$ —	\$61,997
Total realized and unrealized gains (losses) included in:				
Earnings (a)	(6,578)	—	—	(6,578)
Regulatory liabilities (b)	27,099	—	—	27,099
Purchases, issuances and settlements	(2,568)	40	6,000	3,472
Transfers in/out	(235)	—	—	(235)
Balance as of June 30, 2008	<u>\$ 78,149</u>	<u>\$ 1,606</u>	<u>\$ 6,000</u>	<u>\$85,755</u>
Balance as of January 1, 2008	\$ 41,141	\$ 1,251	\$ —	\$42,392
Total realized and unrealized gains (losses) included in:				
Earnings (a)	(9,905)	—	—	(9,905)
Regulatory liabilities (b)	52,298	—	—	52,298
Purchases, issuances and settlements	(5,150)	355	6,000	1,205
Transfers in/out	(235)	—	—	(235)
Balance as of June 30, 2008	<u>\$ 78,149</u>	<u>\$ 1,606</u>	<u>\$ 6,000</u>	<u>\$85,755</u>

(a) Unrealized and realized gains and losses included in earnings are reported in sales.

(b) Includes changes in the fair value of certain fuel supply and electricity sale contracts.

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A portion of the gains and losses contributing to changes in net assets in the above tables is unrealized. The following tables summarize the unrealized gains and losses we recorded on our consolidated financial statements during the three and six months ended June 30, 2009 and 2008, attributed to level 3 assets and liabilities still held as of June 30, 2009 and 2008, respectively.

	Three Months Ended June 30, 2009					Net Balance
	Energy Marketing Contracts, net	Nuclear Decommissioning Trust		Trading Securities Debt		
		Equity	Debt			
(In Thousands)						
Total unrealized gains (losses) included in:						
Earnings (a)	\$ (38)	\$ —	\$ —	\$ —	\$ 672	\$ 634
Regulatory assets	2,182 (b)	—	—	—	—	2,182
Regulatory liabilities	(1,307) (b)	(65)	387	(898)	—	(1,883)
Total	\$ 837	\$ (65)	\$ 387	\$ (898)	\$ 672	\$ 933

	Six Months Ended June 30, 2009					Net Balance
	Energy Marketing Contracts, net	Nuclear Decommissioning Trust		Trading Securities Debt		
		Equity	Debt			
(In Thousands)						
Total unrealized gains (losses) included in:						
Earnings (a)	\$ (426)	\$ —	\$ —	\$ —	\$ 672	\$ 246
Regulatory assets	(9,821)(b)	—	—	—	—	(9,821)
Regulatory liabilities	(21,659)(b)	(335)	387	(2,098)	—	(23,705)
Total	\$ (31,906)	\$ (335)	\$ 387	\$ (2,098)	\$ 672	\$ (33,280)

(a) Unrealized gains and losses included in earnings resulting from energy marketing activities are reported in sales.

Unrealized gains and losses resulting from trading securities are reported in other income.

(b) Includes changes in the fair value of certain fuel supply and electricity sale contracts.

	Energy Marketing Contracts, net	
	Three Months Ended June 30, 2008	Six Months Ended June 30, 2008
	(In Thousands)	
Total unrealized gains (losses) included in:		
Earnings (a)	\$ (5,031)	\$ (6,251)
Regulatory liabilities (b)	26,056	50,058
Total	\$ 21,025	\$ 43,807

(a) Unrealized gains and losses included in earnings are reported in sales.

(b) Regulatory liabilities include changes in the fair value of certain fuel supply and electricity sale contracts.

Derivative Instruments

We are exposed to market risks from commodity price changes for electricity and other energy-related products and interest rates that could affect our consolidated financial statements. We manage our exposure to these market risks through our regular operating and financing activities and, when we deem appropriate, we economically hedge a portion of these risks through the use of derivative financial instruments. We use the term economic hedge to mean a strategy intended to manage risks of volatility in prices or rate movements on selected assets, liabilities or anticipated transactions by creating a relationship in which gains or losses on derivative instruments are expected to offset the losses or gains on the assets, liabilities or anticipated transactions exposed to such market risks. We do not hold derivative instruments that are designated as hedging instruments.

We engage in both financial and physical trading to increase profits, manage our commodity price risk and enhance system reliability. Within our energy trading portfolio, we may establish certain positions intended to economically hedge a portion of physical sale or purchase contracts and we may enter certain positions attempting to take advantage of market trends and conditions. We use financial instruments to help us manage our contractual commitments, reduce our exposure to changes in market prices and take advantage of opportunities in the energy markets. As of June 30, 2009, we had under contract the following energy-related products.

	<u>Unit of Measure</u>	<u>Net Quantity</u>
Electricity	MWh	4,455,746
Natural Gas	MMBtu	3,087,500
Coal	Tons	5,625,000

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

To manage our exposure to commodity price changes, we use derivative contracts for non-trading purposes. We trade various types of fuel primarily to reduce exposure relative to the volatility of commodity prices. The wholesale power and fuel markets have been extremely volatile. This degree of volatility impacts our costs of power purchased and our participation in energy trades. If we were unable to generate an adequate supply of electricity for our customers, we would purchase power in the wholesale market to the extent it is available, subject to possible transmission constraints, and/or implement curtailment or interruption procedures as permitted in our tariffs and terms and conditions of service.

Additional factors that affect our commodity price exposure are the quantity and availability of fuel used for generation and the quantity of electricity customers consume. Quantities of fossil fuel we use to generate electricity fluctuate from period to period based on availability, price and deliverability of a given fuel type as well as planned and unscheduled outages at our generating plants that use fossil fuels and our nuclear plant refueling schedule. Our customers' electricity usage could also vary from year to year based on weather, the economy or other factors.

We classify derivative instruments that we use to manage commodity price risk inherent in fossil fuel and electricity purchases and sales as energy marketing contracts on our consolidated balance sheets. We report energy marketing contracts representing unrealized gains as assets; energy marketing contracts representing unrealized losses are reported as liabilities. With the exception of certain fuel supply and electricity sale contracts, which we record as regulatory assets or regulatory liabilities, we include the change in the fair value of energy marketing contracts in sales on our consolidated statements of income.

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

Commodity Derivatives Not Designated as Hedging Instruments as of June 30, 2009

Asset Derivatives		Liability Derivatives	
<u>Balance Sheet Location</u>	<u>Fair Value</u> (In Thousands)	<u>Balance Sheet Location</u>	<u>Fair Value</u> (In Thousands)
Current assets:		Current liabilities:	
Energy marketing contracts	\$ 106,189	Energy marketing contracts	\$ 110,103
Other assets:		Other liabilities:	
Energy marketing contracts	10,058	Energy marketing contracts	3,186
Total	\$ 116,247	Total	\$ 113,289

The following table presents how changes in the fair value of commodity derivative instruments affected our consolidated financial statements for the three and six months ended June 30, 2009.

<u>Location</u>	<u>Three Months Ended</u> <u>June 30, 2009</u>	<u>Six Months Ended</u> <u>June 30, 2009</u>	
	<u>Net Loss</u>	<u>Net Gain</u>	<u>Net Loss</u>
		(In Thousands)	
Sales (decrease) increase	\$ (682)	\$ 2,516	\$ —
Regulatory assets increase	1,257	—	8,277
Regulatory liabilities increase	1,530	—	30,382

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

We have derivative instruments with commodity exchanges and other counterparties which do not contain objective credit-risk-related contingent features. However, certain of our derivative instruments contain collateral provisions subject to credit rating agencies' assessments of our senior unsecured debt. If our senior unsecured debt ratings were to decrease or fall below investment grade, the counterparties to the derivative instruments, pursuant to such provisions, could require us to post collateral on derivative instruments. The aggregate fair value of all derivative instruments with objective credit-risk-related contingent features that were in a liability position as of June 30, 2009, was \$16.0 million, for which we had posted \$1.0 million of collateral. If all credit-risk-related contingent features underlying these agreements had been triggered as of June 30, 2009, we would have been required to provide to our counterparties \$3.8 million of additional collateral after taking into consideration the offsetting impact of derivative assets and net accounts receivable.

4. RATE MATTERS AND REGULATION

KCC Proceedings

Changes in Prices

On January 21, 2009, the Kansas Corporation Commission (KCC) issued an order designed to increase our annual retail prices by \$130.0 million. The new prices became effective on February 3, 2009.

On March 6, 2009, the KCC issued an order allowing us to adjust our prices to include updated transmission costs attributable to the retail portion of our transmission service. This change went into effect on March 13, 2009, and was designed to increase our annual retail revenues by \$31.8 million.

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On May 29, 2009, the KCC issued an order allowing us to adjust our prices to include costs associated with environmental investments made in 2008. This change went into effect on June 1, 2009, and was designed to increase our annual retail revenues by \$32.5 million.

We filed an abbreviated rate case application with the KCC on June 2, 2009, designed to increase our retail prices by \$19.7 million per year. This increase represents costs associated with our remaining investments in natural gas and wind generation facilities that were not included in the price increase approved by the KCC in its January 21, 2009, order mentioned above. We expect the KCC to issue an order in this proceeding early next year.

5. DEBT FINANCING

On June 11, 2009, KGE issued \$300.0 million principal amount of first mortgage bonds at a discount yielding 6.725%, bearing stated interest at 6.70% and maturing on June 15, 2019. Net proceeds of \$297.5 million were used to repay borrowings under Westar Energy's revolving credit facility, with those borrowed amounts principally related to investments in capital equipment.

6. TAXES

We recorded income tax expense of \$15.7 million with an effective income tax rate of 29% for the three months ended June 30, 2009, and income tax expense of \$2.7 million with an effective income tax rate of 31% for the same period of 2008; and income tax expense of \$20.1 million with an effective income tax rate of 29% for the six months ended June 30, 2009, and an income tax net benefit of \$15.6 million with an effective income tax rate of negative 30% for the same period of 2008. The decrease in the effective income tax rate for the three months ended June 30, 2009, is due to the utilization of production tax credits related to renewable energy. The increase in the effective income tax rate for the six months ended June 30, 2009, was due primarily to the recognition of previously unrecognized income tax benefits during the first quarter of 2008 as discussed below.

In February 2008, we reached a settlement with the Internal Revenue Service (IRS) for years 1995 through 2002 on issues related principally to the method used to capitalize overheads to electric plant. This settlement resulted in a net earnings benefit of approximately \$39.4 million, including interest, in the first quarter of 2008 due to the recognition of previously unrecognized income tax benefits.

In January 2009, the Joint Committee on Taxation of the U.S. Congress approved a settlement with the IRS Office of Appeals regarding the re-characterization of the loss we incurred on the sale of Protection One, Inc., a former subsidiary, from a capital loss to an ordinary loss. The settlement involved a determination of the amount of the net capital loss and net operating loss carryforwards as of December 31, 2004, arising from the sale of Protection One. These loss carryforwards will be used to offset income in years after 2004. On March 31, 2009, we filed amended federal income tax returns for years 2005, 2006 and 2007 to claim a portion of the tax benefits from the settlement. We expect to realize the remainder of the tax benefits from the settlement in future years. Under an agreement relating to the sale transaction, this settlement will result in our making a payment to Protection One in an amount equal to 50% of the net tax benefit (less certain adjustments) that we receive from the net operating loss carryforward arising from the sale. A non-cash net earnings benefit of approximately \$33.0 million, net of the amount we have determined we owe Protection One under the aforementioned agreement, was recorded in discontinued operations in the first quarter of 2009 in recognition of this settlement.

In April 2009, the IRS commenced examinations of our 2007 federal income tax return and the amended federal income tax returns we filed for prior years.

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At December 31, 2008, our liability for unrecognized income tax benefits (including amounts claimed on amended returns filed in 2007) was \$92.1 million. During the first quarter of 2009, unrecognized income tax benefits decreased from \$92.1 million to \$8.0 million. The net decrease in unrecognized income tax benefits was attributable primarily to the recognition of \$31.8 million of unrecognized income tax benefits (net of credit carryforwards of \$24.0 million utilized on settlement of the uncertain income tax positions) due to the completion of the IRS examination of years 2003 and 2004 and the resulting approval by the Joint Committee on Taxation of the U.S. Congress of our settlement with the IRS Office of Appeals regarding the re-characterization of the loss incurred on the sale of Protection One, Inc. At June 30, 2009, the liability related to unrecognized income tax benefits was \$7.5 million. We do not believe that it is reasonably possible that there will be a significant change in the liability for unrecognized income tax benefits in the next 12 months. Included in this unrecognized income tax benefits balance was \$1.5 million (net of tax) of tax positions, which if recognized, would favorably impact our effective income tax rate.

At June 30, 2009, and December 31, 2008, we had \$1.5 million and \$3.8 million, respectively, accrued for interest on our liability related to unrecognized income tax benefits. The decrease was attributable to the reduction in the liability for unrecognized income tax benefits. There were no penalties accrued at either June 30, 2009, or December 31, 2008.

As of June 30, 2009, and December 31, 2008, we maintained reserves of \$3.8 million and \$3.5 million, respectively, for probable assessments of taxes other than income taxes.

7. COMMITMENTS AND CONTINGENCIES

Environmental Projects

We will continue to make significant capital expenditures at our power plants to reduce emissions. The amount of these expenditures could materially increase or decrease depending on the timing and nature of required investments, the specific outcomes resulting from interpretation of existing regulations, new regulations, legislation, the resolution of the Environmental Protection Agency (EPA) lawsuit described below and the manner in which we operate the plants. In addition to the capital investment, in the event we install new equipment as a result of the EPA lawsuit or other requirements, 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 our power plants. The degree to which we will need to reduce emissions and the timing of when such emissions controls may be required is uncertain. In addition, our ability to access capital markets and the availability of materials, equipment and contractors may affect the timing and ultimate amount of these capital investments.

The environmental cost recovery rider allows for the more timely inclusion in retail prices of costs associated with capital expenditures tied directly to environmental improvements, including those required by the Federal Clean Air Act. We recover increased operating and maintenance costs through changes in our base rates following a rate review.

On February 28, 2008, we reached an agreement with the Kansas Department of Health and Environment (KDHE) to implement a plan to improve efficiency and to install new equipment to reduce regulated emissions from Jeffrey Energy Center. The projects are designed to meet requirements of the Clean Air Visibility Rule and reduce emissions over our entire generating fleet by eliminating more than 70% of sulfur dioxide and reducing nitrous oxides between 50% and 65%.

While an earlier issued EPA rule on mercury was vacated by a U.S. Court of Appeals ruling, we believe that mercury emissions will still be subject to strict future regulations and our costs to comply with these requirements could be material.

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EPA Lawsuit

Under Section 114(a) of the Federal Clean Air Act, the EPA is conducting investigations nationwide to determine whether modifications at coal-fired power plants are subject to the New Source Review permitting program or New Source Performance Standards. These investigations focus on whether projects at coal-fired plants were routine maintenance or whether the projects were substantial modifications that could reasonably have been expected to result in a significant net increase in emissions. The New Source Review program requires companies to obtain permits and, if necessary, install control equipment to address emissions when making a major modification or a change in operation if either is expected to cause a significant net increase in emissions.

On January 22, 2004, the EPA notified us that certain projects completed at Jeffrey Energy Center violated certain requirements of the New Source Review program. On February 4, 2009, the Department of Justice (DOJ), on behalf of the EPA, filed a lawsuit against us in U.S. District Court in the District of Kansas asserting substantially the same claims. The court has entered a scheduling order that provides for a trial ready date of April 2011. A decision in favor of the DOJ and EPA, or a settlement prior to such a decision, if reached, could require us to update or install additional emissions controls at Jeffrey Energy Center. Additionally, we might be required to update or install emissions controls at our other coal-fired plants, pay fines or penalties or take other remedial action. Our ultimate costs to resolve this lawsuit could be material. We believe that costs related to updating or installing emissions controls would qualify for recovery in the prices we are allowed to charge our customers. However, if a penalty is assessed against us, the penalty could be material and possibly may not be recovered in prices. We expect to incur substantial legal fees and expenses related to the defense of this lawsuit. We are not able to estimate the possible loss or range of loss at this time.

FERC Investigation

We are responding to a non-public investigation by the Federal Energy Regulatory Commission (FERC) of our use of transmission service between July 2006 and February 2008. On May 7, 2009, FERC staff advised us that it had preliminarily concluded that we improperly used secondary network transmission service to facilitate off-system wholesale power sales in violation of applicable FERC orders and Southwest Power Pool (SPP) tariffs. FERC staff alleges we received \$14.3 million of unjust profits through such activities. We believe that our use of transmission service was in compliance with FERC orders and SPP tariffs. We have sent a response to FERC staff disputing both the legal basis for its allegations and their factual underpinnings. We are unable to predict the outcome of this investigation or its impact on our consolidated financial statements, but an adverse outcome could result in refunds and fines, the amounts of which could be material, and potentially alter the manner in which we are permitted to buy and sell energy and use transmission service.

Manufactured Gas Sites

We have been identified as being partially responsible for remediating a number of former manufactured gas sites located in Kansas and Missouri. We and the KDHE entered into a consent agreement in 1994 governing all future work at the Kansas sites. Under the terms of the consent agreement, we agreed to investigate and, if necessary, remediate these sites. Pursuant to an environmental indemnity agreement with ONEOK, Inc., the current owner of some of the sites, ONEOK assumed total liability for remediation of seven sites, and we share liability for remediation with ONEOK for five sites. Our total liability for the five shared sites is capped at \$3.8 million. We have sole responsibility for remediation with respect to three sites.

Our liability for the former manufactured gas sites identified in Missouri is limited to \$7.5 million by the terms of an environmental indemnity agreement with the purchaser of our former Missouri assets.

8. LEGAL PROCEEDINGS

In late 2002, two of our executive officers resigned or were placed on administrative leave from their positions. Our board of directors determined that their employment was terminated for cause. In June 2003, we filed a demand for arbitration with the American Arbitration Association asserting claims against them arising out of their previous employment and seeking to avoid payment of compensation not yet paid to them under various plans and agreements. They filed counterclaims against us alleging substantial damages related to the termination of their employment. As of June 30, 2009, we had accrued liabilities of \$75.4 million for compensation not yet paid to them and \$6.7 million for legal fees and expenses they have incurred. As of December 31, 2008, we had accrued liabilities of \$74.9 million for compensation not yet paid to them and \$6.8 million for legal fees and expenses they have incurred. The arbitration has been stayed pending final resolution of criminal charges filed by the United States Attorney's Office against them in U.S. District Court in the District of Kansas. We intend to vigorously defend against the counterclaims they filed in the arbitration. We are unable to predict the ultimate impact of this matter on our consolidated financial statements.

We and our subsidiaries are involved in various other legal, environmental and regulatory proceedings. We believe that adequate provisions have been made and accordingly believe that the ultimate disposition of such matters will not have a material adverse effect on our consolidated financial statements.

See also Note 7, "Commitments and Contingencies."

9. INTERIM PENSION AND POST-RETIREMENT BENEFIT DISCLOSURE

The following table summarizes the net periodic costs for our pension and post-retirement benefit plans.

<u>Three Months Ended June 30,</u>	<u>Pension Benefits</u>		<u>Post-retirement Benefits</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	(In Thousands)			
Components of Net Periodic Cost (Benefit):				
Service cost	\$ 2,936	\$ 2,570	\$ 402	\$ 375
Interest cost	9,559	8,977	1,991	2,004
Expected return on plan assets	(9,280)	(10,063)	(1,197)	(1,063)
Amortization of unrecognized:				
Transition obligation, net	—	—	983	983
Prior service costs	666	636	398	353
Actuarial loss, net	3,565	2,085	319	351
Net periodic cost	\$ 7,446	\$ 4,205	\$ 2,896	\$ 3,003
	(In Thousands)			
	<u>Pension Benefits</u>		<u>Post-retirement Benefits</u>	
<u>Six Months Ended June 30,</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Components of Net Periodic Cost (Benefit):				
Service cost	\$ 5,872	\$ 5,140	\$ 804	\$ 750
Interest cost	19,118	17,954	3,982	4,008
Expected return on plan assets	(18,851)	(20,125)	(2,393)	(2,126)
Amortization of unrecognized:				
Transition obligation, net	—	—	1,966	1,966
Prior service costs	1,332	1,272	795	706
Actuarial loss, net	7,130	4,170	638	702
Net periodic cost	\$ 14,601	\$ 8,411	\$ 5,792	\$ 6,006

As a result of recent guidance issued by the U.S. Department of the Treasury clarifying the assumptions underlying our pension plan, we expect to contribute approximately \$34.0 million to our pension trust in 2009 compared to \$51.9 million as previously reported in our 2008 Form 10-K. During the six months ended June 30, 2009, we contributed \$18.2 million to our pension plan.

10. WOLF CREEK INTERIM PENSION AND POST-RETIREMENT BENEFIT DISCLOSURE

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. The following table summarizes the net periodic costs for KGE's 47% share of the Wolf Creek pension and post-retirement benefit plans.

<u>Three Months Ended June 30,</u>	<u>Pension Benefits</u>		<u>Post-retirement Benefits</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	(In Thousands)			
Components of Net Periodic Cost:				
Service cost	\$ 879	\$ 866	\$ 50	\$ 44
Interest cost	1,566	1,423	133	130
Expected return on plan assets	(1,183)	(1,177)	—	—
Amortization of unrecognized:				
Transition obligation, net	14	14	14	14
Prior service costs	11	14	—	—
Actuarial loss, net	596	438	59	61
Net periodic cost	\$ 1,883	\$ 1,578	\$ 256	\$ 249
<u>Six Months Ended June 30,</u>	<u>Pension Benefits</u>		<u>Post-retirement Benefits</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	(In Thousands)			
Components of Net Periodic Cost:				
Service cost	\$ 1,757	\$ 1,710	\$ 101	\$ 101
Interest cost	3,132	2,840	265	259
Expected return on plan assets	(2,367)	(2,353)	—	—
Amortization of unrecognized:				
Transition obligation, net	28	28	29	28
Prior service costs	22	28	—	—
Actuarial loss, net	1,193	848	118	116
Net periodic cost	\$ 3,765	\$ 3,101	\$ 513	\$ 504

As a result of recent guidance issued by the U.S. Department of the Treasury clarifying the assumptions underlying the Wolf Creek pension plan, we expect to fund approximately \$7.0 million of the pension plan in 2009 compared to \$11.8 million as previously reported in our 2008 Form 10-K. During the six months ended June 30, 2009, we funded \$2.2 million of Wolf Creek's pension plan.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

INTRODUCTION

We are the largest electric utility in Kansas. We produce, transmit and sell electricity at retail in Kansas and at wholesale in a multi-state region in the central United States under the regulation of the KCC and the FERC.

In Management's Discussion and Analysis, we discuss our general financial condition, significant changes that occurred during 2009 and our operating results for the three and six months ended June 30, 2009 and 2008. As you read Management's Discussion and Analysis, please refer to our condensed consolidated financial statements and the accompanying notes, which contain our operating results.

SUMMARY OF SIGNIFICANT ITEMS

Increases in Net Income

Despite increases in most of our expenses, net income for the three and six months ended June 30, 2009, increased \$32.5 million and \$15.6 million, respectively, compared to the same periods last year due primarily to higher retail sales, lower fuel and purchased power expense, and for the six months ended June 30, 2009, a favorable tax settlement as described below. Primarily as a result of price increases authorized by the KCC, total retail sales increased \$24.0 million and \$46.5 million, respectively, for the three and six months ended June 30, 2009, compared to the same periods last year, although, retail megawatt hour (MWh) sales declined 1% and 4%, respectively for the same periods, due primarily to reduced industrial MWh sales. MWh sales for our industrial customers decreased 10% for the three months ended June 30, 2009, and 12% for the six months ended June 30, 2009, reflecting recessionary conditions, which are more acute for certain industries. Additionally, fuel and purchased power expense decreased \$70.8 million and \$76.7 million, respectively, over the same three and six month periods due principally to Wolf Creek not having had a scheduled maintenance outage during these periods, which significantly reduced our need to purchase power from other sources and decreased our average cost of fuel used for generation. Decreases in the average price of purchased power also contributed to the decrease in fuel and purchased power expense.

In January 2009, we reached a settlement with the IRS for years 2003 and 2004 associated with the re-characterization of a portion of the loss we incurred on the sale of Protection One from a capital loss to an ordinary loss. This settlement resulted in a first quarter 2009 net earnings benefit from discontinued operations of approximately \$33.0 million, net of the amounts due to Protection One pursuant to the agreement related to the sale of Protection One. We did not record a similar benefit from discontinued operations for the six months ended June 30, 2008.

During the first quarter of 2008, we reached a settlement with the IRS for years 1995 through 2002 regarding issues principally related to the method used to capitalize overheads to electric plant. This settlement resulted in a first quarter 2008 net earnings benefit from continuing operations of approximately \$39.4 million, including interest. This settlement also reduced our assessment of uncertain income tax liabilities; therefore, we reversed \$17.8 million of accrued interest related to uncertain income tax liabilities in the first quarter of 2008. Ultimately, this settlement resulted in a substantial income tax benefit and significantly reduced interest expense for the six months ended June 30, 2008. We did not record a similar settlement in continuing operations during the same period this year, and, as a result, report much higher income tax and interest expense for the six months ended June 30, 2009.

Increases in Prices

On January 21, 2009, the KCC issued an order designed to increase our annual retail prices by \$130.0 million. The new prices became effective on February 3, 2009.

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On March 6, 2009, the KCC issued an order allowing us to adjust our prices to include updated transmission costs attributable to the retail portion of our transmission service. This change went into effect on March 13, 2009, and was designed to increase our annual retail revenues by \$31.8 million.

On May 29, 2009, the KCC issued an order allowing us to adjust our prices to include costs associated with environmental investments made in 2008. This change went into effect on June 1, 2009, and was designed to increase our annual retail revenues by \$32.5 million.

Reduction in Planned Capital Expenditures

Due to the continued volatility in the capital markets and higher capital costs generally, we have reduced our anticipated capital expenditures for 2010 and 2011 by \$366.8 million and \$134.1 million, respectively, from what we reported in our 2008 Form 10-K. See “—Future Cash Requirements” below for additional information.

CRITICAL ACCOUNTING ESTIMATES

Our discussion and analysis of financial condition and results of operations are based on our consolidated financial statements, which have been prepared in conformity with GAAP. Note 2 of the Notes to Condensed Consolidated Financial Statements, “Summary of Significant Accounting Policies,” contains a summary of our significant accounting policies, many of which require the use of estimates and assumptions by management. The policies highlighted in our 2008 Form 10-K have an impact on our reported results that may be material due to the levels of judgment and subjectivity necessary to account for uncertain matters or their susceptibility to change.

From December 31, 2008 through June 30, 2009, we have not experienced any significant changes in our critical accounting estimates. For additional information, see our 2008 Form 10-K.

OPERATING RESULTS

We evaluate operating results based on earnings per share. We have various classifications of sales, defined as follows:

Retail: Sales of energy made to residential, commercial and industrial customers.

Other retail: Sales of energy for lighting public streets and highways, net of revenue subject to refund.

Wholesale: Sales of energy to electric cooperatives, municipalities and other electric utilities, the prices for which are generally either based on cost or based on prevailing market prices as prescribed by FERC authority. This category also includes changes in valuations of contracts for the sale of such energy that have yet to settle. Margins realized from these sales serve to lower our retail prices.

Energy marketing: Includes: (i) transactions based on market prices generally unrelated to the production of our generating assets; (ii) financially settled products and physical transactions sourced outside of our control area; (iii) fees we earn for marketing services that we provide for third parties; and (iv) changes in valuations of contracts related to such transactions that have yet to settle.

Transmission: Reflects transmission revenues, including those based on a tariff with the SPP.

Other: Miscellaneous electric revenues including ancillary service revenues and rent from electric property leased to others.

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Regulated electric utility sales are significantly impacted by such things as rate regulation, customer conservation efforts, wholesale demand, the economy of our service area and competitive forces. Changing weather also affects the amount of electricity our customers use. Hot summer temperatures and cold winter temperatures prompt more demand, especially among our residential customers. Mild weather serves to reduce customer demand. Our wholesale sales are impacted by, among other factors, demand, cost and availability of fuel and purchased power, price volatility, available generation capacity and transmission availability.

Three and Six Months Ended June 30, 2009, Compared to Three and Six Months Ended June 30, 2008

Below we discuss our operating results for the three and six months ended June 30, 2009, compared to the results for the three and six months ended June 30, 2008. Changes in results of operations shown in the table immediately below are further explained in the descriptions that follow.

	Three Months Ended June 30,				Six Months Ended June 30,			
	2009	2008	Change	% Change	2009	2008	Change	% Change
	(Dollars In Thousands, Except Per Share Amounts)				(Dollars In Thousands, Except Per Share Amounts)			
SALES:								
Residential	\$ 148,304	\$ 123,350	\$ 24,954	20.2	\$ 268,958	\$ 231,575	\$ 37,383	16.1
Commercial	146,235	129,836	16,399	12.6	253,522	225,745	27,777	12.3
Industrial	77,681	76,303	1,378	1.8	141,486	140,382	1,104	0.8
Other retail	(17,179)	1,579	(18,758)	(b)	(18,264)	1,462	(19,726)	(b)
Total Retail Sales	355,041	331,068	23,973	7.2	645,702	599,164	46,538	7.8
Wholesale	65,651	87,746	(22,095)	(25.2)	151,396	190,925	(39,529)	(20.7)
Energy marketing	325	738	(413)	(56.0)	13,707	3,693	10,014	271.2
Transmission (a)	41,172	25,554	15,618	61.1	68,069	51,764	16,305	31.5
Other	5,623	6,113	(490)	(8.0)	10,705	12,500	(1,795)	(14.4)
Total Sales	467,812	451,219	16,593	3.7	889,579	858,046	31,533	3.7
OPERATING EXPENSES:								
Fuel and purchased power	120,508	191,355	(70,847)	(37.0)	261,152	337,804	(76,652)	(22.7)
Operating and maintenance	139,810	130,966	8,844	6.8	261,978	246,984	14,994	6.1
Depreciation and amortization	63,814	49,605	14,209	28.6	122,028	98,501	23,527	23.9
Selling, general and administrative	53,638	44,254	9,384	21.2	101,619	85,910	15,709	18.3
Total Operating Expenses	377,770	416,180	(38,410)	(9.2)	746,777	769,199	(22,422)	(2.9)
INCOME FROM OPERATIONS	90,042	35,039	55,003	157.0	142,802	88,847	53,955	60.7
OTHER INCOME (EXPENSE):								
Investment earnings	5,322	1,788	3,534	197.7	4,530	84	4,446	(b)
Other income	1,153	4,343	(3,190)	(73.5)	4,410	10,160	(5,750)	(56.6)
Other expense	(2,341)	(2,327)	(14)	(0.6)	(6,903)	(6,661)	(242)	(3.6)
Total Other Income	4,134	3,804	330	8.7	2,037	3,583	(1,546)	(43.1)
Interest expense	40,094	30,311	9,783	32.3	75,170	41,001	34,169	83.3
INCOME FROM CONTINUING OPERATIONS								
BEFORE INCOME TAXES	54,082	8,532	45,550	533.9	69,669	51,429	18,240	35.5
Income tax expense (benefit)	15,696	2,687	13,009	484.1	20,098	(15,552)	35,650	229.2
INCOME FROM CONTINUING OPERATIONS	38,386	5,845	32,541	556.7	49,571	66,981	(17,410)	(26.0)
Results of discontinued operations, net of tax	—	—	—	—	32,978	—	32,978	(b)
NET INCOME	38,386	5,845	32,541	556.7	82,549	66,981	15,568	23.2
Preferred dividends	242	242	—	—	485	485	—	—
NET INCOME ATTRIBUTABLE TO COMMON STOCK	\$ 38,144	\$ 5,603	\$ 32,541	580.8	\$ 82,064	\$ 66,496	\$ 15,568	23.4
BASIC EARNINGS PER SHARE	\$ 0.35	\$ 0.06	\$ 0.29	483.3	\$ 0.75	\$ 0.67	\$ 0.08	11.9

(a) **Transmission:** Reflects revenue derived from an SPP network transmission tariff. For the three months ended June 30, 2009, our SPP network transmission costs were \$32.8 million. This amount, less \$3.7 million retained by the SPP as administration cost, was returned to us as revenue. For the three months ended June 30, 2008, our SPP network transmission costs were \$21.5 million with an administration cost of \$2.7 million retained by the SPP. For the six months ended June 30, 2009, our SPP network transmission costs were \$53.5 million. This amount, less \$7.6 million retained by the SPP as administration cost, was returned to us as revenue. For the six months ended June 30, 2008, our SPP network transmission costs were \$44.0 million with an administration cost of \$5.8 million retained by the SPP.

(b) Change greater than 1000%.

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	Three Months Ended June 30,				Six Months Ended June 30,			
	2009	2008	Change	% Change	2009	2008	Change	% Change
	(Sales in Thousands of Dollars, Volumes in Thousands of MWh)				(Sales in Thousands of Dollars, Volumes in Thousands of MWh)			
Residential sales	\$ 148,304	\$ 123,350	\$ 24,954	20.2	\$ 268,958	\$ 231,575	\$ 37,383	16.1
Residential sales volumes	1,557	1,456	101	6.9	3,075	3,046	29	1.0
Commercial sales	146,235	129,836	16,399	12.6	253,522	225,745	27,777	12.3
Commercial sales volumes	1,903	1,888	15	0.8	3,515	3,553	(38)	(1.1)
Industrial sales	77,681	76,303	1,378	1.8	141,486	140,382	1,104	0.8
Industrial sales volumes	1,318	1,457	(139)	(9.5)	2,520	2,851	(331)	(11.6)
Other retail sales	(17,179)	1,579	(18,758)	(a)	(18,264)	1,462	(19,726)	(a)
Other retail sales volumes	22	22	—	—	43	45	(2)	(4.4)
Total retail sales	355,041	331,068	23,973	7.2	645,702	599,164	46,538	7.8
Total retail sales volumes	4,800	4,823	(23)	(0.5)	9,153	9,495	(342)	(3.6)

(a) Change greater than 1000%.

Retail sales increased for the three and six months ended June 30, 2009, compared to the same periods last year due primarily to increases in our prices. Retail MWh sales, however, decreased this year compared to last year due primarily to decreases in industrial MWh sales. For the three and six months ended June 30, 2009, industrial MWh sales decreased 10% and 12%, respectively, due primarily to the effects of recessionary conditions, which served to reduce industrial demand for electricity. The 7% increase in residential MWh sales for the three months ended June 30, 2009, was due principally to warmer weather, particularly during the month of June. As measured by cooling degree days, the weather during the three months ended June 30, 2009, was 16% warmer than during the same period last year. The changes in other retail sales reflect our refund obligations related to the recovery of fuel and purchased power costs in excess of actual costs.

	Three Months Ended June 30,				Six Months Ended June 30,			
	2009	2008	Change	% Change	2009	2008	Change	% Change
	(Sales in Thousands of Dollars, Volumes in Thousands of MWh)				(Sales in Thousands of Dollars, Volumes in Thousands of MWh)			
Wholesale sales	\$65,651	\$87,746	\$(22,095)	(25.2)	\$ 151,396	\$ 190,925	\$(39,529)	(20.7)
Wholesale sales volumes	1,886	1,904	(18)	(0.9)	4,568	4,476	92	2.1

Wholesale sales decreased for the three and six months ended June 30, 2009, compared to the same periods last year due principally to lower average market prices of 28% and 21%, respectively.

	Three Months Ended June 30,				Six Months Ended June 30,			
	2009	2008	Change	% Change	2009	2008	Change	% Change
	(Dollars in Thousands)				(Dollars in Thousands)			
Energy marketing	\$ 325	\$ 738	\$ (413)	(56.0)	\$ 13,707	\$ 3,693	\$ 10,014	271.2

Energy marketing increased for the six months ended June 30, 2009, compared to the same period in 2008 due primarily to our having settled forward contracts for the sale of electricity on favorable terms. See “—Other Information – Energy Marketing,” below for our expectations regarding future energy marketing margins.

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	Three Months Ended June 30,				Six Months Ended June 30,			
	2009	2008	Change	% Change	2009	2008	Change	% Change
Fuel and purchased power	\$120,508	\$191,355	\$(70,847)	(37.0)	\$261,152	\$337,804	\$(76,652)	(22.7)

For the three and six months ended June 30, 2009, fuel and purchased power expense decreased due principally to our having purchased less power and lower unit costs for both fuel and purchased power. During these periods last year, scheduled maintenance outages at some of our plants resulted in us having purchased more power from other sources. We purchased 54% and 44% less power during the three and six months ended June 30, 2009, respectively, due primarily to Wolf Creek not having a scheduled maintenance outage during these periods this year. This, in addition to decreases in the cost of purchased power of 55% and 47%, resulted in decreases in purchased power expense of \$51.8 million and \$69.7 million for the respective three and six months ended June 30, 2009. Furthermore, the average cost of fuel used for generation decreased 23% and 13% for the three and six months ended June 30, 2009, respectively. This decrease is due primarily to the cost of natural gas significantly decreasing and Wolf Creek having produced more power this year. For the three and six months ended June 30, 2009, the cost of natural gas used in our power plants decreased 64% and 60%, respectively. With the exception of two customers, the cost of fuel and purchased power we incurred in excess of costs recovered in rates is deferred as a regulatory asset until subsequent recovery. Offsetting decreases in fuel and purchased power expense during the three and six months ended June 30, 2009, was the recovery of \$3.9 million and \$12.0 million, respectively, for fuel and purchased power expense previously deferred compared to deferring \$2.6 million and \$8.6 million during the same periods the prior year. This resulted in a \$6.5 million and \$20.6 million increase in fuel and purchased power expense for the respective three and six months ended June 30, 2009.

	Three Months Ended June 30,				Six Months Ended June 30,			
	2009	2008	Change	% Change	2009	2008	Change	% Change
Operating and maintenance	\$139,810	\$130,966	\$8,844	6.8	\$261,978	\$246,984	\$14,994	6.1

Operating and maintenance expense increased for the three and six months ended June 30, 2009, compared to the same periods last year due primarily to increases in SPP network transmission costs of \$11.3 million and \$9.6 million, respectively. These increases were in large part offset by higher transmission revenues of \$15.6 million and \$16.3 million, respectively. Also contributing to the increases were increases in the amounts expensed for previously deferred storm costs of \$1.6 million and \$3.0 million, respectively, and increases of \$1.7 million and \$2.1 million, respectively, in expenses for new generating facilities completed in the past year. Additionally, La Cygne Generation Station had a scheduled maintenance outage during the first quarter of 2009, resulting in a \$1.6 million increase in operating and maintenance expense for the six months ended June 30, 2009. Partially offsetting the increases for the three months ended June 30, 2009, was a \$5.5 million decrease in other power plant maintenance costs.

	Three Months Ended June 30,				Six Months Ended June 30,			
	2009	2008	Change	% Change	2009	2008	Change	% Change
Depreciation and amortization	\$63,814	\$49,605	\$14,209	28.6	\$122,028	\$98,501	\$23,527	23.9

We completed a number of large construction projects in the past year. Consequently, depreciation and amortization expense increased for the three and six months ended June 30, 2009, compared to the same periods last year primarily as a result of the addition of generating plant assets, emission control equipment, wind generation and transmission facilities.

	Three Months Ended June 30,				Six Months Ended June 30,			
	2009	2008	Change	% Change	2009	2008	Change	% Change
Selling, general and administrative	\$53,638	\$44,254	\$9,384	21.2	\$101,619	\$85,910	\$15,709	18.3

The increases in selling, general and administrative expense for the three and six months ended June 30, 2009, compared to the same periods last year were due primarily to increases in pension and other employee benefit costs of \$6.6 million and \$11.7 million, respectively. The increases in pension costs were attributable primarily to lower than expected investment returns on pension assets during 2008.

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	Three Months Ended June 30,				Six Months Ended June 30,			
	2009	2008	Change	% Change	2009	2008	Change	% Change
Investment earnings	\$5,322	\$1,788	\$3,534	197.7	\$4,530	\$84	\$4,446	(a)

(a) Change greater than 1000%.

Investment earnings increased for the three and six months ended June 30, 2009, compared to the same periods last year due principally to our having recorded gains of \$5.3 million and \$2.9 million, respectively, on investments held in a trust to fund retirement benefits. We recorded gains on these investments of \$1.9 million and less than \$0.1 million, respectively, in the same periods of 2008.

	Three Months Ended June 30,				Six Months Ended June 30,			
	2009	2008	Change	% Change	2009	2008	Change	% Change
Other income	\$1,153	\$4,343	\$(3,190)	(73.5)	\$4,410	\$10,160	\$(5,750)	(56.6)

Other income decreased for the three and six months ended June 30, 2009, compared to the same periods last year due principally to our having recorded less equity AFUDC this year. For the three months ended June 30, 2009, we recorded \$0.7 million of equity AFUDC compared to recording \$3.8 million of equity AFUDC for the same period last year. For the six months ended June 30, 2009, we recorded \$3.3 million of equity AFUDC compared to recording \$9.2 million of equity AFUDC for the same period last year. The decreases in equity AFUDC are attributable to the completion of several large construction projects in the past year.

	Three Months Ended June 30,				Six Months Ended June 30,			
	2009	2008	Change	% Change	2009	2008	Change	% Change
Interest expense	\$40,094	\$30,311	\$9,783	32.3	\$75,170	\$41,001	\$34,169	83.3

Interest expense increased for the three months ended June 30, 2009, compared to the same period last year due primarily to interest on additional debt issued in 2008 to fund capital investments. Partially offsetting this increase was a \$2.0 million decrease in interest incurred on Westar Energy's revolving credit facility due primarily to lower average borrowings under the facility coupled with lower short-term interest rates.

During the six months ended June 30, 2008, we reversed \$17.8 million of accrued interest associated with uncertain income tax liabilities, which significantly reduced interest expense. We did not record such a reversal for the six months ended June 30, 2009, and as a result, our interest expense is much higher this year. Absent this reversal, interest expense increased \$16.4 million compared to last year due principally to interest on additional debt issued in 2008 to fund capital investments. These increases were partially offset by a \$4.4 million decrease in interest on Westar Energy's revolving credit facility due primarily to lower average amounts borrowed under the facility coupled with lower short-term interest rates.

	Three Months Ended June 30,				Six Months Ended June 30,			
	2009	2008	Change	% Change	2009	2008	Change	% Change
Income tax expense (benefit)	\$15,696	\$2,687	\$13,009	484.1	\$20,098	\$(15,552)	\$35,650	229.2

Income tax expense increased for the three months ended June 30, 2009, compared to the same period last year due primarily to increased income from continuing operations before income taxes.

During the six months ended June 30, 2008, we recognized \$28.7 million of previously unrecognized income tax benefits associated with uncertain income tax liabilities. We did not recognize similar income tax benefits in continuing operations during the same period this year resulting in higher income tax expense in 2009.

FINANCIAL CONDITION

Below we discuss significant balance sheet changes as of June 30, 2009, compared to December 31, 2008.

Conditions in capital markets for short-term borrowing have improved from earlier this year, as evidenced by historically low London Interbank Offer Rates. Therefore, we decided to decrease cash holdings to levels more consistent with our historical practice, resulting in an \$18.0 million decrease in cash and cash equivalents.

The fair market value of net energy marketing contracts decreased \$47.4 million to \$3.0 million at June 30, 2009. This was due primarily to decreases in coal prices which resulted in unfavorable changes in the market value of a fuel supply contract that was outstanding the entire period.

Prepaid expenses decreased \$21.7 million due primarily to a \$21.1 million decrease in prepaid expenses associated with corporate-owned life insurance (COLI) policies.

Regulatory assets, net of regulatory liabilities, decreased \$42.9 million to \$786.3 million at June 30, 2009, from \$829.2 million at December 31, 2008. Total regulatory assets decreased \$46.3 million due primarily to an \$18.0 million decrease in previously deferred fuel expense, the amortization of \$13.6 million for deferred employee benefits principally resulting from the amortization of prior service costs in Westar Energy's pension plan and the amortization of \$10.7 million for ice storms which occurred in prior periods. Regulatory liabilities decreased \$3.4 million due primarily to a \$33.1 million decrease in the market value of a fuel supply contract resulting principally from decreases in coal prices. This decrease was largely offset by a \$15.6 million increase in fuel expense to be refunded to customers and a \$12.5 million increase in removal costs for amounts collected, but not yet spent to remove retired assets.

On June 11, 2009, KGE issued \$300.0 million of first mortgage bonds resulting in a corresponding increase in long-term debt. We used the proceeds to reduce the outstanding balance under Westar Energy's revolving credit facility resulting in \$112.2 million less short-term debt. See Note 5 of the Notes to Condensed Consolidated Financial Statements, "Debt Financing," for additional information.

Deferred income taxes increased \$30.4 million due primarily to a \$28.2 million increase in deferred income taxes related to the effect of accelerated depreciation as permitted in the American Recovery and Reinvestment Act of 2009.

Other long-term liabilities decreased \$31.5 million due primarily to a decrease in our liability for uncertain income tax positions and related accrued interest upon settlement of an IRS examination. See Note 6 of the Notes to Condensed Consolidated Financial Statements, "Taxes," for additional detail on our uncertain income taxes positions.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Available sources of funds to operate our business include internally generated cash, Westar Energy's revolving credit facility and our access to capital markets. In the latter part of 2008 and continuing into 2009, capital markets have experienced unprecedented volatility. As a result, capital, particularly equity, has been more costly to obtain. In light of this volatility and the unpredictability of how long these capital market conditions will persist, we have reduced or delayed construction spending and other capital outlays in order to manage liquidity. See "Future Cash Requirements" below for additional information. Uncertainties affecting our ability to meet cash requirements include, among others, factors affecting sales described in "Operating Results" above, economic conditions, regulatory actions, compliance with environmental regulations and conditions in the capital markets.

Capital Resources

As of July 30, 2009, Westar Energy had a \$730.0 million revolving credit facility under which \$80.2 million had been borrowed and an additional \$18.7 million of letters of credit had been issued. In addition, we had \$3.2 million in cash and cash equivalents as of the same date.

Debt Financing

On June 11, 2009, KGE issued \$300.0 million principal amount of first mortgage bonds at a discount yielding 6.725%, bearing stated interest at 6.70% and maturing on June 15, 2019. Net proceeds of \$297.5 million were used to repay borrowings under Westar Energy's revolving credit facility, with those borrowed amounts principally related to investments in capital equipment.

Cash Flows from Operating Activities

Operating activities provided \$216.0 million of cash in the six months ended June 30, 2009, compared to cash used in operating activities of \$2.2 million during the same period of 2008. The increase in cash provided by operating activities was due principally to our having paid \$204.7 million less for fuel and purchased power and \$44.0 million less to repair damage to our electrical system following storms. Partially offsetting these increases was a \$54.6 million decrease in customer receipts during 2009 due primarily to lower receipts from our wholesale customers which have more than offset higher cash receipts from our retail customers.

Cash Flows used in Investing Activities

Investing activities used \$355.4 million of cash in the six months ended June 30, 2009, compared to \$438.1 million during the same period of 2008. We spent \$338.8 million in the six months ended June 30, 2009, and \$419.9 million in the same period of 2008 on additions to property, plant and equipment. The decrease in 2009 was due primarily to our having spent less for environmental and generation projects.

Cash Flows from Financing Activities

Financing activities in the six months ended June 30, 2009, provided \$121.4 million of cash compared to \$443.5 million in the same period of 2008. In the six months ended June 30, 2009, proceeds from long-term debt provided \$297.5 million and we used cash to repay \$112.2 million of short-term debt and to pay \$60.9 million in dividends. In the six months ended June 30, 2008, proceeds from long-term debt provided \$152.0 million, proceeds from the issuance of common stock provided \$291.8 million and borrowings from COLI provided \$61.6 million. We used cash to pay \$50.5 million in dividends during this period. The increase in cash paid for dividends was due primarily to the issuance of additional shares of common stock and an increase in our dividend rate. The overall decrease in cash provided from financing activities was due principally to our having completed environmental and generation projects in 2008 that required substantial amounts of capital.

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Future Cash Requirements

Due to the continued volatility in the capital markets and higher capital costs generally, in particular the cost of equity, we have reduced our anticipated capital expenditures for 2010 and 2011 by \$366.8 million and \$134.1 million, respectively, from what we reported in our 2008 Form 10-K. Our current plans anticipate capital expenditures for 2009 through 2011 as shown in the following table. We expect to meet these cash needs with internally generated cash flow, borrowings under Westar Energy's revolving credit facility and through the issuance of securities in the capital markets.

	<u>2009</u>	<u>2010</u>	<u>2011</u>
	(In Thousands)		
Generation:			
Replacements and other	\$ 113,700	\$ 82,600	\$ 86,900
Additional capacity	39,200	12,300	10,200
Wind generation	2,200	—	—
Environmental	83,900	127,900	357,700
Nuclear fuel	23,000	30,100	24,400
Transmission (a)	132,500	214,800	163,400
Distribution:			
Replacements and other	47,800	53,700	52,600
New customers	51,300	53,900	56,300
Other	7,700	20,200	21,400
Total capital expenditures	<u>\$501,300</u>	<u>\$595,500</u>	<u>\$772,900</u>

(a) Includes \$9,000 in 2010 and \$26,100 in 2011 for expenditures related to Prairie Wind Transmission.

Debt Covenants

Some debt instruments contain restrictions that require us to maintain leverage ratios as defined in the credit agreements. We were in compliance with these covenants as of June 30, 2009.

Credit Ratings

Moody's Investors Service (Moody's), Standard & Poor's Ratings Group (S&P) and Fitch Investors Service (Fitch) are independent credit-rating agencies that rate our debt securities. These ratings indicate each agency's assessment of our ability to pay interest and principal when due on our securities.

In August 2009, Moody's upgraded its credit rating for Westar Energy's and KGE's first mortgage bonds/senior secured debt securities. In April 2009, S&P changed its rating outlook for Westar Energy and KGE debt securities from stable to positive. As of August 3, 2009, our ratings with the agencies and the outlooks for these ratings are as shown in the table below.

	<u>Westar Energy First Mortgage Bond Rating</u>	<u>KGE First Mortgage Bond Rating</u>	<u>Westar Energy Unsecured Debt</u>	<u>Rating Outlook</u>
Moody's	Baa1	Baa1	Baa3	Stable
S&P	BBB	BBB	BBB-	Positive
Fitch	BBB+	BBB+	BBB	Stable

In general, less favorable credit ratings make borrowing more difficult and costly. Under our revolving credit facility our cost of borrowing is determined in part by our credit ratings. However, our ability to borrow under the revolving credit facility is not conditioned on maintaining a particular credit rating. We may enter into new credit agreements that contain credit rating conditions, which could affect our liquidity and/or our borrowing costs.

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Factors that impact our credit ratings include a combination of objective and subjective criteria. Objective criteria include typical financial ratios, such as total debt to total capitalization and funds from operations to total debt, among others, future capital expenditures and our access to liquidity including committed lines of credit. Subjective criteria include such items as the quality and credibility of management, the political and regulatory environment we operate in and an assessment of our governance and risk management practices.

Certain of our derivative instruments contain collateral provisions subject to credit agency ratings of our senior unsecured debt. If our senior unsecured debt ratings were to decrease or fall below investment grade, the counterparties to the derivative instruments, pursuant to the provisions, could require collateralization on derivative instruments. The aggregate fair value of all derivative instruments with objective credit-risk-related contingent features that were in a liability position as of June 30, 2009, was \$16.0 million, for which we had posted \$1.0 million of collateral. If all credit-risk-related contingent features underlying these agreements had been triggered as of June 30, 2009, we would have been required to provide to our counterparties \$3.8 million of additional collateral after taking into consideration the offsetting impact of derivative assets and net accounts receivable.

OFF-BALANCE SHEET ARRANGEMENTS

From December 31, 2008, through June 30, 2009, there have been no material changes in our off-balance sheet arrangements. For additional information, see our 2008 Form 10-K.

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

Pension and Post-Retirement Benefit Obligations

As a result of recent guidance issued by the U.S. Department of the Treasury clarifying the assumptions underlying our and Wolf Creek's pension and post-retirement benefit plans, we expect to contribute approximately \$53.0 million to the plans in 2009 compared to \$76.0 million as previously reported in our 2008 Form 10-K. For the six months ended June 30, 2009, we contributed \$26.6 million to our pension and post-retirement benefit plans.

From December 31, 2008, through June 30, 2009, there have been no other material changes outside the ordinary course of business in our contractual obligations and commercial commitments. For additional information, see our 2008 Form 10-K.

OTHER INFORMATION

Environmental Legislation

Our activities are subject to extensive and changing environmental regulation. On May 22, 2009, the State of Kansas enacted legislation that mandates, among other requirements, that more energy be derived from renewable sources. According to the law, in years 2011 through 2015 net renewable generation capacity needs to be 10% of the average peak demand for the three prior years. Net renewable generation needs to increase for years 2016 through 2019 to 15% of the average peak demand for the three prior years and in 2020 net renewable generation needs to increase to 20% of the average peak demand for the three prior years. We estimate that we may need to add about 150 to 200 megawatts of additional renewable generating capacity to meet the 2011 deadline.

In addition to laws currently in effect, numerous laws and regulations have been proposed related to what are referred to as greenhouse gases, including carbon dioxide (CO₂). We emit large amounts of CO₂ and other gasses through the operation of our power plants. On June 26, 2009, the U.S. House of Representatives passed a proposal that, if passed by the Senate and signed into law by the President, would require reductions in greenhouse gas emissions and, even beyond that, would impose additional expense for virtually all such emissions, even those below the stated targeted emission levels. The proposal identifies seven gasses, including CO₂, as greenhouse gasses. In addition, the proposal mandates utilities to meet an increasing percentage of energy demand from a combination of energy efficiency and renewable energy.

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The degree to which we may need to reduce emissions or produce renewable energy and the timing of when such equipment may be required is uncertain. Both the timing and the nature of required investments and actions depend on specific outcomes that result from interpretation of new and existing regulation and legislation. Although we would expect to recover in the prices we charge our customers the costs that we incur to comply with environmental regulations, we can provide no assurance that we will be able to fully and timely do so. Failure to recover these associated costs could have a material adverse effect on our consolidated financial statements.

Abbreviated Rate Case Application

We filed an abbreviated rate case application with the KCC on June 2, 2009, designed to increase our retail prices by \$19.7 million per year. This increase represents costs associated with our remaining investments in natural gas and wind generation facilities that were not included in the price increase approved by the KCC in its January 21, 2009, order. We expect the KCC to issue an order in this proceeding early next year.

Energy Marketing

Conditions in the wholesale energy markets have made it more difficult for us to produce energy marketing results at levels to which we have been historically accustomed. We believe these conditions may persist. As a result, we anticipate lower energy marketing margins during the remainder of the year and perhaps even beyond this year. Wholesale power market conditions include: relatively low electricity prices, lower natural gas prices, softer demand in general and, due to an increase in the number of parties transacting through exchanges and power pools, fewer customers willing to enter into bilateral wholesale energy contracts.

Fair Value of Energy Marketing and Fuel Contracts

The table below shows the fair value of energy marketing contracts outstanding as of June 30, 2009.

	<u>Fair Value of Contracts</u> (In Thousands)
Net fair value of contracts outstanding as of December 31, 2008	\$ 50,364
Contracts outstanding at the beginning of the period that were realized or otherwise settled during the period	(16,284)
Changes in fair value of contracts outstanding at the beginning and end of the period	(34,323)
Fair value of new contracts entered into during the period	3,201
Fair value of contracts outstanding as of June 30, 2009 (a)	<u>\$ 2,958</u>

- (a) Approximately \$8.8 million and \$5.9 million of the fair value of energy marketing contracts is recognized as a regulatory asset and regulatory liability, respectively.

The sources of the fair values of the financial instruments related to these contracts and the maturity periods for the contracts as of June 30, 2009, are summarized in the following table.

<u>Sources of Fair Value</u>	<u>Fair Value of Contracts at End of Period</u>				
	<u>Total</u> <u>Fair Value</u>	<u>Maturity</u> <u>Less Than</u> <u>1 Year</u>	<u>Maturity</u> <u>1-3 Years</u> (In Thousands)	<u>Maturity</u> <u>4-5 Years</u>	<u>Maturity</u> <u>Over 5 Years</u>
Prices actively quoted (futures)	\$ (311)	\$ (311)	\$ —	\$ —	\$ —
Prices provided by other external sources (swaps and forwards)	4,114	(5,700)	4,376	4,388	1,050
Prices based on option pricing models (options and other) (a)	(845)	2,097	(1,191)	(1,406)	(345)
Total fair value of contracts outstanding	<u>\$ 2,958</u>	<u>\$ (3,914)</u>	<u>\$ 3,185</u>	<u>\$ 2,982</u>	<u>\$ 705</u>

- (a) Options are priced using a series of techniques, such as the Black option pricing model.

New Accounting Pronouncements

We prepare our condensed consolidated financial statements in accordance with GAAP for the United States of America for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. To address current issues in accounting, regulatory bodies have issued the following new accounting pronouncements that may affect our accounting and/or disclosure.

FASB Codification

In June 2009, FASB approved its Codification as the exclusive authoritative reference for U.S. GAAP to be applied by nongovernmental entities. Under the Codification, with the exception of a small change in revenue recognition guidance, existing U.S. GAAP did not change. In addition, SEC rules and interpretive releases are still considered authoritative GAAP for SEC registrants. The Codification, which changes the referencing of accounting standards, is effective for interim and annual reporting periods ending after September 15, 2009. We adopted the Codification effective July 1, 2009, without a material impact on our consolidated financial statements.

Variable Interest Entities

In June 2009, FASB issued guidance that changes the approach to determining a variable interest entity's primary beneficiary and requires ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity. This guidance is effective for annual reporting periods beginning after November 15, 2009. We are currently evaluating what impact the adoption of this guidance will have on our consolidated financial statements.

Subsequent Events

In May 2009, FASB issued guidance on subsequent events that sets forth the period after the balance sheet date during which a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements and the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. This guidance is effective for interim or annual financial periods ending after June 15, 2009. We adopted this guidance without a material impact on our consolidated financial statements.

Recognition and Presentation of Other-Than-Temporary Impairments

In April 2009, FASB issued guidance that changes how other-than-temporary impairments of investments in debt securities are recognized and measured. The guidance also provides for changes in the presentation and disclosure requirements surrounding other-than-temporary impairments of investments in debt and equity securities. This guidance is effective for interim and annual reporting periods ending after June 15, 2009. We adopted this guidance effective April 1, 2009, without a material impact on our consolidated financial statements.

Employers' Disclosures about Postretirement Benefit Plan Assets

In December 2008, FASB issued guidance that requires enhanced disclosures about the plan assets of defined benefit pension and other postretirement benefit plans. These disclosures include how investment allocation decisions are made, the factors pertinent to understanding investment policies and strategies, the fair value of each major category of plan assets for pension plans and other postretirement benefit plans separately, the inputs and valuation techniques used to measure the fair value of plan assets, the effect of fair value measurements using significant unobservable inputs on changes in plan assets and significant concentrations of risk within plan assets. This guidance is effective for fiscal years ending after December 15, 2009. We are currently evaluating what impact the adoption of this guidance will have on our consolidated financial statements.

Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities

In June 2008, FASB issued guidance for determining whether instruments granted in share-based payment transactions are participating securities. The guidance provides that all outstanding unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents are participating securities and shall be included in the computation of EPS pursuant to the two-class method. This guidance is effective for fiscal years beginning after December 15, 2008, with retrospective application to prior periods. We adopted this guidance effective January 1, 2009. See Note 2 of the Notes to Condensed Consolidated Financial Statements, "Summary of Significant Accounting Policies," for additional information.

Disclosures about Derivative Instruments and Hedging Activities

In March 2008, FASB issued guidance that requires expanded disclosure to help investors better understand how derivative instruments and hedging activities affect an entity's financial position, financial performance and cash flows. The guidance amends and expands the disclosure requirements related to derivative instruments and hedging activities by requiring qualitative disclosure about objectives and strategies for using derivatives, quantitative disclosure about fair value amounts of gains and losses on derivative instruments and disclosures about credit-risk-related contingent features in derivative agreements. This guidance is effective for fiscal years beginning after November 15, 2008. We adopted this guidance effective January 1, 2009. See Note 3 of the Notes to Condensed Consolidated Financial Statements, "Financial and Derivative Instruments, Trading Securities, Energy Marketing and Risk Management," for additional information.

Fair Value Measurements

In September 2006, FASB issued guidance that defines fair value, establishes a framework for measuring fair value in GAAP and expands disclosures about fair value measurements. This guidance is effective for fiscal years beginning after November 15, 2007, with the cumulative effect of the change in accounting principle recorded as an adjustment to opening retained earnings. In February 2008, FASB issued additional guidance that delays the effective date of the aforementioned guidance for all non-financial assets and liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), until fiscal years beginning after November 15, 2008, and interim periods within those fiscal years. The non-financial items subject to the deferral include assets and liabilities such as non-financial assets and liabilities assumed in a business combination, reporting units measured at fair value in a goodwill impairment test and asset retirement obligations initially measured at fair value. We adopted the guidance for financial assets and liabilities recognized at fair value on a recurring basis effective January 1, 2008. We adopted the guidance for non-financial assets and liabilities recognized at fair value on a non-recurring basis effective January 1, 2009. The adoption of this guidance did not have a material impact on our consolidated financial statements. See Note 3 of the Notes to Condensed Consolidated Financial Statements, "Financial and Derivative Instruments, Trading Securities, Energy Marketing and Risk Management," for additional information.

In April 2009, FASB issued guidance on two separate fair value issues. Both of the releases are effective for interim and annual reporting periods ending after June 15, 2009, and we adopted both of them effective April 1, 2009. One of the releases provides guidance for determining fair value when the volume and level of activity for an asset or liability have significantly decreased and for identifying transactions that are not orderly. We adopted this guidance without a material impact on our consolidated financial statements. The other release requires disclosures about the fair value of financial instruments in interim reporting periods as well as in annual financial statements. See Note 3 of the Notes to Condensed Consolidated Financial Statements, "Financial and Derivative Instruments, Trading Securities, Energy Marketing and Risk Management," for additional information.

Prairie Wind Transmission, LLC

On June 1, 2009, Prairie Wind Transmission, LLC, a joint venture company of which we own 50%, entered into an agreement with ITC Great Plains, LLC, Sunflower Electric Power Corporation and Mid-Kansas Electric Company regarding the segments of a proposed 765 kilovolt (kV) transmission project each company will construct in Kansas. Under the agreement, Prairie Wind Transmission will construct a new substation near Wichita and one near Medicine Lodge as well as a transmission line connecting the two substations. Prairie Wind Transmission will also construct a 765 kV transmission line south to the Kansas-Oklahoma border from either the Medicine Lodge substation or one of the substations that will be built by ITC Great Plains, LLC. The KCC approved this agreement on July 24, 2009.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk, including changes in commodity prices, debt and equity instrument values and interest rates. Experience in the capital markets in the latter part of 2008 and thus far in 2009 has revealed more volatility in these markets than typically has been exhibited in the past. This results in greater market risk. For additional information, see our 2008 Form 10-K, "Item 7A. Quantitative and Qualitative Disclosures About Market Risk."

ITEM 4. CONTROLS AND PROCEDURES

We maintain a set of disclosure controls and procedures designed to ensure that information required to be disclosed in reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. In addition, the disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in reports under the Act is accumulated and communicated to management, including the chief executive officer and the chief financial officer, allowing timely decisions regarding required disclosure. As of the end of the period covered by this report, based on an evaluation carried out under the supervision and with the participation of management, including the chief executive officer and the chief financial officer, of the effectiveness of our disclosure controls and procedures, the chief executive officer and the chief financial officer have concluded that our disclosure controls and procedures were effective.

There were no changes in our internal control over financial reporting during the three months ended June 30, 2009, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Information on other legal proceedings is set forth in Notes 7 and 8 of the Notes to Condensed Consolidated Financial Statements, "Commitments and Contingencies – EPA Lawsuit – FERC Investigation" and "Legal Proceedings," respectively, which are incorporated herein by reference.

ITEM 1A. RISK FACTORS

There were no material changes in our risk factors from December 31, 2008, through June 30, 2009. For additional information, see our 2008 Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None

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ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

We held our annual meeting of shareholders on May 21, 2009. At the meeting, the holders of 96,359,101 shares voted either in person or by proxy to elect three Class I directors. Mr. Charles Q. Chandler IV, Mr. R.A. Edwards III and Ms. Sandra A.J. Lawrence were elected Class I directors to serve a term of three years.

	Votes	
	For	Withheld
Charles Q. Chandler IV	94,490,440	1,868,661
R.A. Edwards III	94,569,424	1,789,677
Sandra A.J. Lawrence	94,542,139	1,816,962

The shareholders present or represented at the meeting voted for the ratification and confirmation of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for 2009. The result of the vote taken was as follows:

	Votes		
	For	Against	Abstain
Deloitte & Touche LLP	95,696,029	387,413	275,659

The shareholders present or represented at the meeting voted for an amendment to our long term incentive and share award plan that extends the termination date of the plan from June 30, 2009 to June 30, 2019 and adds a limitation that the exercise price of certain share awards under the plan may not be reduced without shareholder approval. The result of the vote taken was as follows:

	Votes			
	For	Against	Abstain	Broker Non-Votes
Amendment to Long Term Incentive and Share Award Plan	70,464,703	10,029,812	609,518	15,255,068

ITEM 5. OTHER INFORMATION

None

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ITEM 6. EXHIBITS

- 4(a) Purchase Agreement between Kansas Gas and Electric Company and BNY Mellon Capital Markets, LLC, Citigroup Global Markets Inc. and Credit Suisse Securities (USA) LLC as representatives of the Initial Purchasers named therein, dated June 8, 2009 (filed as Exhibit 4.1 to the Form 8-K filed on June 9, 2009).
- 4(b) Fifty-Fourth Supplemental Indenture dated as of June 11, 2009, by and among Kansas Gas and Electric Company and The Bank of New York Mellon Trust Company, N.A., as Trustee.
- 31(a) Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 certifying the quarterly report provided for the period ended June 30, 2009
- 31(b) Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 certifying the quarterly report provided for the period ended June 30, 2009
- 32 Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 certifying the quarterly report provided for the quarter ended June 30, 2009 (furnished and not to be considered filed as part of the Form 10-Q)

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WESTAR ENERGY, INC.

Date: August 6, 2009

By: /s/ Mark A. Ruelle
Mark A. Ruelle,
Executive Vice President and
Chief Financial Officer

KANSAS GAS AND ELECTRIC COMPANY

TO

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.
(successor to BNY Midwest Trust Company)

and

JUDITH L. BARTOLINI
(successor to W. A. Spooner, Henry A. Theis, Oliver R. Brooks,
Wesley L. Baker, Edwin F. McMichael and R. Amundsen)

as Trustees under Kansas Gas and Electric Company's
Mortgage and Deed of Trust, Dated as of April 1, 1940

FIFTY-FOURTH SUPPLEMENTAL INDENTURE

Providing, among other things, for

First Mortgage Bonds, 6.70% Series due June 15, 2019

Dated as of June 11, 2009

FIFTY-FOURTH SUPPLEMENTAL INDENTURE

INDENTURE, dated as of June 11, 2009, between Kansas Gas and Electric Company, a corporation of the State of Kansas (formerly named KCA Corporation and successor by merger to Kansas Gas and Electric Company, a corporation of the State of Kansas, hereinafter sometimes called the "Company-Kansas"), whose post office address is 100 North Broadway Street, Suite 800, Wichita, Kansas 67201 (hereinafter sometimes called the "Company"), and The Bank of New York Mellon Trust Company, N.A., a national banking association, whose post office address is 2 North LaSalle Street, Suite 1020, Chicago, Illinois 60602 (successor to BNY Midwest Trust Company (the "Corporate Trustee")), and Judith L. Bartolini (successor to W.A. Spooner, Henry A. Theis, Oliver R. Brooks, Wesley L. Baker, Edwin F. McMichael and R. Amundsen, and being hereinafter sometimes called the "Individual Trustee"), whose post office address is 2 North LaSalle Street, Suite 1020, Chicago, Illinois 60602 (the Corporate Trustee and the Individual Trustee being hereinafter together sometimes called the "Trustees"), as Trustees under the Mortgage and Deed of Trust together with any indenture supplemental thereto (including this Indenture (hereinafter sometimes called the "Fifty-fourth Supplemental Indenture")), dated as of April 1, 1940 (hereinafter called the "Mortgage"), which Mortgage was originally executed and delivered by Kansas Gas and Electric Company, a corporation of the State of West Virginia to which the Company-Kansas was successor by merger (hereinafter sometimes called the "Company-West Virginia"), to secure the payment of bonds issued or to be issued under and in accordance with the provisions of the Mortgage;

WHEREAS, the Company-West Virginia caused the Mortgage to be filed for record as a mortgage of real property and as a chattel mortgage in the offices of the Registers of Deeds in various counties in the State of Kansas, and on April 25, 1940 paid to the Register of Deeds of Sedgwick County, Kansas, that being the County in which the Mortgage was first filed for record, the sum of \$40,000 in payment of the Kansas mortgage registration tax as provided by Section 79-3101 *et seq.*, General Statutes of Kansas 1935; and

WHEREAS, by the Mortgage, the Company-West Virginia covenanted that it would execute and deliver such supplemental indenture or indentures and such further instruments and do such further acts as might be necessary or proper to carry out more effectually the purposes of the Mortgage and to make subject to the lien of the Mortgage any property thereafter acquired, intended to be subject to the lien thereof; and

WHEREAS, an instrument, dated May 31, 1949, was executed by the Company-West Virginia appointing Oliver R. Brooks as Individual Trustee in succession to said Henry A. Theis, resigned, under the Mortgage, and by Oliver R. Brooks accepting the appointment as Individual Trustee under the Mortgage in succession to said Henry A. Theis, which instrument was filed for record in the offices of the Registers of Deeds in various counties in the State of Kansas; and

WHEREAS, an instrument, dated March 3, 1958, was executed by the Company-West Virginia appointing Wesley L. Baker as Individual Trustee in succession to said Oliver R. Brooks, resigned, under the Mortgage, and by Wesley L. Baker accepting the appointment as Individual Trustee under the Mortgage in succession to said Oliver R. Brooks, which instrument was filed for record in the offices of the Registers of Deeds in various counties in the State of Kansas; and

WHEREAS, an instrument, dated November 20, 1969, was executed by the Company-West Virginia appointing Edwin F. McMichael as Individual Trustee in succession to said Wesley L. Baker, resigned, under the Mortgage, and by Edwin F. McMichael accepting the appointment as Individual Trustee under the Mortgage in succession to said Wesley L. Baker, which instrument was filed for record in the offices of the Registers of Deeds in various counties in the State of Kansas; and

WHEREAS, by the Twenty-seventh Supplemental Indenture mentioned below, the Company-Kansas, among other things, appointed R. Amundsen as Individual Trustee in succession to said Edwin F. McMichael, resigned, under the Mortgage, and by R. Amundsen accepting the appointment as Individual Trustee under the Mortgage in succession to said Edwin F. McMichael; and

WHEREAS, by the Thirty-second Supplemental Indenture mentioned below, the Company-Kansas, among other things, appointed W. A. Spooner as Individual Trustee in succession to said R. Amundsen, resigned, under the Mortgage, and by W. A. Spooner accepting the appointment as Individual Trustee under the Mortgage in succession to said R. Amundsen; and

WHEREAS, by the Fortieth Supplemental Indenture mentioned below, the Company-Kansas, among other things, appointed Judith L. Bartolini as Individual Trustee in succession to said W.A. Spooner resigned, under the Mortgage, and by Judith L. Bartolini accepting the appointment as Individual Trustee under the Mortgage in succession to said W.A. Spooner; and

WHEREAS, the Company-West Virginia executed and delivered to the Trustees a First Supplemental Indenture, dated as of June 1, 1942 (which supplemental indenture is hereinafter sometimes called the "First Supplemental Indenture"); and

WHEREAS, the Company-West Virginia caused the First Supplemental Indenture to be filed for record as a mortgage of real property and as a chattel mortgage in the offices of the Registers of Deeds in various counties in the State of Kansas, but paid no mortgage registration tax in connection with the recordation of the First Supplemental Indenture, no such tax having been payable in connection with such recordation; and

WHEREAS, the Company-West Virginia executed and delivered to the Trustees the following supplemental indentures:

<u>Designation</u>	<u>Dated as of</u>
Second Supplemental Indenture	March 1, 1948
Third Supplemental Indenture	December 1, 1949
Fourth Supplemental Indenture	June 1, 1952
Fifth Supplemental Indenture	October 1, 1953
Sixth Supplemental Indenture	March 1, 1955
Seventh Supplemental Indenture	February 1, 1956
Eighth Supplemental Indenture	January 1, 1961
Ninth Supplemental Indenture	May 1, 1966
Tenth Supplemental Indenture	March 1, 1970
Eleventh Supplemental Indenture	May 1, 1971
Twelfth Supplemental Indenture	March 1, 1972

which supplemental indentures are hereinafter sometimes called the Second through Twelfth Supplemental Indentures, respectively; and

WHEREAS, the Company-West Virginia caused the Second through Eighth Supplemental Indentures to be filed for record as a mortgage of real property and as a chattel mortgage in the offices of the Registers of Deeds in various counties in the State of Kansas, and caused the Ninth through Twelfth Supplemental Indentures to be filed for record as a mortgage of real property in the offices of the Registers of Deeds in various counties in the State of Kansas and as a chattel mortgage in the Office of the Secretary of State of Kansas, and on the following dates paid to the Register of Deeds of Sedgwick County, Kansas, that being the County in which the Second through Twelfth Supplemental Indentures were first filed for record as a mortgage of real property, the following amounts:

<u>Date</u>	<u>Amount</u>
March 30, 1948	\$12,500
December 7, 1949	7,500
June 17, 1952	30,000
October 21, 1953	25,000
March 22, 1955	25,000
March 5, 1956	17,500
January 24, 1961	17,500
May 17, 1966	40,000
March 10, 1970	87,500
May 19, 1971	87,500
March 23, 1972	62,500

such amounts being in payment of the Kansas mortgage registration tax as provided by the then currently applicable sections of the statutes of the State of Kansas in effect on those dates; and

WHEREAS, the Company-West Virginia was merged into the Company-Kansas on May 31, 1973; and

WHEREAS, in order to evidence the succession of the Company-Kansas to the Company-West Virginia and the assumption by the Company-Kansas of the covenants and conditions of the Company-West Virginia in the bonds and in the Mortgage contained, and to enable the Company-Kansas to have and exercise the powers and rights of the Company-West Virginia under the Mortgage in accordance with the terms thereof, the Company-Kansas executed and delivered to the Trustees a Thirteenth Supplemental Indenture, dated as of May 31, 1973 (which supplemental indenture is hereinafter sometimes called the "Thirteenth Supplemental Indenture"); and

WHEREAS, the Company-Kansas caused the Thirteenth Supplemental Indenture to be filed for record as a mortgage of real property in the offices of the Registers of Deeds in various counties in the State of Kansas and as a chattel mortgage in the Office of the Secretary of State of Kansas, but paid no mortgage registration tax in connection with the recordation of the Thirteenth Supplemental Indenture, no such tax having been payable in connection with such recordation; and

WHEREAS, the Company-Kansas executed and delivered to the Trustees the following supplemental indentures:

<u>Designation</u>	<u>Dated as of</u>
Fourteenth Supplemental Indenture	July 1, 1975
Fifteenth Supplemental Indenture	December 1, 1975
Sixteenth Supplemental Indenture	September 1, 1976
Seventeenth Supplemental Indenture	March 1, 1977
Eighteenth Supplemental Indenture	May 1, 1977
Nineteenth Supplemental Indenture	August 1, 1977
Twentieth Supplemental Indenture	March 15, 1978
Twenty-first Supplemental Indenture	January 1, 1979
Twenty-second Supplemental Indenture	April 1, 1980
Twenty-third Supplemental Indenture	July 1, 1980
Twenty-fourth Supplemental Indenture	August 1, 1980
Twenty-fifth Supplemental Indenture	June 1, 1981
Twenty-sixth Supplemental Indenture	December 1, 1981
Twenty-seventh Supplemental Indenture	May 1, 1982
Twenty-eighth Supplemental Indenture	March 15, 1984
Twenty-ninth Supplemental Indenture	September 1, 1984
Thirtieth Supplemental Indenture	September 1, 1984
Thirty-first Supplemental Indenture	February 1, 1985
Thirty-second Supplemental Indenture	April 15, 1986
Thirty-third Supplemental Indenture	June 1, 1991
Thirty-fourth Supplemental Indenture	March 31, 1992
Thirty-fifth Supplemental Indenture	December 17, 1992
Thirty-sixth Supplemental Indenture	August 12, 1993
Thirty-seventh Supplemental Indenture	January 15, 1994
Thirty-eighth Supplemental Indenture	March 1, 1994
Thirty-ninth Supplemental Indenture	April 15, 1994
Fortieth Supplemental Indenture	June 28, 2000
Forty-first Supplemental Indenture	June 6, 2002
Forty-second Supplemental Indenture	March 12, 2004
Forty-third Supplemental Indenture	June 1, 2004
Forty-fourth Supplemental Indenture	May 6, 2005
Forty-fifth Supplemental Indenture	March 17, 2006
Forty-sixth Supplemental Indenture	June 1, 2006
Forty-seventh Supplemental Indenture	March 16, 2007
Forty-eighth Supplemental Indenture	July 10, 2007
Forty-ninth Supplemental Indenture	October 12, 2007
Fiftieth Supplemental Indenture	February 22, 2008
Fifty-first Supplemental Indenture	May 15, 2008
Fifty-second Supplemental Indenture	August 1, 2008
Fifty-third Supplemental Indenture	October 1, 2008

which supplemental indentures are hereinafter sometimes called the Fourteenth through Fifty-third Supplemental Indentures, respectively; and

WHEREAS, the Company-Kansas caused the Fourteenth Supplemental Indenture to be filed for record as a mortgage of real property in the offices of the Registers of Deeds in various counties in the State of Kansas and as a chattel mortgage in the Office of the Secretary of State of Kansas; and

WHEREAS, the Company-Kansas caused the Fifteenth Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on December 10, 1975, Film 169, page 363), and as a chattel mortgage in the Office of the Secretary of State of Kansas (filed on December 10, 1975 and indexed as No. 325,911); and

WHEREAS, the Company-Kansas caused the Sixteenth Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on September 29, 1976, Film 211, page 363), and as a chattel mortgage in the Office of the Secretary of State of Kansas (filed on September 29, 1976 and indexed as No. 363,835); and

WHEREAS, the Company-Kansas caused the Seventeenth Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on March 16, 1977, Film 234, page 492), and as a chattel mortgage in the Office of the Secretary of State of Kansas (filed on March 1, 1977 and indexed as No. 384,759); and

WHEREAS, the Company-Kansas caused the Eighteenth Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on May 26, 1977, Film 246, page 655), and as a chattel mortgage in the Office of the Secretary of State of Kansas (filed on May 26, 1977 and indexed as No. 394,573); and

WHEREAS, the Company-Kansas caused the Nineteenth Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on August 31, 1977, Film 263, page 882), and as a chattel mortgage in the Office of the Secretary of State of Kansas (filed on September 1, 1977 and indexed as No. 406,577); and

WHEREAS, the Company-Kansas caused the Twentieth Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on March 29, 1978, Film 297, pages 635-656), and as a chattel mortgage in the Office of the Secretary of State of Kansas (filed on March 30, 1978 and indexed as No. 434,072); and

WHEREAS, the Company-Kansas caused the Twenty-first Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on January 9, 1979, Film 345, page 648), and as a chattel mortgage in the Office of the Secretary of State of Kansas (filed on January 10, 1979 and indexed as No. 470,851); and

WHEREAS, the Company-Kansas caused the Twenty-second Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on April 2, 1980, Film 413, page 1,468), and as a chattel mortgage in the Office of the Secretary of State of Kansas (filed on April 3, 1980 and indexed as No. 533,415); and

WHEREAS, the Company-Kansas caused the Twenty-third Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on July 1, 1980, Film 425, page 1,003), and as a chattel mortgage in the Office of the Secretary of State of Kansas (filed on July 2, 1980 and indexed as No. 546,185); and

WHEREAS, the Company-Kansas caused the Twenty-fourth Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on August 28, 1980, Film 435, page 266), and as a chattel mortgage in the Office of the Secretary of State of Kansas (filed on August 29, 1980 and indexed as No. 554,543); and

WHEREAS, the Company-Kansas caused the Twenty-fifth Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on June 30, 1981, Film 483, page 1,512), and as a chattel mortgage in the Office of the Secretary of State of Kansas (filed on June 30, 1981 and indexed as No. 601,270); and

WHEREAS, the Company-Kansas caused the Twenty-sixth Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on December 30, 1981, Film 510, page 300), and as a chattel mortgage in the Office of the Secretary of State of Kansas (filed on December 31, 1981 and indexed as No. 628,293); and

WHEREAS, the Company-Kansas caused the Twenty-seventh Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on May 6, 1982, Film 526, page 1,141), and as a chattel mortgage in the Office of the Secretary of State of Kansas (filed on May 7, 1982 and indexed as No. 650,115); and

WHEREAS, the Company-Kansas caused the Twenty-eighth Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on March 22, 1984, Film 645, page 1,524), and as a chattel mortgage in the Office of the Secretary of State of Kansas (filed on March 23, 1984 and indexed as No. 796,449); and

WHEREAS, the Company-Kansas caused the Twenty-ninth Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on September 5, 1984, Film 681, page 763), and as a chattel mortgage in the Office of the Secretary of State of Kansas (filed on September 6, 1984 and indexed as No. 852,425); and

WHEREAS, the Company-Kansas caused the Thirtieth Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on September 12, 1984, Film 682, page 1,087), and as a chattel mortgage in the Office of the Secretary of State of Kansas (filed on September 13, 1984 and indexed as No. 854,284); and

WHEREAS, the Company-Kansas caused the Thirty-third Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on June 18, 1991, Film 1177, page 0876), and as a security agreement in the Office of Secretary of State of Kansas (filed on June 18, 1991 and indexed as No. 1,693,446); and

WHEREAS, the Company-Kansas caused the Fortieth Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on June 28, 2000, Film 2062, page 0053), and as a security agreement in the Office of Secretary of State of Kansas (filed on June 28, 2000, and indexed as No. 3756913); and

WHEREAS, the Company on the following dates paid to the Register of Deeds of Sedgwick County, Kansas, that being the County in which the Fourteenth through Thirtieth Supplemental Indentures, the Thirty-third Supplemental Indenture and the Fortieth Supplemental Indenture were first filed for record as a mortgage of real property, the following amounts:

<u>Date</u>	<u>Amount</u>
July 2, 1975	\$ 100,000
December 10, 1975	48,750
September 29, 1976	62,500
March 16, 1977	62,500
May 26, 1977	25,000
August 31, 1977	6,100
March 29, 1978	62,500
January 9, 1979	36,250
April 2, 1980	67,500
July 1, 1980	37,500
August 28, 1980	63,750
June 30, 1981	75,000
December 30, 1981	62,500
May 6, 1982	100,000
March 22, 1984	93,750
September 5, 1984	75,000
September 12, 1984	50,000
June 18, 1991	334,100
June 28, 2000	1,780,538.50

such amounts being in payment of the Kansas mortgage registration tax as provided by the then currently applicable sections of the statutes of the State of Kansas in effect on those dates; and

WHEREAS, the Company-Kansas caused the Thirty-first Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on February 1, 1985, Film 707, page 378), and as a chattel mortgage in the Office of the Secretary of State of Kansas (filed on February 4, 1985 and indexed as No. 895,468), but paid no mortgage registration tax in connection with the recordation of the Thirty-first Supplemental Indenture, no such tax having been payable in connection with such recordation; and

WHEREAS, the Company-Kansas caused the Thirty-second Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on April 16, 1986, Film 791, page 1,336), and as a chattel mortgage in the Office of the Secretary of State of Kansas (filed on April 17, 1986 and indexed as No. 1,048,212), but paid no mortgage registration tax in connection with the recordation of the Thirty-second Supplemental Indenture, no such tax having been payable in connection with such recordation; and

WHEREAS, in order to evidence the succession of the Company to the Company-Kansas and the assumption by the Company of the covenants and conditions of the Company-Kansas in the bonds and in the Mortgage contained, and to enable the Company to have and exercise the powers and rights of the Company-Kansas under the Mortgage in accordance with the terms thereof, the Company executed and delivered to the Trustees a Thirty-fourth Supplemental Indenture, dated as of March 31, 1992 (which supplemental indenture is hereinafter sometimes called the "Thirty-fourth Supplemental Indenture"); and

WHEREAS, the Company-Kansas caused the Thirty-fourth Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on March 31, 1992, Film 1236, page 987), and as a security agreement in the Office of Secretary of State of Kansas (filed on March 31, 1992 and indexed as No. 1,780,893), but paid no mortgage registration tax in connection with the recordation of the Thirty-fourth Supplemental Indenture, no such tax having been payable in connection with such recordation; and

WHEREAS, the Company caused the Thirty-fifth Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on December 16, 1992, Film 1301, page 0104), and as a security agreement in the Office of Secretary of State of Kansas (filed on December 16, 1992 and indexed as No. 1,861,886), but paid no mortgage registration tax in connection with the recordation of the Thirty-fifth Supplemental Indenture, no such tax having been payable in connection with such recordation; and

WHEREAS, the Company-Kansas caused the Thirty-sixth Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on August 10, 1993, Film 1364, page 0515), and as a security agreement

in the Office of Secretary of State of Kansas (filed on August 11, 1993 and indexed as No. 1,936,501), but paid no mortgage registration tax in connection with the recordation of the Thirty-sixth Supplemental Indenture, no such tax having been payable in connection with such recordation; and

WHEREAS, the Company-Kansas caused the Thirty-seventh Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on January 18, 1994, Film 1411, page 0710), and as a security agreement in the Office of Secretary of State of Kansas (filed on January 18, 1994 and indexed as No. 1,985,104), but paid no mortgage registration tax in connection with the recordation of the Thirty-seventh Supplemental Indenture, no such tax having been payable in connection with such recordation; and

WHEREAS, the Company-Kansas caused the Thirty-eighth Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on February 28, 1994, Film 1422, page 1046), and as a security agreement in the Office of Secretary of State of Kansas (filed on February 28, 1994 and indexed as No. 1,997,743), but paid no mortgage registration tax in connection with the recordation of the Thirty-eighth Supplemental Indenture, no such tax having been payable in connection with such recordation; and

WHEREAS, the Company-Kansas caused the Thirty-ninth Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on April 27, 1994, Film 1440, page 855), and as a security agreement in the Office of Secretary of State of Kansas (filed on April 27, 1994 and indexed as No. 1,377,915), but paid no mortgage registration tax in connection with the recordation of the Thirty-ninth Supplemental Indenture, no such tax having been payable in connection with such recordation; and

WHEREAS, the Company-Kansas caused the Forty-first Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on June 6, 2002, Film 2460, page 1), and as a security agreement in the office of Secretary of State of Kansas (filed on June 6, 2002, and indexed as No. 5264221), but paid no mortgage registration tax in connection with the recordation of the Forty-first Supplemental Indenture, no such tax having been payable in connection with such recordation; and

WHEREAS, the Company-Kansas caused the Forty-second Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on March 12, 2004, Film 2854, page 8731), and as a security agreement in the office of Secretary of State of Kansas (filed on March 12, 2004, and indexed as No. 5760673), but paid no mortgage registration tax in connection with the recordation of the Forty-second Supplemental Indenture, no such tax having been payable in connection with such recordation; and

WHEREAS, the Company-Kansas caused the Forty-third Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on June 10, 2004, Film and Page 28578510), and as a security agreement in the office of Secretary of State of Kansas (filed on June 10, 2004, and indexed as No. 5820311), but paid no mortgage registration tax in connection with the recordation of the Forty-third Supplemental Indenture, no such tax having been payable in connection with such recordation; and

WHEREAS, the Company-Kansas caused the Forty-fourth Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on May 6, 2005, Film and Page 28671438), and as a security agreement in the office of Secretary of State of Kansas (filed on May 6, 2005, and indexed as No. 5981824), but paid no mortgage registration tax in connection with the recordation of the Forty-fourth Supplemental Indenture, no such tax having been payable in connection with such recordation; and

WHEREAS, the Company-Kansas caused the Forty-fifth Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on March 17, 2006, Film and Page 28764552), and as a security agreement in the office of Secretary of State of Kansas (filed on March 17, 2006, and indexed as No. 6122576), but paid no mortgage registration tax in connection with the recordation of the Forty-fifth Supplemental Indenture, no such tax having been payable in connection with such recordation; and

WHEREAS, the Company-Kansas caused the Forty-sixth Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on June 1, 2006, Film and Page 28785638, and as a security agreement in the office of Secretary of State of Kansas (filed on June 1, 2006, and indexed as No. 6168504), but paid no mortgage registration tax in connection with the recordation of the Forty-sixth Supplemental Indenture, no such tax having been payable in connection with such recordation; and

WHEREAS, the Company-Kansas caused the Forty-seventh Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on March 16, 2007, Film and Page 28865277), and as a security agreement in the office of Secretary of State of Kansas (filed on March 16, 2007, and indexed as No. 6326219), but paid no mortgage registration tax in connection with the recordation of the Forty-seventh Supplemental Indenture, no such tax having been payable in connection with such recordation; and

WHEREAS, the Company-Kansas caused the Forty-eighth Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on July 13, 2007, Film and Page 28899558), and as a security agreement in the office of Secretary of State of Kansas (filed on July 13, 2007, and indexed as No. 6385835), but paid no mortgage registration tax in connection with the recordation of the Forty-eighth Supplemental Indenture, no such tax having been payable in connection with such recordation; and

WHEREAS, the Company-Kansas caused the Forty-ninth Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on October 12, 2007, Film and Page 28923805), and as a security agreement in the office of Secretary of State of Kansas (filed on October 12, 2007, and indexed as No. 6417307), but paid no mortgage registration tax in connection with the recordation of the Forty-ninth Supplemental Indenture, no such tax having been payable in connection with such recordation; and

WHEREAS, the Company-Kansas caused the Fiftieth Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on February 22, 2008, Film and Page 28953801), and as a security agreement in the office of Secretary of State of Kansas (filed on February 25, 2008, and indexed as No. 6458236), but paid no mortgage registration tax in connection with the recordation of the Fiftieth Supplemental Indenture, no such tax having been payable in connection with such recordation; and

WHEREAS, the Company-Kansas caused the Fifty-first Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on May 15, 2008, Film and Page 28975775), and as a security agreement in the office of Secretary of State of Kansas (filed on May 15, 2008, and indexed as No. 6489843), but paid no mortgage registration tax in connection with the recordation of the Fifty-first Supplemental Indenture, no such tax having been payable in connection with such recordation; and

WHEREAS, the Company-Kansas caused the Fifty-second Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on August 26, 2008, Film and Page 29002339), and as a security agreement in the office of Secretary of State of Kansas (filed on August 26, 2008, and indexed as No. 6521686, and refiled on October 2, 2008, and indexed as No. 6533509), but paid no mortgage registration tax in connection with the recordation of the Fifty-second Supplemental Indenture, no such tax having been payable in connection with such recordation; and

WHEREAS, the Company-Kansas caused the Fifty-third Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on October 10, 2008, Film and Page 29013036), and as a security agreement in the office of Secretary of State of Kansas (filed on October 10, 2008, and indexed as No. 6535637), but paid no mortgage registration tax in connection with the recordation of the Fifty-third Supplemental Indenture, no such tax having been payable in connection with such recordation; and

WHEREAS, the Company-West Virginia, the Company-Kansas or the Company has from time to time caused to be filed in the respective offices of the above-mentioned Registers of Deeds and Secretary of State affidavits executed by the Trustees under the Mortgage, preserving and continuing the lien thereof either as a chattel mortgage in accordance with the provisions of K.S.A. 58-303 (Section 58-303 of the General Statutes of Kansas 1935) or as a security agreement under the provisions of K.S.A. 84-9-401 *et seq.*; and

WHEREAS, in addition to the aforesaid filings for record in the respective offices of the above-mentioned Registers of Deeds, the Company-West Virginia, the Company-Kansas or the Company has filed copies of the Mortgage and the First through Fiftieth-third Supplemental Indentures, certified as true by it, with the Secretary of State of Kansas; and

WHEREAS, the Company-West Virginia, the Company-Kansas or the Company has heretofore issued, in accordance with the provisions of the Mortgage, as heretofore supplemented, the following series of First Mortgage Bonds:

<u>Series</u>	<u>Principal Amount Issued</u>	<u>Principal Amount Outstanding</u>
3 3/8% Series due 1970	\$ 16,000,000	None
3 1/8% Series due 1978	5,000,000	None
2 3/4% Series due 1979	3,000,000	None
3 3/8% Series due 1982	12,000,000	None
3 5/8% Series due 1983	10,000,000	None
3 3/8% Series due 1985	10,000,000	None
3 3/8% Series due 1986	7,000,000	None
4 5/8% Series due 1991	7,000,000	None
5 5/8% Series due 1996	16,000,000	None
8 1/2% Series due 2000	35,000,000	None
8 1/8% Series due 2001	35,000,000	None
7 3/8% Series due 2002	25,000,000	None
9 5/8% Series due 2005	40,000,000	None
6% Series due 1985	7,000,000	None
7 3/4% Series due 2005	12,500,000	None
8 3/8% Series due 2006	25,000,000	None
8 1/2% Series due 2007	25,000,000	None
6% Series due 2007	10,000,000	None
5 7/8% Series due 2007	21,940,000	None
8 7/8% Series due 2008	30,000,000	None
6.80% Series due 2004	14,500,000	None
16 1/4% Series due 1987	30,000,000	None
6 1/2% Series due 1983	15,000,000	None
7 1/4% Series due 1983	25,500,000	None
14 7/8% Series due 1987—1991	30,000,000	None
16% Series due 1996	25,000,000	None
15 3/4% Series due 1989	40,000,000	None
13 1/2% Series due 1989	100,000,000	None
14.05% Series due 1991	30,000,000	None
14 1/8% Series due 1991	20,000,000	None
10 7/8% Series due 1987	30,000,000	None
9 3/4% Series due 2016	50,000,000	None
7.00% Series A due 2031	18,900,000	None
7.00% Series B due 2031	308,600,000	None
7.60% Series due 2003	135,000,000	None

<u>Series</u>	<u>Principal Amount Issued</u>	<u>Principal Amount Outstanding</u>
6 1/2% Series due 2005	65,000,000	None
6.20% Series due 2006	100,000,000	None
5.10% Series due 2023	13,462,500	13,462,500
7 1/2% Series A due 2032	14,500,000	14,500,000
7 1/2% Series B due 2027	21,940,000	21,940,000
7 1/2% Series C due 2032	10,000,000	10,000,000
9 1/2% Series due 2003	702,200,000	None
8% Series due 2005	735,000,000	None
3 1/2% Series due 2007	300,000,000	None
5.30% Series due 2031	18,900,000	18,900,000
5.30% Series A due 2031	108,600,000	108,600,000
2.65% Series B due 2031	100,000,000	None
Variable Rate Series C due 2031	100,000,000	50,000,000
4.60% Series due 2010	350,000,000	None
5.57% Series due 2011	500,000,000	None
Burlington Series 2004B-1 due 2031	50,000,000	50,000,000
5.57% Series due 2012	500,000,000	None
6.53% Series due 2037	175,000,000	175,000,000
5.57% Series due 2012	750,000,000	750,000,000
6.15% Series A due 2023	50,000,000	50,000,000
6.64% Series B due 2038	100,000,000	100,000,000
Burlington Series 2008 due 2031	50,000,000	50,000,000
Burlington Series 2008A Due 2031	50,000,000	50,000,000

hereinafter sometimes called Bonds of the First through Fifty-ninth Series; and

WHEREAS, Section 8 of the Mortgage provides that the form of each series of bonds (other than the First Series) issued thereunder and of the coupons to be attached to the coupon bonds of such series shall be established by Resolution of the Board of Directors of the Company and that the form of such series, as established by said Board of Directors, shall specify the descriptive title of the bonds and various other terms thereof, and may also contain such provisions not inconsistent with the provisions of the Mortgage as the Board of Directors may, in its discretion, cause to be inserted therein expressing or referring to the terms and conditions upon which such bonds are to be issued and/or secured under the Mortgage; and

WHEREAS, Section 120 of the Mortgage provides, among other things, that any power, privilege or right expressly or impliedly reserved to or in any way conferred upon the Company by any provision of the Mortgage whether such power, privilege or right is in any way restricted or is unrestricted, may be in whole or in part waived or surrendered or subjected to any restriction if at the time unrestricted or to additional restriction if already restricted, and the Company may enter into any further covenants, limitations or restrictions for the benefit of any one or more series of bonds issued thereunder, or the Company may cure any ambiguity contained therein or in any supplemental indenture, or may establish the terms and provisions of

any series of bonds other than said First Series, by an instrument in writing executed and acknowledged by the Company in such manner as would be necessary to entitle a conveyance of real estate to record in all of the states in which any property at the time subject to the lien of the Mortgage shall be situated; and

WHEREAS, the Company now desires to create a new series of bonds; and

WHEREAS, the execution and delivery by the Company of this Fifty-fourth Supplemental Indenture, and the terms of the Bonds of the Sixtieth Series, hereinafter referred to, have been duly authorized by the Board of Directors of the Company by appropriate Resolutions of said Board of Directors;

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

That Kansas Gas and Electric Company, in consideration of the premises and of One Dollar (\$1) to it duly paid by the Trustees at or before the enrolling and delivery of these presents, the receipt whereof is hereby acknowledged, and in further evidence of assurance of the estate, title and rights of the Trustees and in order further to secure the payment both of the principal of and interest and premium, if any, on the bonds from time to time issued under the Mortgage, according to their tenor and effect and the performance of all the provisions of the Mortgage (including any instruments supplemental thereto and any modification made as in the Mortgage provided) and of said bonds, hereby grants, bargains, sells, releases, conveys, assigns, transfers, mortgages, pledges, sets over and confirms (subject, however, to Excepted Encumbrances as defined in Section 6 of the Mortgage) unto The Bank of New York Mellon Trust Company, N.A. and to Judith L. Bartolini, as Trustees under the Mortgage, and to their successor or successors in said trust, and to said Trustees and their successors and assigns forever, all property, real, personal and mixed, acquired by the Company after the date of the execution and delivery of the Mortgage, in addition to property covered by the First through the Fifty-third Supplemental Indentures (except any herein or in the Mortgage, as heretofore supplemented, expressly excepted), now owned or, subject to the provisions of Section 87 of the Mortgage, hereafter acquired by the Company and wheresoever situated, including (without in anywise limiting or impairing by the enumeration of the same the scope and intent of the foregoing or of any general description contained in this Fifty-fourth Supplemental Indenture) all lands, flowage rights, water rights, flumes, raceways, dams, rights of way and roads; all steam and power houses, gas plants, street lighting systems, standards and other equipment incidental thereto, telephone, radio and television systems, air-conditioning systems and equipment incidental thereto, water works, steam heat and hot water plants, lines, service and supply systems, bridges, culverts, tracks, rolling stock, ice or refrigeration plants and equipment, street and interurban railway systems, offices, buildings and other structures and the equipment thereof; all machinery, engines, boilers, dynamos, electric and gas machines, regulators, meters, transformers, generators, motors, electrical, gas and mechanical appliances, conduits, cables, water, steam heat, gas or other pipes, gas mains and pipes, service pipes, fittings, valves and connections, pole and transmission lines, wires, cables, tools, implements, apparatus, furniture, chattels and choses in action; all municipal and other franchises; all lines for the transmission and distribution of electric current, gas, steam heat or water for any purpose, including poles, wires, cables, pipes, conduits, ducts and all apparatus for use in connection therewith; all real estate, lands, easements, servitudes, licenses, permits, franchises, privileges, rights of way and

other rights in or relating to real estate or the occupancy of the same and (except as herein or in the Mortgage, as heretofore supplemented, expressly excepted), all the right, title and interest of the Company in and to all other property of any kind or nature appertaining to and/or used and/or occupied and/or enjoyed in connection with any property hereinbefore or in the Mortgage, as heretofore supplemented, described.

TOGETHER WITH all and singular the tenements, hereditaments and appurtenances belonging or in anywise appertaining to the aforesaid property or any part thereof, with the reversion and reversions, remainder and remainders and (subject to the provisions of Section 57 of the Mortgage) the tolls, rents, revenues, issues, earnings, income, product and profits thereof, and all the estate, right, title and interest and claim whatsoever, at law as well as in equity, which the Company now has or may hereafter acquire in and to the aforesaid property and franchises and every part and parcel thereof.

IT IS HEREBY AGREED by the Company that, subject to the provisions of Section 87 of the Mortgage, all the property, rights and franchises acquired by the Company after the date hereof (except any herein or in the Mortgage, as heretofore supplemented, expressly excepted), shall be as fully embraced within the lien hereof and the lien of the Mortgage, as if such property, rights and franchises were now owned by the Company and were specifically described herein and conveyed hereby.

PROVIDED that the following are not and are not intended to be now or hereafter granted, bargained, sold, released, conveyed, assigned, transferred, mortgaged, pledged, set over or confirmed hereunder and are hereby expressly excepted from the lien and operation of this Fifty-fourth Supplemental Indenture and from the lien and operation of the Mortgage, viz.: (1) cash, shares of stock and obligations (including bonds, notes and other securities) not hereafter specifically pledged, paid, deposited or delivered under the Mortgage or covenanted so to be; (2) merchandise, equipment, materials or supplies held for the purpose of sale in the usual course of business and fuel, oil and similar materials and supplies consumable in the operation of any properties of the Company; vehicles and automobiles; (3) bills, notes and accounts receivable, and all contracts, leases and operating agreements not specifically pledged under the Mortgage or covenanted so to be; and (4) electric energy, and other materials or products generated, manufactured, produced or purchased by the Company for sale, distribution or use in the ordinary course of its business; provided, however, that the property and rights expressly excepted from the lien and operation of the Mortgage and this Fifty-fourth Supplemental Indenture in the above subdivisions (2) and (3) shall (to the extent permitted by law) cease to be so excepted in the event that either or both of the Trustees or a receiver or trustee shall enter upon and take possession of the Mortgaged and Pledged Property in the manner provided in Article XII of the Mortgage by reason of the occurrence of a Default as defined in said Article XII.

THERE is expressly excepted from the lien of the Mortgage and from the lien hereof all property of the Company located in the State of Missouri now owned or hereafter acquired unless such property in the State of Missouri shall be subjected to the lien of the Mortgage by an indenture or indentures supplemental thereto, pursuant to authorization by the Board of Directors of the Company.

TO HAVE AND TO HOLD all such properties, real, personal and mixed, granted, bargained, sold, released, conveyed, assigned, transferred, mortgaged, pledged, set over or confirmed by the Company as aforesaid, or intended so to be, unto the Trustees, their successors and assigns forever.

IN TRUST NEVERTHELESS, for the same purposes and upon the same terms, trusts and conditions and subject to and with the same provisos and covenants as are set forth in the Mortgage, as supplemented, this Fifty-fourth Supplemental Indenture being supplemental thereto.

AND IT IS HEREBY COVENANTED by the Company that all the terms, conditions, provisos, covenants and provisions contained in the Mortgage, as supplemented, shall affect and apply to the property hereinbefore described and conveyed and to the estate, rights, obligations and duties of the Company and Trustees and the beneficiaries of the trust with respect to said property, and to the Trustees and their successors as Trustees of said property in the same manner and with the same effect as if the said property had been owned by the Company at the time of the execution of the Mortgage, and had been specifically and at length described in and conveyed to the Trustees by the Mortgage as a part of the property therein stated to be conveyed.

The Company further covenants and agrees to and with the Trustees and their successors in said trust under the Mortgage, as follows:

ARTICLE I

SIXTIETH SERIES OF BONDS

SECTION 1. There shall be a series of bonds designated "6.70% Series due 2019" (herein sometimes referred to as the "**Bonds of the Sixtieth Series**"), each of which shall also bear the descriptive title, First Mortgage Bond, and the form thereof, which is established by Resolution of the Board of Directors of the Company, is attached hereto as Exhibit A. Bonds of the Sixtieth Series shall be limited to \$300,000,000 in aggregate principal amount, except as provided in Section 16 of the Mortgage, shall mature on June 15, 2019, and shall be issued as fully registered bonds in denominations of Two Thousand Dollars and in any multiple or multiples of One Thousand Dollars in excess thereof. Bonds of the Sixtieth Series shall bear interest from the date of their issuance at the rate of 6.70% per annum, payable semi-annually on June 15 and December 15 of each year, beginning December 15, 2009, to holders of record on the preceding June 1 or December 1, as applicable, whether or not a business day. The principal of, redemption premium, if any, and interest on Bonds of the Sixtieth Series shall be payable at the office or agency of the Company in the Borough of Manhattan, The City of New York, in such coin or currency of the United States of America as at the time of payment is legal tender for public and private debts, except as follows. Payments in respect of the Bonds of the Sixtieth Series represented by Global Bonds (as defined below) (including principal, redemption premium, if any, and interest) will be made by wire transfer of immediately available funds to the accounts specified by The Depository Trust Company (together with any successor, the "Depository"). Payments of interest in respect of physical bonds will be made by mailing a check to the registered address of each Holder thereof; *provided, however*, that payments on a physical bond will be made by wire transfer to a U.S. Dollar account maintained by the payee

with a bank in the United States if such holder certifies to the Company that it is a Holder of Bonds of the Sixtieth Series in an aggregate principal amount equal to or greater than \$10,000,000 and elects payment by wire transfer by giving written notice to the Corporate Trustee to such effect designating such account no later than 30 days immediately preceding the relevant due date for payment (or such other date as the Corporate Trustee may accept in its discretion).

If an interest payment date or a redemption date falls on a day that is not a business day, such interest payment date or redemption date, as the case may be, shall be the immediately succeeding business day with the same force and effect as if made on the original interest payment date or redemption date, as the case may be, and no interest shall accrue for the period from and after such original interest payment date or redemption date, as the case may be.

Interest on the Bonds of the Sixtieth Series shall be computed on the basis of a 360 day year consisting of twelve 30 day months.

SECTION 2. Bonds of the Sixtieth Series shall be dated as in Section 10 of the Mortgage provided.

SECTION 3. (1) The Bonds of the Sixtieth Series, upon the mailing of notice and with the effect provided in Section 54 of the Mortgage, shall be redeemable at the option of the Company, as a whole at any time or in part from time to time, at a redemption price equal to the greater of: (a) 100% of the principal amount of the Bonds of the Sixtieth Series to be redeemed, plus accrued and unpaid interest on Bonds of the Sixtieth Series to be redeemed to the redemption date or (b) as determined by the Quotation Agent, the sum of the present values of the remaining scheduled payments of principal and interest on the Bonds of the Sixtieth Series to be redeemed (not including any portion of payments of interest accrued as of the redemption date) discounted to the redemption date on a semi-annual basis at the Adjusted Treasury Rate plus fifty (50) basis points, plus accrued and unpaid interest on those Bonds of the Sixtieth Series to be redeemed to the redemption date.

The redemption price will be calculated assuming a 360-day year consisting of twelve 30-day months.

Unless the Company defaults in payment of the redemption price, on and after the redemption date, interest will cease to accrue on the Bonds of the Sixtieth Series or portions of the Bonds of the Sixtieth Series called for redemption.

(2) Notice of Redemption. In the case of redeeming all or any portion of the Bonds of the Sixtieth Series, the Company shall cause notice of redemption to be given by (1) first class mail, postage prepaid, at least thirty days and not more than sixty days prior to the date of redemption, to the registered owners of such Bonds of the Sixtieth Series at their addresses as the same shall appear on the transfer register of the Company; and (2) stating, among other things, the redemption price and date.

Notwithstanding the foregoing, a notice of redemption may provide that the optional redemption described in such notice is conditioned upon the occurrence of certain events before the date of redemption. Such notice of conditional redemption will be of no effect

unless all such conditions to the redemption shall have occurred before the redemption date or shall have been waived by the Company. If any of these events fail to occur and are not waived by the Company, the Company will be under no obligation to redeem the Bonds of the Sixtieth Series or pay the holders thereof any redemption proceeds and the Company's failure to so redeem the Bonds of the Sixtieth Series will not be considered a default or event of default under the Mortgage. In the event that any of these conditions fail to occur or are not waived by the Company, the Company will promptly notify the Trustee in writing that the conditions precedent to such redemption have failed to occur and the Bonds of the Sixtieth Series will not be redeemed.

"Adjusted Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for the redemption date.

"Business Day" means any day that is not a day on which banking institutions in New York City are authorized or required by law or regulation to close.

"Comparable Treasury Issue" means the United States Treasury security selected by the Quotation Agent as having a maturity comparable to the remaining term of the Bonds that would be used, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Bonds.

"Comparable Treasury Price" means, with respect to any redemption date:

- the average of the Reference Treasury Dealer Quotations for that redemption date, after excluding the highest and lowest of the Reference Treasury Dealer Quotations; or
- if the Quotation Agent obtains fewer than four Reference Treasury Dealer Quotations, the average of all Reference Treasury Dealer Quotations so received.

"Quotation Agent" means, as selected by the Company, one of the Reference Treasury Dealers.

"Reference Treasury Dealer" means (1) each of BNY Mellon Capital Markets, LLC, Citigroup Global Markets Inc. and Credit Suisse Securities (USA) LLC and their respective successors, unless either of them ceases to be a primary U.S. Government securities dealer in the United States ("Primary Treasury Dealer") in which case the Company shall substitute another Primary Treasury Dealer; and (2) any other Primary Treasury Dealer selected by the Company.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Quotation Agent, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Quotation Agent by that Reference Treasury Dealer at 5:00 p.m., New York City time, on the third Business Day preceding that redemption date.

SECTION 4. Bonds of the Sixtieth Series offered and sold in reliance on Rule 144A shall be issued initially in the form of one or more Global Bonds (the “**Rule 144A Global Bonds**”) registered in the name of the Depository or a nominee of the Depository.

The Bonds of the Sixtieth Series offered and sold in reliance on Regulation S shall be issued initially in the form of one or more temporary Global Bonds (the “**Regulation S Temporary Global Bonds**”) registered in the name of the Depository or a nominee of the Depository. Beneficial interests in a Regulation S Temporary Global Bond will be exchangeable for beneficial interests in a single permanent Global Bond (the “**Regulation S Permanent Global Bond**”, together with the Regulation S Temporary Global Bond, the “**Regulation S Global Bonds**”; the Regulation S Global Bonds, together with the Rule 144A Global Bonds, the “**Global Bonds**”) on or after the expiration of the Restricted Period (the “**Release Date**”) upon the receipt by the Corporate Trustee or its agent of a certificate certifying that the Holder of the beneficial interest in the Regulation S Temporary Global Bond is a Non-U.S. Person (a “**Regulation S Certificate**”), substantially in the form set forth in Exhibit D. Each Regulation S Global Bond will be deposited upon issuance with, or on behalf of, a custodian for the Depository for credit to the respective accounts of the purchasers, or to other accounts as they may direct, at Euroclear (as defined below) or Clearstream (as defined below). Before the Restricted Period, interests in the Regulation S Temporary Global Bond may only be held through Euroclear or Clearstream, as indirect participants in DTC, unless exchanged for interests in the Rule 144A Global Bond in accordance with the transfer and certification requirements described in Section 6.

Upon receipt by the Corporate Trustee of a Regulation S Certificate (a form of which is attached hereto as Exhibit D), (i) with respect to the first such Regulation S Certificate, the Company shall execute and upon receipt of a Company Order, the Corporate Trustee shall authenticate the Regulation S Permanent Global Bond and (ii) with respect to the first and all subsequent Regulation S Certificates, the Corporate Trustee shall exchange on behalf of the applicable beneficial owners the portion of the Regulation S Temporary Global Bond covered by such Regulation S Certificates for a Regulation S Permanent Global Bond in an equivalent aggregate principal amount. Upon any exchange of a portion of a Regulation S Temporary Global Bond for a comparable portion of a Regulation S Permanent Global Bond, the Corporate Trustee shall endorse on the schedules affixed to each of such Regulation S Global Bond (or on continuations of such schedules affixed to each of such Regulation S Global Bond and made parts thereof) appropriate notations evidencing the date of transfer and (x) with respect to the Regulation S Temporary Global Bond, a decrease in the principal amount thereof equal to the amount by the applicable certification and (y) with respect to the Regulation S Permanent Global Bond, an increase in the principal amount thereof equal to the principal amount of the decrease in the Regulation S Temporary Global Bond pursuant to clause (x) above.

Bonds of the Sixtieth Series shall be issued without coupons only in denominations of \$2,000 and integral multiples of \$1,000 in excess thereof.

Each Global Bond shall be deposited on behalf of the purchasers of Bonds of the Sixtieth Series represented thereby with the Corporate Trustee, as securities custodian (or with such other securities custodian as the Depository may direct), and registered in the name of the Depository or a nominee of the thereof, duly executed by the Company and authenticated by the Corporate

Trustee as provided herein and in the Mortgage. The aggregate principal amount of the Global Bonds may from time to time be increased or decreased by adjustments made on the records of the Corporate Trustee and the Depository or its nominee as hereinafter provided.

Legends. The following legends shall appear on the face of all Global Bonds and physical bonds issued hereunder unless specifically stated otherwise herein.

(i) The Rule 144A Global Bond and all physical bonds shall bear the following legend (the "Private Placement Legend") on the face thereof:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION.

THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY OR ANY INTEREST OR PARTICIPATION THEREIN, PRIOR TO THE DATE (THE "U.S. RESALE RESTRICTION TERMINATION DATE") THAT IS ONE YEAR (OR SUCH PERIOD AS MAY BE REQUIRED BY ANY SUBSEQUENT CHANGE IN APPLICABLE LAW) AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY), ONLY (A) TO THE ISSUER OR AN AFFILIATE OF THE ISSUER, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES THIS SECURITY OR SUCH INTEREST OR PARTICIPATION FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATIONS UNDER THE SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (D) PRIOR TO THE END OF THE 40-DAY DISTRIBUTION COMPLIANCE PERIOD WITHIN THE MEANING OF REGULATIONS UNDER THE SECURITIES ACT OR PURSUANT TO CLAUSE (E) PRIOR TO THE U.S. RESALE RESTRICTION TERMINATION DATE TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE U.S. RESALE RESTRICTION TERMINATION DATE.

(ii) The Regulation S Global Bonds shall bear the following legend (the “Regulation S Legend”) on the face thereof:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U. S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF, U. S. PERSONS UNLESS REGISTERED UNDER THE SECURITIES ACT OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT IS AVAILABLE.

(iii) The Regulation S Temporary Global Bond shall also bear the following legend (the “**Regulation S Temporary Legend**”) on the face thereof:

PRIOR TO THE EXPIRATION OF THE ‘40-DAY DISTRIBUTION COMPLIANCE PERIOD’ (AS DEFINED IN REGULATION S), THIS SECURITY MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES WITHIN THE MEANING OF REGULATION S, EXCEPT TO A PERSON REASONABLY BELIEVED TO BE A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A AND THE INDENTURE OR OTHERWISE IN ACCORDANCE WITH REGULATION S.

(iv) The Global Bonds shall bear the following legend (the “**Global Bond Legend**”) on the face thereof:

THIS SECURITY IS A GLOBAL BOND WITHIN THE MEANING OF THE MORTGAGE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITORY OR A NOMINEE OF A DEPOSITORY OR A SUCCESSOR DEPOSITORY. THIS SECURITY IS NOT EXCHANGEABLE FOR SECURITIES REGISTERED IN THE NAME OF A PERSON OTHER THAN THE DEPOSITORY OR ITS NOMINEE EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE MORTGAGE, AND NO TRANSFER OF THIS SECURITY (OTHER THAN A TRANSFER OF THIS SECURITY AS A WHOLE BY THE DEPOSITORY TO A NOMINEE OF THE DEPOSITORY OR BY A NOMINEE OF THE DEPOSITORY TO THE DEPOSITORY OR ANOTHER NOMINEE OF THE DEPOSITORY) MAY BE REGISTERED EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE MORTGAGE.

Members of, or participants in, the Depository (“**Agent Members**”) shall have no rights under this Supplemental Indenture with respect to any Global Bond held on their behalf by the Depository, or by the Corporate Trustee as the securities custodian or under such Global Bond, and the Company, the Corporate Trustee and any agent of the Company or the Corporate Trustee shall be entitled to treat the Depository as the absolute owner of such Global Bond for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Company, the Corporate Trustee or any agent of the Company or the Corporate Trustee from giving effect to any written certification, proxy or other authorization furnished by the Depository or impair, as between the Depository and its Agent Members, the operation of customary practices of such Depository governing the exercise of the rights of a holder of a beneficial interest in any Global Bond.

Except as expressly provided in Section 6 hereof, owners of beneficial interests in Global Bonds shall not be entitled to receive physical bonds.

“**Clearstream**” means Clearstream Banking société anonyme.

“**Euroclear**” means Euroclear Bank S.A./N.V., as operator of the Euroclear System.

“**Non-U.S. Person**” means a Person who is not a U.S. Person as defined in Rule 902(k) under the Securities Act.

“**QIB**” means a qualified institutional buyer under Rule 144A.

“**Restricted Period**” means the 40-day restricted period as defined in Regulation S.

“**Restricted Securities Legend**” means the Private Placement Legend set forth in paragraph (i) of this Section 4.

SECTION 5. The transfer and exchange of Global Bonds or beneficial interests therein shall be effected through the Depository, in accordance with this Supplemental Indenture (including applicable restrictions on transfer set forth herein, if any) and the procedures of the Depository therefor. A transferor of a beneficial interest in a Global Bond shall deliver to the Company office or agency responsible for maintaining a bond register for the registration of Bonds of the Sixtieth Series and registration of transfers thereof (the “**Bond Registrar**”) a written order given in accordance with the Depository’s procedures containing information regarding the participant account of the Depository to be credited with a beneficial interest in the Global Bond. The Bond Registrar shall, in accordance with such written order, instruct the Depository to credit to the account of the person specified in such written order a beneficial interest in the Global Bond and to debit from the account of the Person making the transfer and exchange the beneficial interest in the Global Bond being transferred and exchanged.

Notwithstanding any other provision of this Supplemental Indenture (other than the provisions set forth in Section 6), a Global Bond may not be transferred or exchanged as a whole except by the Depository to a nominee of the Depository or by a nominee of the Depository to the Depository or another nominee of the Depository or by the Depository or any such nominee to a successor Depository or a nominee of such successor Depository.

At such time as all beneficial interests in a Global Bond have either been exchanged for physical bonds, redeemed, purchased or canceled, such Global Bond shall be returned to the Depository for cancellation or retained and canceled by the Corporate Trustee. At any time prior to such cancellation, if any beneficial interest in a Global Bond is exchanged for physical bonds, redeemed, purchased or canceled, the principal amount of Bonds represented by such Global Bond shall be reduced and an adjustment shall be made on the books and records of the securities custodian with respect to such Global Bond.

The Corporate Trustee shall have no responsibility or obligation to any beneficial owner of a Global Bond, Agent Member or other person with respect to the accuracy of the records of the Depository or its nominee or of any Agent Member, with respect to any ownership interest in the Bonds of the Sixtieth Series or with respect to the delivery to any Agent Member, beneficial

owner or other person (other than the Depository) of any notice (including any notice of redemption) or the payment of any amount, under or with respect to such Bonds of the Sixtieth Series. All notices and communications to be given to the holders and all payments to be made to holders under the Bonds of the Sixtieth Series shall be given or made only to or upon the order of the registered holders (which shall be the Depository or its nominee in the case of a Global Bond). The rights of beneficial owners in any Global Bond shall be exercised only through the Depository subject to the applicable rules and procedures of the Depository. The Corporate Trustee may rely and shall be fully protected in relying upon information furnished by the Depository with respect to its Agent Members and any beneficial owners.

The Corporate Trustee shall have no obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer imposed under this Supplemental Indenture or under applicable law with respect to any transfer of any interest in any Bond of the Sixtieth Series (including any transfers between or among Agent Members or beneficial owners in any Global Bond) other than to require delivery of such certificates and other documentation or evidence as are expressly required by, and to do so if and when expressly required by, the terms of the Indenture.

SECTION 6. A Global Bond deposited with the Depository or with the Corporate Trustee as securities custodian pursuant to Section 4 shall be transferred to the beneficial owners thereof in the form of physical bonds in an aggregate principal amount equal to the principal amount of such Global Bond, in exchange for such Global Bond, only if such transfer is required by the third paragraph of this Section 6.

Any Global Bond that is transferable to the beneficial owners thereof pursuant to this Section shall be surrendered by the Depository to the Corporate Trustee at its corporate trust office to be so transferred, in whole or from time to time in part, without charge, and the Corporate Trustee shall authenticate and deliver, upon such transfer of each portion of such Global Bond, an equal aggregate principal amount of physical bonds of authorized denominations. Any portion of a Global Bond transferred pursuant to this Section shall be executed, authenticated and delivered only in denominations of \$2,000 principal amount and integral multiples of \$1,000 in excess thereof and registered in such names as the Depository shall direct.

The Company shall promptly make available to the Corporate Trustee a reasonable supply of physical bonds in definitive, fully registered form without interest coupons if: (i) the Depository notifies the Company that it is unwilling or unable to continue as a Depository for the Global Bond or if at any time the Depository ceases to be a clearing agency registered under the Exchange Act, as amended, and a successor Depository is not appointed by the Company within 90 days; or (ii) the Company, at its option, executes and delivers to the Corporate Trustee an order that the Bonds of the Sixtieth Series shall be so exchangeable and the transfer so registrable.

In all cases, physical bonds delivered in exchange for any Global Bond or beneficial interests in such Global Bond will be registered in the names, and issued in any approved denominations, requested by or on behalf of the Depository, in accordance with its customary procedures. Any physical bond issued in exchange for an interest in a Global Bond will be

effected through the DTC's Deposit/Withdrawal at Custodian system and an appropriate adjustment will be made in the records of the Securities Custodian to reflect a decrease in the principal amount of the relevant Global Bond.

Any physical bond delivered in exchange for an interest in a Global Bond shall bear the applicable legend regarding transfer restrictions applicable to such physical bond.

Transfer and Exchange. (a) The following provisions shall apply with respect to any proposed transfer of a beneficial interest in a Rule 144A Global Bond or a physical bond issued in exchange therefor prior to the date which is one year (or such period as may be required or permitted by any subsequent change in applicable law) after the later of the date of its original issue and the last date on which the Company or any affiliate of the Company was the owner of such Bond (or any predecessor thereto) (the "**U.S. Resale Restriction Termination Date**"):

(i) a transfer of a beneficial interest in a Rule 144A Global Bond or a physical bond issued in exchange therefor to a QIB shall be made upon the representation of the transferee in the form as set forth on the reverse of the Bond that it is purchasing for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is a "qualified institutional buyer" within the meaning of Rule 144A, and is aware that the sale to it is being made in reliance on Rule 144A and acknowledges that it has received such information regarding the Company as the undersigned has requested pursuant to Rule 144A or has determined not to request such information and that it is aware that the transferor is relying upon its foregoing representations in order to claim the exemption from registration provided by Rule 144A;

(ii) a transfer of a beneficial interest in a Rule 144A Global Bond or a physical bond issued in exchange therefor to a Non-U.S. Person shall be made upon receipt by the Corporate Trustee or its agent of a certificate substantially in the form set forth in Exhibit D from the proposed transferee and, if requested by the Company or the Corporate Trustee, the delivery of an opinion of counsel, certification and/or other information satisfactory to each of them.

After the U.S. Resale Restriction Termination Date, interests in the Rule 144A Global Bond may be transferred without requiring any additional certification.

(b) The following provisions shall apply with respect to any proposed transfer of a Regulation S Temporary Global Bond prior to the expiration of the Restricted Period:

(i) a transfer of a Regulation S Temporary Global Bond or a beneficial interest therein to a QIB shall be made upon the representation of the transferee, in the form of certificate attached as Exhibit B hereto, that it is purchasing the Bond for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is a "qualified institutional buyer" within the meaning of Rule 144A, and is aware that the sale to it is being made in reliance on Rule 144A and acknowledges that it has received such information regarding the Company as the undersigned has requested pursuant to Rule 144A or has determined not to request such information and that it is aware that the transferor is relying upon its foregoing representations in order to claim exemption from registration provided by Rule 144A; and

(ii) a transfer of a Regulation S Temporary Global Bond or a beneficial interest therein to a Non-U. S. Person shall be made upon receipt by the Corporate Trustee or its agent of a certificate substantially in the form set forth in Exhibit D hereof from the proposed transferee and, if requested by the Company or the Corporate Trustee, receipt by the Corporate Trustee or its agent of an opinion of counsel, certification and/or other information satisfactory to each of them.

After the expiration of the Restricted Period, interests in the Regulation S Global Bond may be transferred without requiring certification set forth in Exhibit D or any additional certification.

(c) Restricted Securities Legend. Upon the transfer, exchange or replacement of the Bonds not bearing a Restricted Securities Legend, the Security Registrar shall deliver Bonds that do not bear a Restricted Securities Legend. Upon the transfer, exchange or replacement of the Bonds bearing a Restricted Securities Legend, the Bond Registrar shall deliver only Bonds that bear a Restricted Securities Legend unless there is delivered to the Bond Registrar an opinion of counsel to the effect that neither such legend nor the related restrictions on transfer are required in order to maintain compliance with the provisions of the Securities Act.

The Bond Registrar shall retain copies of all letters, notices and other written communications received pursuant to Section 6. The Company shall have the right to inspect and make copies of all such letters, notices or other written communications at any reasonable time upon the giving of reasonable prior written notice to the Bond Registrar.

SECTION 7. The Company may deliver to the Corporate Trustee in substitution for any Bonds of the Sixtieth Series, mortgage bonds or other similar instruments of the Company or any successor entity, whether by merger, combination or acquisition of all or substantially all of the assets of the Company, or otherwise, issued under a mortgage and deed of trust or similar instrument of the Company or any successor entity in like principal amount of like term and bearing the same rate of interest as the Bonds of the Sixtieth Series (such substituted bonds hereinafter being referred to as the "**Substituted Mortgage Bonds**"). The Substituted Mortgage Bonds may only be delivered to the Corporate Trustee (A) upon execution and delivery of a mortgage and deed of trust or similar instrument which, among other things, contains requirements (i) for the delivery of net earnings certificates, on terms and conditions and in circumstances consistent with the requirements of the Mortgage (except that the ratio of two and one-half (2 1/2) times contained in Section 27 of the Mortgage may be replaced with a ratio of two (2) times), (ii) that the principal amount of bonds authenticated on the basis of property additions not exceed 70% of the lesser of cost or fair market value thereof, (iii) that property and cash be released from the lien of such instrument upon terms and conditions consistent with the requirements of the Mortgage, (iv) that the Company provide for maintenance and repair expenditures in a manner substantially consistent with Section 38 of the Mortgage and (v) that bonds may be accelerated by the holders of 25% of the aggregate principal amount of all bonds outstanding under such instrument, and (B) upon receipt by the Corporate Trustee of (i) ratings, at the Company's expense, of the original bonds from both Moody's and S&P (as hereinafter defined), to the extent the original bonds were not so rated, such ratings not giving effect to any downgrade following the announcement of any transaction related to or involving the issuance of Substituted Mortgage Bonds, (ii) a letter from Moody's, dated within ten days prior to the date of

delivery of the Substituted Mortgage Bonds, stating that its rating of the Substituted Mortgage Bonds is at least equal to the rating on the original bonds (not giving effect to any downgrade of the original bonds following the announcement of any transaction related to or involving the issuance of Substituted Mortgage Bonds), (iii) a letter from S&P, dated within ten days prior to the date of delivery of the Substituted Mortgage Bonds, stating that its rating of the Substituted Mortgage Bonds is at least equal to its rating on the original bonds (not giving effect to any downgrade of the original bonds following the announcement of any transaction related to or involving the issuance of Substituted Mortgage Bonds), (iv) an opinion of counsel which may be counsel to the Company or any successor entity, to the effect that the Substituted Mortgage Bonds shall have been duly and validly authorized, executed, authenticated, and delivered and shall constitute the valid, legally binding and enforceable obligations of the Company or any other successor entity enforceable in accordance with their terms, except as limited by bankruptcy, insolvency or other laws affecting the enforcement of mortgagees' and other creditors' right and shall be entitled to the benefit of the mortgage and deed of trust or other similar instrument pursuant to which they shall have been issued, and (v) such other certificates and documents with respect to the issuance and delivery of the Substituted Mortgage Bonds as may be required by law or as the Corporate Trustee may reasonably request. The Company may make such other amendments to the Mortgage as may be necessary or desirable in the opinion of the Company to effect the foregoing.

"Moody's" means Moody's Investor Services, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the Company.

"S&P" means Standard & Poor's Rating Services, a division of The McGraw Hill Companies, Inc., duly organized and existing under and by virtue of the laws of the State of New York, and its successors and assigns, except that if such rating agency shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "S&P" shall be deemed to refer to any other nationally recognized securities rating agency selected by the Company.

ARTICLE II

ADDITIONAL PROVISIONS RELATING TO THE BONDS OF THE SIXTIETH SERIES

SECTION 1. Upon the written request of any holder of Bonds of the Sixtieth Series, and at the cost and expense of such holder, the Company shall, within 15 days of such request, take appropriate actions to cause the Bonds of the Sixtieth Series to be rated by Moody's, S&P or another nationally recognized statistical ratings organization acceptable to such holder and the Company shall cause a private ratings letter to be provided to such holder.

SECTION 2. Notwithstanding any provision of the Mortgage or any Supplemental Indenture thereto which may otherwise permit the Company to engage in any transaction pursuant to which assets are sold or distributed or the business of the Company is subdivided or split, in the event of such transaction, the Bonds of the Sixtieth Series shall remain obligations of and be secured by assets of an entity regulated as a public utility company by the State of Kansas.

ARTICLE III

AMENDMENTS TO THE MORTGAGE AND RESERVATION OF RIGHTS

SECTION 1. The Company reserves the right, subject to appropriate action, but without any consent or other action by holders of Bonds of the Sixtieth Series, or of any subsequent series of bonds, to clarify the ability of the Company to issue variable rate bonds under the Mortgage, notwithstanding any provision of the Mortgage to the contrary. The Company may make such other amendments to the Mortgage as may be necessary or desirable in the opinion of the Company to effect the foregoing.

SECTION 2. The Company reserves the right, subject to appropriate action, but without any consent or other action by holders of Bonds of the Sixtieth Series, or of any subsequent series of bonds, to amend the Mortgage to add the following new section:

“This Indenture shall be deemed to be a contract made under the laws of the State of Kansas and for all purposes shall be construed in accordance with the laws of the State of Kansas, without regard to conflicts of laws principles thereof.”

SECTION 3. The Company reserves the right, subject to appropriate action, but without any consent or other action by holders of Bonds of the Sixtieth Series, or of any subsequent series of bonds, to amend the Mortgage to:

- (I) Simplify the provisions for release of obsolete property, de minimis property releases and substitution of unfunded property;
- (II) Permit additional terms of bonds or forms of bond in supplemental indentures, including terms for medium-term notes;
- (III) Make any changes necessary to conform the Mortgage with the requirements of the Trust Indenture Act;
- (IV) Eliminate the requirement to have an individual trustee under the Mortgage; and
- (V) Replace the phrase “two and one-half (2 1/2)” in Section 27 of the Mortgage with “two (2)”.

ARTICLE IV

MISCELLANEOUS PROVISIONS

SECTION 1. All Bonds of the Sixtieth Series acquired by the Company shall forthwith be delivered to the Corporate Trustee for cancellation.

SECTION 2. Subject to the amendments provided for in this Fifty-fourth Supplemental Indenture, the terms defined in the Mortgage, as heretofore supplemented, shall, for all purposes of this Fifty-fourth Supplemental Indenture, have the meanings specified in the Mortgage, as heretofore supplemented.

SECTION 3. The Trustees hereby accept the trusts herein declared, provided, created or supplemented and agree to perform the same upon the terms and conditions set forth herein and in the Mortgage, as heretofore amended and supplemented, and upon the following terms and conditions:

The Trustees shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Fifty-fourth Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made by the Company solely. In general, each and every term and condition contained in Article XVI of the Mortgage, as heretofore amended and supplemented, shall apply to and form part of this Fifty-fourth Supplemental Indenture with the same force and effect as if the same were herein set forth in full with such omissions, variations and insertions, if any, as may be appropriate to make the same conform to the provisions of this Fifty-fourth Supplemental Indenture.

SECTION 4. Upon the filing of this Fifty-fourth Supplemental Indenture for record in all counties in which the Mortgaged and Pledged Property is located and until a further indenture or indentures supplemental to the Mortgage shall be executed and delivered by the Company to the Trustees pursuant to authorization by the Board of Directors of the Company and filed for record in all counties in which the Mortgaged and Pledged Property is located, further increasing or decreasing the amount of future advances which may be secured by the chattel mortgage created by the Mortgage, the chattel mortgage created by the Mortgage shall be hereby increased so that the same may secure future advances over and above the amount advanced on the security of the Mortgage, as amended upon the filing of the Thirty-second Supplemental Indenture, viz.: Two Billion Dollars (\$2,000,000,000) of not to exceed in the aggregate Three Billion Five Hundred Million Dollars (\$3,500,000,000) and all advances so made shall be secured by the Mortgage equally, to the same extent and with the same priority, as to the amount originally advanced on the security of the Mortgage, as amended upon the filing of the Thirty-second Supplemental Indenture, viz.: Two Billion Dollars (\$2,000,000,000) and such advances may be made and repaid and again made and the amount so stated shall be considered only as the total amount of such advances as may be outstanding at one time; provided, however, that the principal debt or obligation which may be secured by any mortgage of real property created by the Mortgage shall not be limited or in any manner related to said sum of Three Billion Five Hundred Million Dollars (\$3,500,000,000) stated above with respect to future advances which may be secured by the chattel mortgage created by the Mortgage (or to any other amount stated in an indenture supplemental to the Mortgage as provided for in this paragraph), it being the intent hereof that any mortgage of real property created by the Mortgage shall secure all such principal debt or obligation and all such other amounts as may now or hereafter from time to time be outstanding under the Mortgage without limitation as to the aggregate amount thereof.

SECTION 5. Subject to the provisions of Article XV and Article XVI of the Mortgage, as heretofore amended and supplemented, whenever in this Fifty-fourth Supplemental Indenture any of the parties hereto is named or referred to, this shall be deemed to include the successors or

assigns of such party, and all the covenants and agreements in this Fifty-fourth Supplemental Indenture contained by or on behalf of the Company or by or on behalf of the Trustees shall bind and inure to the benefit of the respective successors and assigns of such parties whether so expressed or not.

SECTION 6. Nothing in this Fifty-fourth Supplemental Indenture, expressed or implied, is intended, or shall be construed, to confer upon, or to give to, any person, firm or corporation, other than the parties hereto and the holders of the bonds and coupons Outstanding under the Mortgage, any right, remedy or claim under or by reason of this Fifty-fourth Supplemental Indenture or any covenant, condition, stipulation, promise or agreement hereof, and all the covenants, conditions, stipulations, promises and agreements in this Fifty-fourth Supplemental Indenture contained by or on behalf of the Company shall be for the sole and exclusive benefit of the parties hereto, and of the holders of the bonds and of the coupons Outstanding under the Mortgage.

SECTION 7. This Fifty-fourth Supplemental Indenture shall be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, Kansas Gas and Electric Company has caused its corporate name to be hereunto affixed, and this instrument to be signed and sealed by Anthony D. Somma, Assistant Treasurer, and its corporate seal to be attested by Larry D. Irick, its Secretary for and on its behalf, The Bank of New York Mellon Trust Company, N.A. has caused its corporate name to be hereunto affixed, and this instrument to be signed and sealed by one of its duly authorized officers and its corporate seal to be attested by one of its Assistant Secretaries for and on its behalf, and Judith L. Bartolini has hereunto set her hand and all as of the day and year first above written.

KANSAS GAS AND ELECTRIC COMPANY

By: /s/ Anthony D. Somma

Anthony D. Somma

Assistant Treasurer

Attest:

/s/ Larry D. Irick

Larry D. Irick

Secretary

(corporate seal)

Executed, sealed and delivered by

KANSAS GAS AND ELECTRIC COMPANY,

in the presence of:

/s/ Peter L. Summers

/s/ Sally Wilson

THE BANK OF NEW YORK MELLON TRUST COMPANY,
N.A., as Trustee

By: /s/ L. Garcia
L. Garcia

Attest: (corporate seal)

/s/ M. Callahan
M. Callahan

/s/ Judith L. Bartolini
Judith L. Bartolini

Executed, sealed and delivered by
THE BANK OF NEW YORK MELLON TRUST COMPANY,
N.A.
and JUDITH L. BARTOLINI, in the
presence of:

/s/ Robert Cafarelli

/s/ Ross N. Fitch

STATE OF KANSAS)
 : ss.:
COUNTY OF SEDGWICK)

BE IT REMEMBERED, that on this 11th day of June, 2009, before me, the undersigned, a Notary Public within and for the County and State aforesaid, came Anthony D. Somma, the Assistant Treasurer of Kansas Gas and Electric Company, a corporation duly organized, incorporated and existing under the laws of the State of Kansas, who is personally known to me to be such officer, and who is personally known to me to be the same person who executed, as such officer, the within instrument of writing, and such person duly acknowledged the execution of the same to be the act and deed of said corporation and that said instrument of writing was so executed by order of the Board of Directors of said corporation.

On this 11th day of June, 2009, before me appeared Larry D. Irick, to me personally known, who being by me duly sworn did say that he is the Secretary of Kansas Gas and Electric Company, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said Larry D. Irick acknowledged said instrument to be the free act and deed of said corporation.

On the 11th day of June in the year 2009, before me personally appeared Anthony D. Somma to me known, who, being by me duly sworn, did depose and say that he is the Assistant Treasurer of Kansas Gas and Electric Company; that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said Anthony D. Somma acknowledged said instrument to be the free act and of said corporation.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal on the day and year above written.

(notary seal)

/s/ Patti Beasley

NOTARY PUBLIC - STATE OF KANSAS
MY APPOINTMENT EXPIRES —

STATE OF ILLINOIS)
 : ss.:
COUNTY OF COOK)

BE IT REMEMBERED, that on this 9th day of June, 2009, before me, the undersigned, a Notary Public within and for the County and State aforesaid, came L. Garcia, a Vice President of The Bank of New York Mellon Trust Company, N.A., as trustee, a national banking association, who is personally known to me to be such officer, and who is personally known to me to be the same person who executed, as such officer, the within instrument of writing, and such person duly acknowledged the execution of the same to be the act and deed of said corporation and that said instrument of writing was so executed by authority of the Board of Directors of said corporation.

On this 9th day of June, 2009, before me appeared L. Garcia, to me personally known, who being by me duly sworn did say that she is an Vice President of The Bank of New York Mellon Trust Company, N.A., and that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said L. Garcia acknowledged said instrument to be the free act and deed of said corporation.

On the 9th day of June in the year 2009, before me personally came M. Callahan, to me known, who, being by me duly sworn, did depose and say that he resides at _____, Illinois, that he is a Vice President of The Bank of New York Mellon Trust Company, N.A., one of the corporations described in and which executed the above instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation, and that he signed his name thereto by like authority.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal on the day and year above written.

/s/ T. Mosterd

NOTARY PUBLIC, STATE OF ILLINOIS
COMMISSION EXPIRES //

(notary seal)

STATE OF ILLINOIS)
 : ss.:
COUNTY OF COOK)

On this 9th day of June in the year 2009, before me, the undersigned, a Notary Public in and for the State of Illinois, in the County of Cook, personally appeared and came Judith L. Bartolini, to me known and known to me to be the person described in and who executed the within and foregoing instrument and whose name is subscribed thereto and acknowledged to me that she executed the same.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year in this certificate first above written.

/s/ T. Mosterd
NOTARY PUBLIC, STATE OF ILLINOIS

COMMISSION EXPIRES //

(notary seal)

FORM OF BOND OF THE SIXTIETH SERIES

[Applicable Restricted Securities Legend]

[Depository Legend, if applicable]

**KANSAS GAS AND ELECTRIC COMPANY
FIRST MORTGAGE BOND, 6.70% SERIES DUE 2019**

No. R-

**Principal amount \$
as revised by the Schedule
of Increases and Decreases
in Global Security
attached hereto**

CUSIP:

ISIN:

KANSAS GAS AND ELECTRIC COMPANY, a corporation of the State of Kansas (hereinafter called the “**Company**”), for value received, hereby promises to pay to **Cede & Co.**, or registered assigns, on June 15, 2019, _____ **DOLLARS** or such other amount as is indicated on Schedule A hereto in such coin or currency of the United States of America which at the time of payment is legal tender for public and private debts, and to pay to the registered owner hereof interest thereon in like coin or currency from the date of issuance at the rate of 6.70% per annum, payable beginning on December 15, 2009 semi-annually on June 15 and December 15 of each year until maturity or if this Bond shall be duly called for redemption until the redemption date. If an interest payment date or a redemption date falls on a day that is not a business day, such interest payment date or redemption date, as the case may be, shall be the immediately succeeding business day with the same force and effect as if made on the original interest payment date or redemption date, as the case may be, and no interest shall accrue for the period from and after such original interest payment date or redemption date, as the case may be. The principal of and interest on this bond shall be payable at the office or agency of the Company in the Borough of Manhattan, The City of New York, except as follows. Payments in respect of the bonds represented by Global Bonds (as defined in the Supplemental Indenture referred to below) (including principal, any redemption premium as described in the Supplemental Indenture), if any, and interest) will be

made by wire transfer of immediately available funds to the accounts specified by The Depository Trust Company. Payments of interest in respect of physical bonds will be made by mailing a check to the registered address of each Holder thereof; *provided, however*, that payments on a physical bond will be made by wire transfer to a U.S. Dollar account maintained by the payee with a bank in the United States if such holder certifies to the Company that it is a holder of Bonds of the Sixtieth Series (as defined below) in an aggregate principal amount equal to or greater than \$10,000,000 and elects payment by wire transfer by giving written notice to the Corporate Trustee (as defined below) to such effect designating such account no later than 30 days immediately preceding the relevant due date for payment (or such other date as the Corporate Trustee may accept in its discretion).

This bond is one of an issue of bonds of the Company issuable in series and is one of a series known as its First Mortgage Bonds, 6.70% Series due 2019, (referred to herein as “**Bonds of the Sixtieth Series**”), the Bonds of this series being limited to THREE HUNDRED MILLION DOLLARS (\$300,000,000) in aggregate principal amount at any one time outstanding, all bonds of all series issued and to be issued under and equally secured (except in so far as any sinking or other fund, established in accordance with the provisions of the Mortgage hereinafter mentioned, may afford additional security for the bonds of any particular series and except that bonds representing future advances, if any, in excess of the maximum amount of future advances permitted to be secured by the chattel mortgage created by the Mortgage, may not be secured by such chattel mortgage equally with bonds theretofore issued) by a Mortgage and Deed of Trust, together with any indenture supplemental thereto (including the Fifty-fourth Supplemental Indenture, dated as of June 11, 2009 (the “**Supplemental Indenture**”), dated as of April 1, 1940 (the “**Mortgage**”), executed by the Company to The Bank of New York Mellon Trust Company, N.A. (as successor to BNY Midwest Trust Company) (the “**Corporate Trustee**”) and Judith L. Bartolini (the “**Individual Trustee**,” together with the Corporate Trustee, the “**Trustees**”). Reference is made to the Mortgage for a description of the property mortgaged and pledged, the nature and extent of the security, the rights of the holders of the bonds and of the Trustees in respect thereof, the duties and immunities of the Trustees and the terms and conditions upon which the bonds are and are to be secured and the circumstances under which additional bonds may be issued and the definitions of terms not otherwise defined herein. With the consent of the Company and to the extent permitted by and as provided in the Mortgage, the rights and obligations of the Company and/or the rights of the holders of the bonds and/or coupons and/or the terms and provisions of the Mortgage may be modified or altered by affirmative vote of the holders of at least sixty per centum (60%) in principal amount of the bonds then outstanding under the Mortgage and, if the rights of one or more, but less than all, series of bonds then outstanding are to be affected, then also by affirmative vote of the holders of at least sixty per centum (60%) in principal amount of the bonds then outstanding of the series of bonds so to be affected (excluding in any case bonds disqualified from voting by reason of the Company’s interest therein as provided in the Mortgage); *provided that*, without the consent of the holder hereof, no such modification or alteration shall impair or affect the right of the holder to receive payment of the principal of and interest on this bond, on or after the respective due

dates expressed herein, or permit the creation of any lien equal or prior to the lien of the Mortgage, deprive the holder of a lien on the mortgaged and pledged property or permit the reduction of the percentages required for modification.

The principal hereof may be declared or may become due prior to the maturity date hereinbefore named on the conditions, in the manner and at the time set forth in the Mortgage, upon the occurrence of a default as in the Mortgage provided.

Subject to Sections 4, 5 and 6 of Article I of the Supplemental Indenture, at the option of the registered owner, any Bonds of the Sixtieth Series, upon surrender thereof, for cancellation, at the office or agency of the Company in the Borough of Manhattan, City of New York, shall be exchangeable for a like aggregate principal amount of bonds of the same series of other authorized denominations. The Bonds of the Sixtieth Series may bear such legends as may be necessary to comply with any law or with any rules or regulations made pursuant thereto or with the rules or regulations of any stock exchange or to conform to usage with respect thereto.

Subject to Sections 4, 5 and 6 of Article I of the Supplemental Indenture, Bonds of the Sixtieth Series shall be transferable upon the surrender thereof, for cancellation together with a written instrument of transfer in form approved by the registrar duly executed by the registered owner or by his duly authorized attorney, at the office or agency of the Company in the Borough of Manhattan, City of New York.

The bonds of this series are subject to redemption as provided in the Supplemental Indenture.

No recourse shall be had for the payment of the principal of, redemption premium, if any, or interest on this bond against any incorporator or any past, present or future subscriber to the capital stock, stockholder, officer or director of the Company or of any predecessor or successor corporation, as such, either directly or through the Company or any predecessor or successor corporation under any rule of law, statute or constitution or by the enforcement of any assessment or otherwise, all such liability of incorporators, subscribers, stockholders, officers and directors being released by the holder or owner hereof by the acceptance of this bond and being likewise waived and released by the terms of the Mortgage.

This bond shall not become obligatory until The Bank of New York Mellon Trust Company, N.A., the Corporate Trustee under the Mortgage, or its successor thereunder, shall have signed the form of certificate endorsed hereon.

IN WITNESS WHEREOF, KANSAS GAS AND ELECTRIC COMPANY has caused this bond to be signed in its corporate name by an authorized officer by their signature or a facsimile thereof, and its corporate seal to be impressed or imprinted hereon and attested by its Secretary or one of its Assistant Secretaries by their signature or a facsimile thereof, on June 11, 2009.

KANSAS GAS AND ELECTRIC COMPANY

By _____
Assistant Treasurer

Attest:

Secretary

CORPORATE TRUSTEE'S CERTIFICATE

This bond is one of the bonds, of the series herein designated, described or provided for in the within-mentioned Mortgage.

**THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A.,**
as Corporate Trustee

By _____
Authorized Officer

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto

**PLEASE INSERT SOCIAL SECURITY OR OTHER
IDENTIFYING NUMBER OF ASSIGNEE**

--

Name and address of assignee must be printed or typewritten

the within bond of KANSAS GAS AND ELECTRIC COMPANY and does hereby irrevocably constitute and appoint

_____ Attorney
to transfer the said bond on the books of the within-named Company, with full power of substitution in the premises.

Dated: _____

FORM OF CERTIFICATE TO BE DELIVERED UPON EXCHANGE
OR REGISTRATION OF TRANSFER OF BONDS

Re: First Mortgage Bonds, 6.70% Series due June 15, 2019 of Kansas Gas and Electric Company.

This Certificate relates to \$_____ principal amount of Bonds of the Sixtieth Series held in *_____ book-entry or *_____ definitive form by _____ (the "Transferor").

The Transferor has requested the Corporate Trustee by written order to exchange or register the transfer of a Bond or Bonds.

In connection with such request and in respect of each such Bond, the Transferor does hereby certify that the Transferor is familiar with the Mortgage relating to the above-captioned Bonds and in connection with the transfer or exchange of any Bonds evidenced by this certificate occurring prior to the date that is one year after the later of the date of the original issuance of such Bonds and the last date, if any, on which such Bonds were owned by the Company or any Affiliate of the Company, the undersigned confirms that such Bonds are being:*

acquired for the Transferor's own account without transfer; or

transferred to the Company; or

transferred to a "qualified institutional buyer" (as defined in Rule 144A under the Securities Act of 1933, as amended (the "Securities Act")), in accordance with Rule 144A under the Securities Act; or

transferred pursuant to an effective registration statement under the Securities Act; or

transferred pursuant to and in compliance with Regulation S under the Securities Act; or

transferred pursuant to another available exemption from the registration requirements of the Securities Act.

Unless one of the boxes is checked, the Corporate Trustee will refuse to register any of the Bonds evidenced by this certificate in the name of any person other than the registered holder thereof; provided, however, that if box (5) or (6) is checked, the Corporate Trustee or the Company may require, prior to registering any such transfer of the Bonds, in their sole discretion, such legal opinions, certifications and other information as the Corporate Trustee or the Company may reasonably request to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, such as the exemption provided by Rule 144 under such Act.

* Fill in blank or check appropriate box, as applicable.

[INSERT NAME OF TRANSFEROR]

By: _____
Name:
Title:
Address:

Date: _____

TO BE COMPLETED BY PURCHASER IF (1) OR (3) ABOVE IS CHECKED.

The undersigned represents and warrants that it is purchasing this Bond for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is a “qualified institutional buyer” within the meaning of Rule 144A under the Securities Act, and is aware that the sale to it is being made in reliance on Rule 144A and acknowledges that it has received such information regarding the Company as the undersigned has requested pursuant to Rule 144A or has determined not to request such information and that it is aware that the transferor is relying upon the undersigned’s foregoing representations in order to claim the exemption from registration provided by Rule 144A.

Dated: _____

[TO BE ATTACHED TO GLOBAL BOND]

SCHEDULE OF INCREASES OR DECREASES IN GLOBAL BOND

The following increases or decreases in this Global Bond have been made

<u>Date of Exchange</u>	<u>Amount of increase in Principal Amount of this Global Bond</u>	<u>Amount of decrease in Principal Amount of this Global Bond</u>	<u>Principal Amount of this Global Bond following each decrease or increase</u>	<u>Signature of authorized signatory of Corporate Trustee or Securities Custodian</u>
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**FORM OF CERTIFICATE TO BE DELIVERED IN CONNECTION
WITH TRANSFERS PURSUANT TO REGULATION S**

[Date]

Kansas Gas and Electric Company
818 South Kansas Avenue
Topeka, Kansas 66612

The Bank of New York Trust Company, N.A.

[]

Re: Kansas Gas and Electric Company
6.70% First Mortgage Bonds Due 2019 (the "Securities")

Ladies and Gentlemen:

In connection with our proposed sale of \$[] aggregate principal amount of the Securities, we confirm that such sale has been effected pursuant to and in accordance with Regulations under the United States Securities Act of 1933, as amended (the "**Securities Act**"), and, accordingly, we represent that:

(a) the offer of the Securities was not made to a person in the United States;

(b) either (i) at the time the buy order was originated, the transferee was outside the United States or we and any person acting on our behalf reasonably believed that the transferee was outside the United States or (ii) the transaction was executed in, on or through the facilities of a designated off-shore securities market and neither we nor any person acting on our behalf knows that the transaction has been pre-arranged with a buyer in the United States;

(c) no directed selling efforts have been made in the United States in contravention of the requirements of Rule 903(b) or Rule 904(b) of Regulation S, as applicable; and

(d) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act.

In addition, if the sale is made during a restricted period and the provisions of Rule 903(c)(3) or Rule 904(c)(1) of Regulation S are applicable thereto, we confirm that such sale has been made in accordance with the applicable provisions of Rule 903(c)(3) or Rule 904(c)(1), as the case may be.

You and the Company are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered hereby. Terms used in this certificate have the meanings set forth in Regulation S.

Very truly yours,

[Name of Transferor]

By: _____

Authorized Signature

WESTAR ENERGY, INC.
CHIEF EXECUTIVE OFFICER
CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, William B. Moore, certify that:

1. I have reviewed this annual report on Form 10-Q for the period ended June 30, 2009, of Westar Energy, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the company's internal control over financial reporting that occurred during the company's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect company's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2009

By: /s/ William B. Moore
 William B. Moore
 Director, President and Chief Executive Officer
 Westar Energy, Inc.
 (Principal Executive Officer)

WESTAR ENERGY, INC.
CHIEF FINANCIAL OFFICER
CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Mark A. Ruelle, certify that:

1. I have reviewed this annual report on Form 10-Q for the period ended June 30, 2009, of Westar Energy, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the company's internal control over financial reporting that occurred during the company's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect company's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2009

By: /s/ Mark A. Ruelle
 Mark A. Ruelle,
 Executive Vice President and Chief Financial Officer
 Westar Energy, Inc.
 (Principal Accounting Officer)

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Westar Energy, Inc. (the Company) on Form 10-Q for the quarter ended June 30, 2009 (the Report), which this certification accompanies, William B. Moore, in my capacity as Director, President and Chief Executive Officer of the Company, and Mark A. Ruelle, in my capacity as Executive Vice President and Chief Financial Officer of the Company, certify that the Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 6, 2009

By: /s/ William B. Moore
William B. Moore
Director, President and Chief Executive Officer

Date: August 6, 2009

By: /s/ Mark A. Ruelle
Mark A. Ruelle,
Executive Vice President and
Chief Financial Officer