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

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**FORM 10-K**

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**ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the fiscal year ended December 31, 2004**

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 1-7324

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**KANSAS GAS AND ELECTRIC COMPANY**

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(Exact name of registrant as specified in its charter)

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Kansas  
\_\_\_\_\_  
(State or other jurisdiction of  
incorporation or organization)

48-1093840  
\_\_\_\_\_  
(I.R.S. Employer  
Identification Number)

**120 East First Street, Wichita, Kansas 67201 (316) 261-6611**

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

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Securities registered pursuant to section 12(b) of the Act: None

Securities registered pursuant to section 12(g) of the Act: None

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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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is an accelerated filer (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, No par value  
\_\_\_\_\_  
(Class)

1,000 Shares  
\_\_\_\_\_  
(Outstanding at March 14, 2005)

Registrant meets the conditions of General Instruction I(1)(a) and (b) to Form 10-K for certain wholly owned subsidiaries and is therefore filing an abbreviated form.

Documents Incorporated by Reference: None

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TABLE OF CONTENTS

	<u>Page</u>
<b><u>PART I</u></b>	
Item 1. <a href="#">Business</a>	4
Item 2. <a href="#">Properties</a>	15
Item 3. <a href="#">Legal Proceedings</a>	15
Item 4. <a href="#">Submission of Matters to a Vote of Security Holders</a>	15
<b><u>PART II</u></b>	
Item 5. <a href="#">Market for Registrant’s Common Equity and Related Stockholder Matters</a>	16
Item 6. <a href="#">Selected Financial Data</a>	16
Item 7. <a href="#">Management’s Discussion and Analysis of Financial Condition and Results of Operations</a>	17
Item 7A. <a href="#">Quantitative and Qualitative Disclosures About Market Risk</a>	28
Item 8. <a href="#">Financial Statements and Supplementary Data</a>	30
Item 9. <a href="#">Changes in and Disagreements With Accountants on Accounting and Financial Disclosure</a>	59
Item 9A. <a href="#">Controls and Procedures</a>	59
Item 9B. <a href="#">Other Information</a>	59
<b><u>PART III</u></b>	
Item 10. <a href="#">Directors and Executive Officers of the Registrant</a>	59
Item 11. <a href="#">Executive Compensation</a>	59
Item 12. <a href="#">Security Ownership of Certain Beneficial Owners and Management</a>	59
Item 13. <a href="#">Certain Relationships and Related Transactions</a>	59
Item 14. <a href="#">Principal Accountant Fees and Services</a>	60
<b><u>PART IV</u></b>	
Item 15. <a href="#">Exhibits and Financial Statement Schedules</a>	61
<a href="#">Signatures</a>	64

## FORWARD-LOOKING STATEMENTS

Certain matters discussed in this Annual Report on Form 10-K 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:

- capital expenditures,
- earnings,
- liquidity and capital resources,
- litigation,
- accounting matters,
- possible corporate restructurings, acquisitions and dispositions,
- compliance with debt and other restrictive covenants,
- interest rates,
- environmental matters,
- nuclear operations, and
- the overall economy of our service area.

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

- electric utility deregulation or re-regulation,
- regulated and competitive markets,
- ongoing municipal, state and federal activities,
- economic and capital market conditions,
- changes in accounting requirements and other accounting matters,
- changing weather,
- rates, cost recoveries and other regulatory matters,
- the impact of changes and downturns in the energy industry and the market for trading wholesale electricity,
- the outcome of the notice of violation received by Westar Energy, Inc. on January 22, 2004 from the Environmental Protection Agency and other environmental matters,
- political, legislative, judicial and regulatory developments,
- the impact of the purported shareholder and employee class action lawsuits filed against Westar Energy, Inc.,
- the impact of changes in interest rates,
- changes in, and the discount rate assumptions used for, Wolf Creek Nuclear Operating Corporation pension and other post-retirement benefit liability calculations, as well as actual and assumed investment returns on pension plan assets,
- the impact of changing interest rates and other assumptions on our nuclear decommissioning liability for Wolf Creek Generating Station,
- Kansas Corporation Commission and the North American Electric Reliability Council’s utility service reliability standards,
- homeland security considerations,
- coal, natural gas, oil and wholesale electricity prices,
- availability and timely provision of rail transportation for our coal supply, 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. No one section of this report deals with all aspects of the subject matter. 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.

**PART I****ITEM 1. BUSINESS****GENERAL**

Kansas Gas and Electric Company is a regulated electric utility incorporated in 1990 in Kansas. Unless the context otherwise indicates, all references in this Annual Report on Form 10-K to “the company,” “KGE,” “we,” “us,” “our” and similar words are to Kansas Gas and Electric Company.

We are a wholly owned subsidiary of Westar Energy, Inc. (Westar Energy) and we provide rate-regulated electric service, together with the electric utility operations of Westar Energy, using the name Westar Energy. We provide electric generation, transmission and distribution services to approximately 301,000 customers in south-central and southeastern Kansas, including the city of Wichita, Kansas. Our corporate headquarters is located in Wichita, Kansas.

We own a 47% interest in the Wolf Creek Generating Station (Wolf Creek), a nuclear power plant located near Burlington, Kansas, and a 47% interest in Wolf Creek Nuclear Operating Corporation (WCNOC), the operating company for Wolf Creek.

**SIGNIFICANT BUSINESS DEVELOPMENTS DURING 2004****Refinancing of Debt**

On June 10, 2004, we refinanced \$327.5 million of pollution control bonds. The original issue had an interest rate of 7% and was due in 2031. This issue was replaced with pollution control bonds at interest rates of 5.3% on \$127.5 million that mature in 2031, 2.65% on \$100.0 million that are putable in 2006, and a variable rate on \$100.0 million that mature in 2031.

**OPERATIONS****General**

We supply electric energy at retail to approximately 301,000 customers in south-central and southeastern Kansas. We also supply electric energy at wholesale to the electric distribution systems of 24 Kansas cities and one electric cooperative. We have contracts for the sale, purchase or exchange of wholesale electricity with other utilities.

**Generation Capacity**

We have 2,587 megawatts (MW) of generating capacity. See “Item 2. Properties” for additional information on our generating units. The capacity by fuel type is summarized below.

<u>Fuel Type</u>	<u>Capacity (MW)</u>	<u>Percent of Total Capacity</u>
Coal	1,124	43.4
Nuclear	548	21.2
Natural gas or oil	912	35.3
Diesel fuel	3	0.1
<b>Total</b>	<b>2,587</b>	<b>100.0</b>

Our aggregate 2004 peak system net load of 2,105 MW occurred on August 3, 2004.

## [Table of Contents](#)

We have an agreement with Midwest Energy, Inc. to provide it with peaking capacity of 60 MW through May 2008.

### **Fossil Fuel Generation**

#### **Fuel Mix**

The effectiveness of a fuel to produce heat is measured in British thermal units (Btu). The higher the Btu content of a fuel, the lesser quantity of the fuel it takes to produce electricity. The quantity of heat consumed during the generation of electricity is measured in millions of Btu (MMBtu).

Based on MMBtus, our 2004 actual fuel mix was 59% coal, 34% nuclear and 7% natural gas, oil or diesel fuel. We expect in 2005 to use a higher percentage of coal and a lower percentage of uranium because in 2005 we will refuel Wolf Creek. Our fuel mix fluctuates with the operation of Wolf Creek, as discussed below under “— Nuclear Generation,” fluctuations in fuel costs, plant availability, customer demand and the cost and availability of wholesale market power.

#### **Coal**

**Jeffrey Energy Center:** The three coal-fired units at Jeffrey Energy Center have an aggregate capacity of 2,213 MW, of which we own a 20% share, or 443 MW. Westar Energy, the operator of Jeffrey Energy Center, and we have a long-term coal supply contract with Foundation Coal West to supply coal to Jeffrey Energy Center from mines located in the Powder River Basin (PRB) in Wyoming. The contract contains a schedule of minimum annual MMBtu delivery quantities. All of the coal used at Jeffrey Energy Center is purchased under this contract. The contract expires December 31, 2020. The contract provides for price escalation based on certain indexed costs of production. The price for quantities purchased over the scheduled annual minimum is subject to renegotiation every five years to provide an adjusted price for the ensuing five years that reflects then current market prices. The next re-pricing is scheduled for 2008.

The coal supplied to Jeffrey Energy Center during 2004 was surface mined and had an average Btu content of approximately 8,449 Btu per pound and an average sulfur content of 0.47 lbs/MMBtu (see “— Environmental Matters” for a discussion of sulfur content). The average delivered cost of coal burned at Jeffrey Energy Center during 2004 was approximately \$1.24 per MMBtu, or \$20.93 per ton.

We transport coal from Wyoming under a long-term rail transportation contract with the Burlington Northern Santa Fe (BNSF) and Union Pacific railroads. The contract term continues through December 31, 2013. The contract price is subject to price escalation based on certain costs incurred by the rail carriers. We anticipate that the cost of transporting coal may increase due to higher prices for the items subject to contractual escalation.

**LaCygne Generating Station:** The two coal-fired units at LaCygne Generating Station (LaCygne) have an aggregate generating capacity of 1,362 MW, of which we own or lease a 50% share, or 681 MW. LaCygne 1 uses a blended fuel mix containing approximately 85% PRB coal and 15% Kansas/Missouri coal. LaCygne 2 uses PRB coal. The operator of LaCygne, Kansas City Power & Light Company (KCPL), arranges coal purchases and transportation services for LaCygne. All of the LaCygne 1 and LaCygne 2 PRB coal is supplied through fixed price contracts through 2005 and is transported under KCPL’s Omnibus Rail Transportation Agreement with the BNSF and Kansas City Southern Railroad through December 31, 2010. As the PRB coal contracts expire, we anticipate that KCPL will negotiate new supply contracts or purchase coal on the spot market. The LaCygne 1 Kansas/Missouri coal is purchased from time to time from local Kansas and Missouri producers.

The PRB coal supplied to LaCygne 1 and LaCygne 2 during 2004 had an average Btu content of approximately 8,630 Btu per pound and an average sulfur content of 0.32 lbs/MMBtu. During 2004, the average delivered cost of all coal burned at LaCygne 1 was approximately \$0.89 per MMBtu, or \$15.51 per ton. The average delivered cost of coal burned at LaCygne 2 was approximately \$0.81 per MMBtu, or \$13.74 per ton.

## [Table of Contents](#)

**General:** We have entered into all of our coal supply agreements in the ordinary course of business and believe we are not substantially dependent on these contracts. We believe there are other suppliers with plentiful sources of coal available at spot market prices to replace, if necessary, fuel supplied pursuant to these contracts and that we would be able to make transportation arrangements for such coal. In the event that we were required to replace our coal agreements, we would not anticipate a substantial disruption of our business, although the cost of purchasing coal could increase. Because we meet the majority of our coal needs through long-term contracts as discussed above, we do not anticipate being materially impacted by price changes in the spot market.

We have entered into all of our coal transportation contracts in the ordinary course of business. Although several rail carriers are capable of serving the coal mines from where our coal originates, Jeffrey Energy Center can be served by only one rail carrier. In the event the rail carrier fails to provide reliable service, we could experience a disruption of our business that could have a material adverse impact on our business, consolidated financial condition and results of operations.

### **Natural Gas**

We use natural gas either as a primary fuel or as a start-up and/or secondary fuel, depending on market prices, at our Gordon Evans, Murray Gill and Neosho Energy Centers. We purchase natural gas in the spot market, which supplies our facilities with a flexible natural gas supply as necessary to meet operational needs. During 2004, we purchased 1.6 million MMBtu of natural gas on the spot market for a total cost of \$8.9 million. Natural gas accounted for approximately 1% of our total fuel burned during 2004.

If natural gas prices are higher than the amount we are able to recover through our retail rates, we may be exposed to increased natural gas costs and our exposure could be material. We may be able to reduce our exposure to the risk of high natural gas prices due to our ability to use other fuel types and by using other pricing techniques available to us, such as purchasing derivative contracts. To recover increased natural gas costs in excess of the cost included in retail rates, we would have to file a request for a change in rates with the Kansas Corporation Commission (KCC) or request a recovery mechanism through the KCC, which could be denied in whole or in part. For additional information on our exposure to commodity price risks, see "Item 7A. Quantitative and Qualitative Disclosures About Market Risk."

We meet a portion of our natural gas transportation requirements through firm natural gas transportation capacity agreements with Southern Star Central Pipeline. The firm transportation agreement that serves Gordon Evans and Murray Gill extends through April 1, 2010. The agreement for the Neosho facility extends through June 1, 2016.

### **Oil**

Once started with natural gas, most of the steam units at our Gordon Evans, Murray Gill and Neosho Energy Centers have the capability to burn oil or natural gas. We use oil as an alternate fuel when economical or when interruptions to natural gas supply make it necessary. During 2004 oil was more economical than natural gas, therefore, we used oil as the primary fuel in these generating facilities for most of 2004. During 2004, we burned 8.6 million MMBtu of oil at a total cost of \$32.8 million. Oil accounted for approximately 6% of our total MMBtu of fuel burned during 2004. Because oil does not burn as cleanly as natural gas, our ability to use as much oil in the future could be constrained by new environmental rules or future settlements regarding environmental matters.

Oil is also used as a start-up fuel at some of our generating stations and in our diesel generator. We purchase oil in the spot market and under longer-term contracts. We maintain quantities in inventory that we believe will allow us to facilitate economic dispatch of power, to satisfy emergency requirements and to protect against reduced availability of natural gas for limited periods or when the primary fuel becomes uneconomical to burn.

If oil prices are higher than the amount we are able to recover through our retail rates, we may be exposed to increased oil costs and our exposure could be material. We may be able to reduce our exposure to the risk of high oil prices due to our ability to use other fuel types and by using other pricing techniques available to us, such as purchasing derivative contracts. To recover increased oil

## [Table of Contents](#)

costs in excess of the cost included in retail rates, we would have to file a request for a change in rates with the KCC or request a recovery mechanism through the KCC, which could be denied in whole or in part. For additional information on our exposure to commodity price risks, see “Item 7A. Quantitative and Qualitative Disclosures About Market Risk.”

### **Other Fuel Matters**

The table below provides information relating to the weighted average cost of fuel that we have used, including the fuel and transportation costs and any other associated costs.

	2004	2003	2002
Per Million Btu:			
Nuclear	\$ 0.39	\$ 0.39	\$0.40
Coal	0.99	0.96	0.94
Natural Gas	5.45	4.51	3.15
Oil	3.79	3.20	2.75
Per MWh Generation	\$10.82	\$10.24	\$9.85

### **Purchased Power**

At times, we purchase power to meet the energy needs of our customers. Factors that cause us to purchase power to serve our customers include outages at our generating plants, prices for wholesale energy, extreme weather conditions, growth, and other factors. If we were unable to generate an adequate supply of electricity to serve our customers, we would typically purchase power in the wholesale market. Constraints in the transmission system may keep us from purchasing power in which case we would have to implement curtailment or interruption procedures as permitted by our tariffs and terms and conditions of service. Purchased power for the year ended December 31, 2004 comprised approximately 5% of our total operating expenses.

### **Nuclear Generation**

#### **General**

Wolf Creek is a 1,166 MW nuclear power plant located near Burlington, Kansas. Wolf Creek began operation in 1985. We own a 47% interest in Wolf Creek, or 548 MW, which represents approximately 21% of our total generating capacity. KCPL owns a 47% interest in Wolf Creek and a 6% interest is owned by Kansas Electric Power Cooperative, Inc. Wolf Creek is operated by WCNO, a corporation owned by the co-owners of Wolf Creek. The co-owners pay the operating costs of WCNO equal to their percentage ownership in Wolf Creek. WCNO has approximately 1,000 employees.

#### **Fuel Supply**

We have 100% of the uranium and conversion services needed to operate Wolf Creek under contract through September 2009. We also have 100% of the enrichment services required to operate Wolf Creek under contract through approximately March 2008. Fabrication requirements are under contract through 2024. We will be exposed to the price risk associated with any components not currently under contract if a counterparty were to fail its contractual obligations.

All uranium, uranium conversion and uranium enrichment arrangements, as well as the fabrication agreement, have been entered into in the ordinary course of business, and WCNO believes Wolf Creek is not substantially dependent on these agreements. However, contraction and consolidation among suppliers of these commodities and services, coupled with increasing worldwide demand and past inventory draw-downs, have introduced uncertainty as to WCNO's ability to replace, if necessary, some of these contracts in the event of a protracted supply disruption. WCNO believes this potential problem is common in the nuclear industry. Accordingly, in the event the affected contracts were required to be replaced, WCNO believes that the industry and government would arrive at a solution to minimize disruption of the nuclear industry's operations.

Nuclear fuel is amortized to fuel and purchased power based on the quantity of heat produced for the generation of electricity.

### **Radioactive Waste Disposal**

Under the Nuclear Waste Policy Act of 1982, the Department of Energy (DOE) is responsible for the permanent disposal of spent nuclear fuel. Wolf Creek pays the DOE a quarterly fee for the future disposal of spent nuclear fuel. The fee is one-tenth of a cent for each kilowatt-hour of net nuclear generation produced. We include these disposal costs in operating expenses.

A permanent disposal site will not be available for the nuclear industry until 2012 or later. Under current DOE policy, once a permanent site is available, the DOE will accept spent nuclear fuel on a priority basis. The owners of the oldest spent fuel will be given the highest priority. As a result, disposal services for Wolf Creek will not be available prior to 2018. Wolf Creek has on-site temporary storage for spent nuclear fuel. In early 2000, Wolf Creek completed replacement of spent fuel storage racks to increase its on-site storage capacity for all spent fuel expected to be generated by Wolf Creek through the end of its licensed life in 2025.

In 2002, the Yucca Mountain site in Nevada was approved for the development of a nuclear waste repository for the disposal of spent nuclear fuel and high level nuclear waste from the nation's defense activities. This action allows the DOE to apply to the Nuclear Regulatory Commission (NRC) to license the project. The DOE expects that this facility will open in 2012. However, the opening of the Yucca Mountain site has been delayed many times and could be delayed further due to litigation and other issues related to the site as a permanent repository for spent nuclear fuel.

Wolf Creek disposes of all classes of its low-level radioactive waste at existing third-party repositories. Should disposal capability become unavailable, Wolf Creek is able to store its low-level radioactive waste in an on-site facility. WCNOG believes that a temporary loss of low-level radioactive waste disposal capability would not affect Wolf Creek's continued operation.

The Low-Level Radioactive Waste Policy Amendments Act of 1985 mandated that the various states, individually or through interstate compacts, develop alternative low-level radioactive waste disposal facilities. The states of Kansas, Nebraska, Arkansas, Louisiana and Oklahoma formed the Central Interstate Low-Level Radioactive Waste Compact (Compact), and the Compact Commission, which is responsible for causing a new disposal facility to be developed within one of the member states. The Compact Commission selected Nebraska as the host state for the disposal facility. WCNOG and the owners of the other five nuclear units in the Compact provided most of the pre-construction financing for this project. Our net investment in the Compact is approximately \$7.4 million.

In December 1998, the Nebraska agencies responsible for considering the developer's license application denied the application. Most of the utilities that had provided the project's pre-construction financing, including WCNOG as well as the Compact Commission itself, filed a lawsuit in federal court contending Nebraska officials acted in bad faith while handling the license application. In September 2002, the court entered a judgment of \$151.4 million, about one-third of which constitutes prejudgment interest, in favor of the Compact Commission and against Nebraska, finding that Nebraska had acted in bad faith in handling the license application. Following unsuccessful appeals of the decision by Nebraska, in August 2004 Nebraska and the Compact Commission settled the case. The settlement requires Nebraska to pay the Compact Commission a one-time amount of \$140.5 million or, alternatively, four annual installments of \$38.5 million beginning in August 2005. The parties agreed to dismiss all pending litigation and appeals relating to this matter. Once Nebraska makes its final payment, it will be relieved of its responsibility to host a disposal facility. Meanwhile, the Compact Commission is pursuing other strategies for providing disposal capability for waste generators in the Compact region.

### **Outages**

Wolf Creek operates on an 18-month refueling and maintenance outage schedule that permits operations during every third calendar year without a refueling outage. Wolf Creek was shut down for 45 days in 2003 for its



## [Table of Contents](#)

thirteenth scheduled refueling and maintenance outage, which began on October 18, 2003 and ended on December 2, 2003. During outages at the plant we meet our electric demand primarily with our fossil-fueled generating units and by purchasing power depending on availability and cost. As provided by the KCC, we amortize the incremental maintenance costs incurred for planned refueling outages evenly over the unit's 18 month operating cycle. We do not defer and amortize the incremental fuel or purchased power costs incurred as a result of a refueling outage. Wolf Creek is scheduled to be taken off-line in the spring of 2005 for its fourteenth refueling and maintenance outage.

An extended or unscheduled shutdown of Wolf Creek could have a substantial adverse effect on our business, financial condition and consolidated results of operations because of higher replacement power and other costs and reduced amounts of power available to sell at wholesale. Although not expected, the NRC could impose an unscheduled plant shutdown due to security or other concerns.

The NRC evaluates, monitors and rates various inspection findings and performance indicators for Wolf Creek based on their safety significance. Wolf Creek currently meets all NRC oversight objectives and receives the minimum regimen of NRC inspections. However, because of Wolf Creek's recent experience with unscheduled outages, one additional unscheduled outage before September 30, 2005 may result in the NRC lowering the Wolf Creek rating for one performance indicator. This might require additional NRC inspections to evaluate possible corrective actions that if required might result in additional expense or disruption in Wolf Creek's operation.

### **Nuclear Decommissioning**

Nuclear decommissioning is a nuclear industry term for the permanent shutdown of a nuclear power plant and the removal of radioactive components in accordance with NRC requirements. The NRC will terminate a plant's license and release the property for unrestricted use when a company has reduced the residual radioactivity of a nuclear plant to a level mandated by the NRC. The NRC requires companies with nuclear plants to prepare formal financial plans to fund nuclear decommissioning. These plans are designed so that funds required for nuclear decommissioning will be accumulated prior to the termination of the license of the related nuclear power plant.

We expense nuclear decommissioning costs over the expected life of Wolf Creek. The amount we expense is based on an estimate of nuclear decommissioning costs that we will incur upon retirement of the plant. Nuclear decommissioning costs that are recovered in rates are deposited in an external trust fund. In 2004, we expensed approximately \$3.9 million for nuclear decommissioning. We record our investment in the nuclear decommissioning fund at fair value. Fair value approximated \$91.1 million at December 31, 2004 and \$80.1 million at December 31, 2003.

The KCC reviews nuclear decommissioning plans in two phases. Phase one is the approval of the nuclear decommissioning study, the current-year funding and future funding. Phase two is the filing of a "funding schedule" by the owner of the nuclear facility detailing how it plans to fund the future-year dollar amount for its pro rata share of the plant.

We filed an updated nuclear decommissioning and dismantlement cost estimate with the KCC on August 30, 2002. Estimated costs outlined by this study were developed to decommission Wolf Creek following a shutdown. The analyses relied on site-specific, technical information, updated to reflect current plant conditions and operating assumptions. Based on this study, our share of Wolf Creek's nuclear decommissioning costs, under the immediate dismantlement method, is estimated to be approximately \$220.0 million in 2002 dollars. These costs include decontamination, dismantling and site restoration and are not inflated, escalated, or discounted over the period of expenditure. The actual nuclear decommissioning costs may vary from the estimates because of changes in technology and changes in costs for labor, materials and equipment.

The KCC issued an order on April 16, 2003 approving the August 2002 nuclear decommissioning study for Wolf Creek. On June 2, 2003, we filed a funding schedule with the KCC to reflect the KCC's April 16, 2003 order. On October 10, 2003, the KCC approved the funding schedule as filed without any change to our funding obligation. We expect to file an updated decommissioning cost study with the KCC by September 1, 2005.

## [Table of Contents](#)

We charge nuclear decommissioning costs to operating expense in accordance with the July 25, 2001 KCC rate order as modified by the KCC's approval of the funding schedule in the KCC's October 13, 2003 order. Electric rates charged to customers provide for recovery of these nuclear decommissioning costs over the life of Wolf Creek, which, as determined by the KCC for purposes of the funding schedule, will be through 2045. The NRC requires that funds to meet its nuclear decommissioning funding assurance requirement be in our nuclear decommissioning fund by the time our license expires in 2025. We believe that the KCC approved funding level will be sufficient to meet the NRC minimum financial assurance requirement. However, our consolidated results of operations would be materially adversely affected if we are not allowed to recover the full amount of the funding requirement.

### **Competition and Deregulation**

Electric utilities have historically operated in a rate-regulated environment. The Federal Energy Regulatory Commission (FERC), the federal regulatory agency having jurisdiction over our wholesale rates and transmission services, and other utilities have initiated steps expected to result in a more competitive environment for utility services in the wholesale market.

The 1992 Energy Policy Act began deregulating the electricity market for generation. The Energy Policy Act permitted FERC to order electric utilities to allow third parties to use their transmission systems to transport electric power to wholesale customers. In 1992, we agreed to permit third parties access to our transmission system for wholesale transactions. FERC also requires us to provide transmission services to others under terms comparable to those we provide ourselves. In December 1999, FERC issued an order encouraging the formation of regional transmission organizations (RTO). RTOs are designed to control the wholesale transmission services of the utilities in their regions, thereby facilitating open and more competitive markets in bulk power.

### **Regional Transmission Organization**

We are a member of the Southwest Power Pool (SPP). On October 1, 2004, FERC granted RTO status to the SPP. Westar Energy is now a member of the SPP RTO. Because we provide electric service together with the electric utility operations of Westar Energy, we are a member of the SPP through Westar Energy's membership and do not have a separate KGE membership.

As a result of the SPP attaining RTO status, if approved by the KCC, we expect to turn operational control of our transmission system over to the SPP RTO under its membership agreement and applicable tariff. The SPP RTO will operate our transmission system as part of an interconnected transmission system across eight states. The SPP will collect revenues attributable to the use of each member's transmission system. Members and transmission customers will be able to transmit power purchased and generated for sale or bought for resale in the wholesale market throughout the entire SPP system. We believe each transmission owner generally retains the transmission capacity needed to serve its retail customers. Any additional transmission capacity will be sold on a first come/first served non-discriminatory basis. All transmission customers will be charged uniform rates for use of the transmission system, including entities that may sell power inside our certificated service territory. We do not expect that our participation in the SPP will have a material effect on our operations; however, we expect costs to increase due to the establishment of the RTO and associated markets. At this time, we are unable to quantify these costs because market implementation issues remain unresolved. We expect that we will recover these costs in rates we charge to our customers.

### **Regulation and Rates**

As a Kansas electric utility, we are subject to the jurisdiction of the KCC, which has general regulatory authority over our rates, extensions and abandonments of service and facilities, valuation of property, the classification of accounts, the issuance of some securities and various other matters. We are also subject to the jurisdiction of FERC, which has authority over wholesale sales of electricity, the transmission of electric power and the issuance of some securities. We are subject to the jurisdiction of the NRC for nuclear plant operations and safety.

## [Table of Contents](#)

As a result of an earlier KCC order, Westar Energy and we will file a request for a rate review with the KCC by May 2, 2005, based on a test year consisting of the 12 months ended December 31, 2004.

Effective January 4, 2004, the “Hours of Service” regulations that govern the length of time that drivers may operate vehicles and the length of time they must be off-duty were revised. This legislation was designed to reduce accidents related to driver fatigue. Electric utilities were exempt from implementing these changes until September 2004. During restoration of electric service after a power outage, we must obtain a declaration of a state of emergency in order to gain an exception from these rules. Such an exception permits employees required to restore electric power to operate equipment for extended hours without the otherwise required off-duty time. The impact of this legislation could affect customer service and could result in increased operating costs if we have to hire additional employees or contractors or lengthen electric service outages.

On January 16, 2004, the KCC issued an order regarding electric service reliability for retail customers. The order was intended to help the KCC assess the reliability of retail electric service. Specifically, the KCC wanted to establish uniform definitions and requirements regarding service obligations, record keeping, customer notification and methods of reporting results to the KCC. On February 10, 2004, the North American Electric Reliability Council (NERC) issued reliability improvement initiatives stemming from the investigation of the August 14, 2003 blackout in portions of the northeastern United States. These initiatives will impact our operations in a number of ways, including system relay protection, vegetation management and operator training. The NERC and the ten operating regions in the United States, including the SPP, are working together to determine what operating policies and planning standards changes are necessary to achieve the NERC’s goals. We are unable to estimate potential compliance costs at this time; however, it is likely that our annual capital and maintenance expenditure requirements will increase in the future.

### **Public Utility Holding Company Act of 1935**

Westar Energy is a holding company under the Public Utility Holding Company Act of 1935 (1935 Act) as a result of Westar Energy’s ownership of us and Westar Generating, Inc., each a wholly-owned subsidiary of Westar Energy. Currently, Westar Energy claims an exemption from registration under the 1935 Act based on its operations being conducted “predominantly” within Kansas. Following a recent decision by the Securities and Exchange Commission (SEC) with respect to its interpretation of the criteria that must be satisfied to claim a “predominantly” intrastate exemption and as a result of the amount of sales of wholesale electricity outside of Kansas by Westar Energy’s energy marketing operations, it is possible that the SEC could question Westar Energy’s eligibility for an exemption from registration under the 1935 Act. In that event, Westar Energy would evaluate its options, including filing an application for exemption and asking the SEC to formally consider that request, becoming a registered holding company, restructuring its operations in a manner that would allow it to maintain eligibility to claim an exemption or restructuring its organizational structure to consolidate all utility operations into one entity so that Westar Energy is no longer a utility holding company.

In the event Westar Energy elects to register, the 1935 Act and related regulations issued by the SEC would govern its activities and the activities of its subsidiaries with respect to the acquisition, issuance and sale of securities, acquisition and sale of utility assets, certain transactions among affiliates, engaging in business activities not directly related to the utility or energy business and other matters. We are unable to predict whether Westar Energy will continue to be eligible for an exemption for registration under the 1935 Act, however, we believe that Westar Energy becoming a registered holding company under the 1935 Act or taking steps, together with us, to reorganize its corporate structure to avoid registration would not have a material impact on our consolidated financial position, results of operations or cash flows.

### **Environmental Matters**

#### **General**

We are subject to various federal, state and local environmental laws and regulations. These laws and regulations primarily relate to discharges into the air and air quality, discharges of effluents into water and the use of water, and the handling and disposal of hazardous substances and wastes. These laws and regulations require a

## [Table of Contents](#)

lengthy and complex process for obtaining licenses, permits and approvals from governmental agencies for our new, existing or modified facilities. If we fail to comply with such laws and regulations, we could be fined or otherwise sanctioned by regulators. In addition, under certain laws, we could be responsible for costs relating to contamination at our current and former facilities or at third-party waste disposal sites. We have incurred and will continue to incur capital and other expenditures to comply with environmental laws and regulations.

Environmental laws and regulations affecting power plants are overlapping, complex, subject to changes in interpretation and implementation and have tended to become more stringent over time. Although we believe that we can recover in rates the costs relating to compliance with such laws and regulations, there can be no assurance that we will be able to recover all or any such increased costs from our customers or that our business, consolidated financial condition or results of operations will not be materially and adversely affected as a result of costs to comply with such existing and future laws and regulations.

### **Air Emissions**

The Clean Air Act, state laws and implementing regulations impose, among other things, limitations on major pollutants, including sulfur dioxide (SO<sub>2</sub>), particulate matter and nitrogen oxides (NO<sub>x</sub>).

Certain Kansas Department of Health and Environment (KDHE) regulations applicable to our generating facilities prohibit the emission of SO<sub>2</sub> in excess of certain levels. In order to meet these standards, we use low-sulfur coal, fuel oil and natural gas and have equipped our generating facilities with pollution control equipment.

In addition, we must comply with the provisions of the Clean Air Act Amendments of 1990 that require a two-phase reduction in some emissions. We have installed continuous monitoring and reporting equipment in order to meet the acid rain requirements. We have not had to make any material capital expenditures to meet Phase II SO<sub>2</sub> and NO<sub>x</sub> requirements.

Title IV of the Clean Air Act created an SO<sub>2</sub> allowance and trading program as part of the federal acid rain program. Under the allowance and trading program, the Environmental Protection Agency (EPA) allocated annual SO<sub>2</sub> emissions allowances for each affected emitting unit. An SO<sub>2</sub> allowance is a limited authorization to emit one ton of SO<sub>2</sub> during a calendar year. At the end of each year, each emitting unit must have enough allowances to cover its emissions for that year. Allowances are tradable so that operators of affected units that are anticipated to emit SO<sub>2</sub> in excess of their allowances may purchase allowances from operators of affected units that are anticipated to emit SO<sub>2</sub> in an amount less than their allowances. Because of strong demand for generation during 2002 and 2003, we consumed more SO<sub>2</sub> allowances than were allocated to us by the EPA. We made up the shortfall by buying allowances. In 2004, we had enough emissions allowances to meet planned generation and we expect to have enough in 2005. In future years, we expect to purchase SO<sub>2</sub> allowances in order to meet the acid rain requirements of the Clean Air Act. We cannot estimate the cost at this time, but anticipate these costs may be material. The pricing of emissions allowances is unpredictable and may change over time.

On January 30, 2004, the EPA published two proposed air quality rules referred to as the "Interstate Air Quality Rule" and the "Utility Mercury Reduction Rule" that, if adopted, would impact our operations. In an attempt to address the impact of interstate transport of air pollutants on downwind states, the proposed Clean Air Interstate Rule would require reductions of SO<sub>2</sub> and NO<sub>x</sub> in certain states, including Kansas, in two separate phases. The first reductions would be required in 2010 and the second in 2015.

The proposed Utility Mercury Reduction Rule sets out two approaches for requiring subject power plants to control mercury and nickel emissions. The first option, a traditional command and control approach, would require subject plants to meet Hazardous Air Pollutant emissions standards for mercury and nickel based on the application of maximum achievable control technology. The second option would establish standards of performance limiting mercury and nickel emissions, and include a "cap and trade" program for mercury emissions. The EPA is expected to issue its final rule in 2005. New requirements for reductions of nickel emissions will be applicable only to our generating facilities that burn a significant amount of oil. Based on currently available information, we cannot estimate our costs to comply with these two proposed rule changes, but these costs could be material.

## [Table of Contents](#)

We may be required to further reduce emissions of SO<sub>2</sub>, NO<sub>x</sub>, particulate matter, mercury and carbon dioxide (CO<sub>2</sub>) as a result of various other current or pending laws, including, in particular:

- the EPA's national ambient air quality standards for particulate matter and ozone,
- the EPA's regional haze rules, designed to reduce SO<sub>2</sub>, NO<sub>x</sub> and particulate matter emissions, and
- additional legislation introduced in the past few years in Congress, such as the various "multi-pollutant" bills sponsored by members of Congress requiring reductions of CO<sub>2</sub>, NO<sub>x</sub>, SO<sub>2</sub> and mercury, and the "Clear Skies" legislation proposed by the President, which would cap emissions of NO<sub>x</sub>, SO<sub>2</sub> and mercury.

Based on currently available information, we cannot estimate our costs to comply with these proposed laws, but such costs could be material.

### **EPA New Source Review**

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

The EPA has requested information from Westar Energy under Section 114 regarding projects and maintenance activities that have been conducted since 1980 at the three coal-fired plants it operates. On January 22, 2004, the EPA notified Westar Energy that certain projects completed at Jeffrey Energy Center violated pre-construction permitting requirements of the Clean Air Act.

Westar Energy is in discussions with the EPA concerning this matter in an attempt to reach a settlement. Westar Energy expects that any settlement with the EPA could require Westar Energy to update or install emissions controls at Jeffrey Energy Center over an agreed upon number of years. Additionally, Westar Energy might be required to update or install emissions controls at its other coal-fired plants, pay fines or penalties, or take other remedial action. Together, these costs could be material. The EPA informed Westar Energy that it has referred this matter to the Department of Justice (DOJ) for the DOJ to consider whether to pursue an enforcement action in federal district court. We believe that costs related to updating or installing emissions controls would qualify for recovery through rates. If Westar Energy were to reach a settlement with the EPA, Westar Energy may be assessed a penalty. The penalty could be material and may not be recovered in rates. We anticipate that a portion of any of these potential costs would be allocated to us.

### **Manufactured Gas Sites**

We have been associated with three former manufactured gas sites located in Kansas that may contain coal tar and other potentially harmful materials. We and the KDHE entered into a consent agreement in 1994 governing all future work at these sites. Through December 31, 2004, the costs incurred for preliminary site investigation and risk assessment have been minimal.

### **EMPLOYEES**

Westar Energy provides all employees we utilize to perform our work and allocates the cost of such employees to us.

**ACCESS TO COMPANY INFORMATION**

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K are available free of charge either through Westar Energy's Internet website at [www.wr.com](http://www.wr.com) or by responding to requests addressed to its investor relations department at Investor Relations, Westar Energy, Inc., P.O. Box 889, Topeka, Kansas, 66601-0889; phone number (785) 575-1898. These reports are available as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. The information contained on Westar Energy's Internet website is not part of this document.

## [Table of Contents](#)

### ITEM 2. PROPERTIES

#### ELECTRIC UTILITY FACILITIES

<u>Name</u>	<u>Location</u>	<u>Unit No.</u>	<u>Year Installed</u>	<u>Principal Fuel</u>	<u>Unit Capacity (MW)</u>
Gordon Evans Energy Center: Steam Turbines	Colwich, Kansas	1	1961	Gas—Oil	149.0
		2	1967	Gas—Oil	383.0
		1	1969	Diesel	3.0
Jeffrey Energy Center (20%): Steam Turbines	St. Marys, Kansas	1(a)	1978	Coal	147.0
		2(a)	1980	Coal	147.0
		3(a)	1983	Coal	149.0
		1(a)	1999	—	0.1
		2(a)	1999	—	0.1
LaCygne Station (50%): Steam Turbines	LaCygne, Kansas	1(a)	1973	Coal	344.0
		2(b)	1977	Coal	337.0
Murray Gill Energy Center: Steam Turbines	Wichita, Kansas	1	1952	Gas	40.0
		2	1954	Gas—Oil	71.0
		3	1956	Gas—Oil	104.0
		4	1959	Gas—Oil	102.0
Neosho Energy Center: Steam Turbine	Parsons, Kansas	3	1954	Gas—Oil	63.0
Wolf Creek Generating Station (47%): Nuclear	Burlington, Kansas	1(a)	1985	Uranium	548.0
Total					<u>2,587.2</u>

(a) We jointly own Jeffrey Energy Center (20%), LaCygne 1 generating unit (50%), and Wolf Creek Generating Station (47%). Westar Energy jointly owns 64% of Jeffrey Energy Center. Unit capacity amounts reflect our ownership only.

(b) In 1987, we entered into a sale-leaseback transaction involving our 50% interest in the LaCygne 2 generating unit.

We own approximately 2,200 miles of transmission lines, approximately 9,900 miles of overhead distribution lines and approximately 2,000 miles of underground distribution lines.

Substantially all of our utility properties are encumbered by first priority mortgages pursuant to which bonds have been issued and are outstanding.

#### ITEM 3. LEGAL PROCEEDINGS

Information on our legal proceedings is set forth in Notes 3, 12, 14 and 15 of the Notes to Consolidated Financial Statements, “Rate Matters and Regulation,” “Commitments and Contingencies — EPA New Source Review,” “Legal Proceedings,” and “Ongoing Investigations,” respectively, which are incorporated herein by reference.

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

Information required by Item 4 is omitted pursuant to General Instruction I(2)(c) to Form 10-K.

**PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS**

All of our common stock is owned by Westar Energy and is not traded.

**ITEM 6. SELECTED FINANCIAL DATA**

	For the Year Ended December 31,				
	2004	2003	2002	2001	2000
(In Thousands)					
<b>Income Statement Data:</b>					
Sales	\$ 714,939	\$ 709,654	\$ 695,524	\$ 631,391	\$ 685,673
Income from operations before accounting change	81,228	66,627	59,539	37,301	86,708
As of December 31,					
	2004	2003	2002	2001	2000
(In Thousands)					
<b>Balance Sheet Data:</b>					
Total assets	\$ 2,991,190	\$ 2,981,673	\$ 3,006,381	\$ 2,933,044	\$ 2,988,573
Long-term debt (a)	552,419	549,604	684,486	684,360	684,366

(a) In 2003, we repaid \$135.0 million of our 7.6% first mortgage bonds that were due December 15, 2003.



**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**INTRODUCTION**

We are a regulated electric utility in Kansas and a wholly owned subsidiary of Westar Energy. We provide rate-regulated electric service, together with the electric utility operations of Westar Energy, using the name Westar Energy. 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 FERC.

Our goals for 2005 are to improve our business by improving credit quality, establishing a successful clean air plan, completing a successful rate review, improving our service quality, making our operations more efficient and continuing our involvement in community affairs.

Key factors affecting our business in any given period include the weather, the economic well-being of our Kansas service territory, performance of our electric generating facilities, conditions in fuel markets and the markets for wholesale electricity and the cost of dealing with public policy initiatives.

As you read Management's Discussion and Analysis, please refer to our consolidated financial statements and the accompanying notes, which contain our operating results.

**CRITICAL ACCOUNTING ESTIMATES**

We base our discussion and analysis of financial condition and results of operations on our consolidated financial statements, which have been prepared in conformity with Generally Accepted Accounting Principles (GAAP). Note 2 of the Notes to 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 below 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 susceptibility of matters to change.

**Pension Benefit Plans**

WCNOC calculates its pension benefit and post-retirement medical benefit obligations and related costs using actuarial concepts within the guidance provided by Statement of Financial Accounting Standards (SFAS) No. 87, "Employers' Accounting for Pensions" and SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," respectively.

In accounting for WCNOC's retirement plans and other post-retirement benefits, WCNOC makes assumptions regarding the valuation of benefit obligations and the performance of plan assets. The reported costs of WCNOC's pension benefit plan is impacted by estimates regarding earnings on plan assets, contributions to the plan, discount rates used to determine projected benefit obligation and pension costs and employee demographics including age, compensation levels and employment periods. A change in any of these assumptions could have a significant impact on future costs, which may be reflected as an increase or decrease in net income in the current and future periods.

## [Table of Contents](#)

The following table shows the annual impact of a 0.5% decrease in our share of WCNOC's pension plan discount rate and rate of return on plan assets. If the discount rate increased by 0.5%, the impact would be a similar amount in the opposite direction.

	<u>Change in Assumption</u>	<u>Annual Increase in Projected Benefit Obligation</u>	<u>Annual Increase in Pension Liability</u>	<u>Annual Increase in Projected Pension Expense</u>
			(In Thousands)	
Discount rate	0.5% decrease	\$ 3,339	\$ 3,992	\$ 355
Rate of return on plan assets	0.5% decrease	—	—	155

The following table shows the annual impact of a 0.5% decrease in our share of WCNOC's post-retirement plan discount rate and rate of return on plan assets. If the discount rate increased by 0.5%, the impact would be a similar amount in the opposite direction.

	<u>Change in Assumption</u>	<u>Annual Increase in Projected Benefit Obligation</u>	<u>Annual Increase in Post-retirement Liability</u>	<u>Annual Increase in Projected Post-retirement Expense</u>
			(In Thousands)	
Discount rate	0.5% decrease	\$ 296	\$ —	\$ 24
Rate of return on plan assets	0.5% decrease	—	—	—

### **Revenue Recognition — Energy Sales**

We recognize revenues from retail energy sales upon delivery to the customer and include an estimate for energy delivered but unbilled. Our estimate of revenue attributable to this unbilled portion is based on the total energy available for sale measured against billed sales. At December 31, 2004, we had estimated unbilled revenue of \$25.0 million.

We are allocated a share of revenues from energy marketing derivative contracts that are jointly entered into with Westar Energy based on actual fuel burned at our generating facilities. The amount of actual fuel burned by a given generating facility is largely determined by utilizing the most economical units first. We account for energy marketing derivative contracts under the mark-to-market method of accounting. Under this method, we recognize changes in the portfolio value as gains or losses in the period of change. Unless related to fuel, we include the net mark-to-market change in sales on our consolidated statements of income. We record the resulting unrealized gains and losses as energy marketing long-term or short-term assets and liabilities on our consolidated balance sheets as appropriate. We use quoted market prices to value our energy marketing derivative contracts when such data are available. When market prices are not readily available or determinable, we use alternative approaches, such as model pricing. Prices used to value these transactions reflect our best estimate of fair values of our trading positions. Results actually achieved from these activities could vary materially from intended results and could affect our consolidated financial results.

## [Table of Contents](#)

The tables below show fair value of energy marketing contracts outstanding for the year ended December 31, 2004, their sources and maturity periods.

	Fair Value of Contracts
	(In Thousands)
Net fair value of contracts outstanding at the beginning of the period	\$ 2,014
Contracts outstanding at the beginning of the period that were realized or otherwise settled during the period	(1,843)
Changes in fair value of contracts outstanding at the beginning and end of the period	(1,303)
Fair value of new contracts entered into during the period	2,757
Fair value of contracts outstanding at the end of the period	\$ 1,625

The sources of the fair values of the financial instruments related to these contracts are summarized in the following table.

Sources of Fair Value	Fair Value of Contracts at End of Period		
	Total Fair Value	Maturity Less Than 1 Year	Maturity 1-3 Years
		(In Thousands)	
Prices provided by other external sources (swaps and forwards)	\$ 789	\$ 687	\$ 102
Prices based on the Black Option Pricing model (options and other) (a)	836	836	—
Total fair value of contracts outstanding	\$ 1,625	\$ 1,523	\$ 102

(a) The Black Option Pricing model is a variant of the Black-Scholes Option Pricing model.

## Income Taxes

We use the asset and liability method of accounting for income taxes as required by SFAS No. 109, "Accounting for Income Taxes." Under the asset and liability method, we recognize deferred tax assets and liabilities for the future tax consequences attributable to temporary differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities. We recognize the future tax benefits to the extent that realization of such benefits is more likely than not. We amortize deferred investment tax credits over the lives of the related properties.

## OPERATING RESULTS

We evaluate operating results based on income from operations. 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 revenues reserved for rebates.

**Tariff-based wholesale:** Includes the sales of electricity to electric cooperatives, municipalities and other electric utilities, the rate for which is generally based on cost as prescribed by FERC tariffs, and changes in valuations of contracts that have yet to settle.

## [Table of Contents](#)

**Market-based wholesale:** Includes sales of electricity to other wholesale customers, the rate for which is based on prevailing market prices as allowed by our FERC approved market-based tariff, and changes in valuations of contracts that have yet to settle.

**Energy marketing:** Includes (1) financially settled products and physical transactions sourced outside our control area; and (2) changes in valuations for contracts that have yet to settle that may not be recorded either in cost of fuel or tariff- or market-based wholesale revenues.

**Transmission:** Reflects transmission revenues received, 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.

Regulated electric utility sales are significantly impacted by such things as rate regulation, customer conservation efforts, wholesale demand, the overall economy of our service area, the weather and competitive forces. Our wholesale sales are impacted by, among other factors, demand, cost of fuel and purchased power, price volatility and available generation capacity.

**2004 compared to 2003:** Below we discuss our operating results for the year ended December 31, 2004 as compared to the results for the year ended December 31, 2003.

	Year Ended December 31,			
	2004	2003	Change	% Change
(In Thousands)				
<b>SALES:</b>				
Residential	\$218,362	\$220,929	\$ (2,567)	(1.2)
Commercial	174,543	169,670	4,873	2.9
Industrial	154,593	153,463	1,130	0.7
Other retail	978	3,253	(2,275)	(69.9)
<b>Total Retail Sales</b>	<b>548,476</b>	<b>547,315</b>	<b>1,161</b>	<b>0.2</b>
Tariff-based wholesale	20,058	20,693	(635)	(3.1)
Market-based wholesale	95,790	86,169	9,621	11.2
Energy marketing	891	6,093	(5,202)	(85.4)
Transmission (a)	36,771	36,217	554	1.5
Other	12,953	13,167	(214)	(1.6)
<b>Total Sales</b>	<b>714,939</b>	<b>709,654</b>	<b>5,285</b>	<b>0.7</b>
<b>OPERATING EXPENSES:</b>				
Fuel used for generation (b)	151,711	155,390	(3,679)	(2.4)
Purchased power	29,328	22,585	6,743	29.9
Operating and maintenance	229,587	221,667	7,920	3.6
Depreciation and amortization	91,835	90,604	1,231	1.4
Selling, general and administrative	75,105	70,737	4,368	6.2
<b>Total Operating Expenses</b>	<b>577,566</b>	<b>560,983</b>	<b>16,583</b>	<b>3.0</b>
<b>INCOME FROM OPERATIONS</b>	<b>\$137,373</b>	<b>\$148,671</b>	<b>\$(11,298)</b>	<b>(7.6)</b>

(a) **Transmission:** Includes an SPP network transmission tariff. In 2004, our transmission costs were approximately \$33.3 million. This amount, less \$2.2 million that was retained by the SPP as administration cost, was returned to us as revenues. In 2003, our transmission costs were approximately \$32.7 million with an administration cost of \$2.9 million retained by the SPP.

(b) **Fuel used for generation:** Includes cost of fuel burned, changes in fair value of fuel contracts and net dispatch costs, which represent energy transactions allocated to us by Westar Energy.

## [Table of Contents](#)

The following table reflects changes in electric sales volumes, as measured by thousands of megawatt hours (MWh) of electricity, for the two years ended December 31, 2004 and 2003. No sales volumes are shown for energy marketing, transmission or other.

	2004	2003	Change	% Change
	(Thousands of MWh)			
Residential	2,816	2,842	(26)	(0.9)
Commercial	2,768	2,685	83	3.1
Industrial	3,511	3,459	52	1.5
Other retail	44	44	—	—
	<hr/>	<hr/>	<hr/>	<hr/>
Total Retail	9,139	9,030	109	1.2
Tariff-based wholesale	417	488	(71)	(14.5)
Market-based wholesale	2,804	2,668	136	5.1
	<hr/>	<hr/>	<hr/>	<hr/>
Total	12,360	12,186	174	1.4

Our residential and tariff-based wholesale customers used less energy and our sales volumes decreased because of cooler weather during the summer. When measured by cooling degree days, the weather during 2004 was 4% cooler than during 2003 and 9% below the 20-year average. We measure cooling degree days experienced in the Wichita metropolitan area, which we believe to be generally reflective of conditions in our service territory. The accrual for rebates to be paid to customers in 2005 and 2006 pursuant to the July 25, 2003 KCC order also reduced revenues from retail sales. During 2004, we accrued \$4.0 million as compared to \$1.7 million accrued during 2003.

Market-based wholesale sales increased due primarily to increased sales volumes and an approximate 6% increase in the average price per MWh. As a result of the milder weather, we had additional energy production available for sale at certain times during the year that was not needed to serve our retail and tariff-based wholesale customers. Increased sales volumes accounted for approximately \$4.6 million of the increased market-based wholesale sales and higher average market prices accounted for approximately \$5.0 million of the increase. Energy marketing sales declined because we had less favorable changes in 2004 as compared to the favorable changes in 2003 in the settlement and the fair value of positions receiving mark-to-market accounting treatment.

Fuel used for generation decreased in 2004 due primarily to a reduction in fuel costs that were allocated to us by Westar Energy. In 2004, Wolf Creek did not have a scheduled refueling outage.

Purchased power expense increased due primarily to a 10% increase in volumes purchased during 2004 as compared to 2003. This was due to the unplanned outages or reduced operating capability of our units at certain times and the availability of economically priced power due to cooler weather in our region. At times, it was more economical to purchase power than to operate our available generating units.

Selling, general and administrative expenses increased in 2004, which reflects an increase in labor overheads allocated to us by Westar Energy. Operating and maintenance expenses increased due primarily to increased expenses associated with maintenance at Jeffrey Energy Center, increased planned and unplanned unit maintenance at various other generating units, increased maintenance of the distribution system, increased operating costs at Wolf Creek and an increase in transmission costs. During 2004, increased maintenance of our generating units accounted for 14% of the increase in operating and maintenance expenses. The increase in distribution expenses accounted for 35% of the increase in operating and maintenance expenses. Distribution expenses increased due to increased staffing levels and higher costs associated with the termination of portions of the ONEOK, Inc. shared services agreement as discussed in Note 17 of the Notes to Consolidated Financial Statements, "Related Party Transactions." Wolf Creek operating costs increased 22% because it operated more during 2004 because Wolf Creek did not have a scheduled refueling outage as it did in 2003. An increase in transportation costs accounted for 9% of the increase in operating and maintenance expenses.

[Table of Contents](#)

**2003 compared to 2002:** Below we discuss our operating results for the year ended December 31, 2003 as compared to the results for the year ended December 31, 2002.

	Year Ended December 31,			
	2003	2002	Change	% Change
(In Thousands)				
<b>SALES:</b>				
Residential	\$220,929	\$223,339	\$ (2,410)	(1.1)
Commercial	169,670	170,847	(1,177)	(0.7)
Industrial	153,463	152,915	548	0.4
Other retail	3,253	4,952	(1,699)	(34.3)
<b>Total Retail Sales</b>	<b>547,315</b>	<b>552,053</b>	<b>(4,738)</b>	<b>(0.9)</b>
Tariff-based wholesale	20,693	25,029	(4,336)	(17.3)
Market-based wholesale	86,169	69,433	16,736	24.1
Energy marketing	6,093	449	5,644	1,257.0
Transmission (a)	36,217	36,189	28	0.1
Other	13,167	12,371	796	6.4
<b>Total Sales</b>	<b>709,654</b>	<b>695,524</b>	<b>14,130</b>	<b>2.0</b>
<b>OPERATING EXPENSES:</b>				
Fuel used for generation (b)	155,390	156,906	(1,516)	(1.0)
Purchased power	22,585	13,825	8,760	63.4
Operating and maintenance	221,667	215,796	5,871	2.7
Depreciation and amortization	90,604	93,934	(3,330)	(3.5)
Selling, general and administrative	70,737	81,249	(10,512)	(12.9)
<b>Total Operating Expenses</b>	<b>560,983</b>	<b>561,710</b>	<b>(727)</b>	<b>(0.1)</b>
<b>INCOME FROM OPERATIONS</b>	<b>\$148,671</b>	<b>\$133,814</b>	<b>\$ 14,857</b>	<b>11.1</b>

- (a) **Transmission:** Includes an SPP network transmission tariff. In 2003, our transmission costs were approximately \$32.7 million. This amount, less \$2.9 million that was retained by the SPP as administration cost, was returned to us as revenues. In 2002, our transmission costs were approximately \$32.9 million with an administration cost of \$2.9 million retained by the SPP.
- (b) **Fuel used for generation:** Includes cost of fuel burned, changes in fair value of fuel contracts and net dispatch costs allocated to us by Westar Energy.

The following table reflects changes in electric sales volumes, as measured by thousands of MWh of electricity, for the two years ended December 31, 2003 and 2002. No sales volumes are shown for energy marketing, transmission or other.

	2003	2002	Change	% Change
(Thousands of MWh)				
Residential	2,842	2,889	(47)	(1.6)
Commercial	2,685	2,675	10	0.4
Industrial	3,459	3,397	62	1.8
Other retail	44	44	—	—
<b>Total Retail</b>	<b>9,030</b>	<b>9,005</b>	<b>25</b>	<b>0.3</b>
Tariff-based wholesale	488	744	(256)	(34.4)
Market-based wholesale	2,668	3,087	(419)	(13.6)
<b>Total</b>	<b>12,186</b>	<b>12,836</b>	<b>(650)</b>	<b>(5.1)</b>

Our residential and tariff-based wholesale customers used less energy and our sales declined because of cooler weather. The remainder of the decline in retail sales revenues was due primarily to the decline in the accrual of approximately \$1.7 million to be refunded to customers in 2005 and 2006 pursuant to a KCC order.

The increases in energy marketing and wholesale sales revenues more than offset the decline in retail sales revenues. Higher wholesale market prices were the primary cause of improvement in energy marketing and wholesale sales revenues. The higher wholesale market prices more than offset the decline in wholesale sales volumes.

Fuel used for generation decreased in 2003 due primarily to a reduction in fuel costs that were allocated to us by Westar Energy.

Selling, general and administrative expenses declined in 2003, which reflects a reduction in numerous incremental administrative expenses incurred in 2002 that were allocated to us for Westar Energy's work force

## [Table of Contents](#)

reduction. Depreciation and amortization expense decreased due primarily to the adoption of new depreciation rates on April 1, 2002. Operating and maintenance expense increased due primarily to increased general maintenance expenses at our generating facilities.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Overview**

Most of our cash requirements consist of capital and maintenance expenditures designed to improve and maintain facilities that provide electric service and meet future customer service requirements. Our ability to provide the cash or debt to fund our capital expenditures depends on many things, including available resources, Westar Energy's and our financial condition and current market conditions.

We expect our internally generated cash, advances from Westar Energy, availability of cash through Westar Energy's credit facilities and access to capital markets to be sufficient to fund operations and debt service payments. We do not maintain independent short-term credit facilities and rely on Westar Energy for short-term cash needs. If Westar Energy is unable to borrow under its credit facilities, we could have a short-term liquidity problem that could require us to obtain a credit facility for our short-term cash needs and that could result in higher borrowing costs.

### **Capital Resources**

Our mortgage contains provisions restricting the amount of first mortgage bonds that could be issued. Additionally, Westar Energy's revolving credit facility prohibits us and Westar Energy from increasing the amount of secured indebtedness outstanding as of March 12, 2004 by more than \$300.0 million. Therefore, we must ensure that we will be able to comply with such restrictions prior to the issuance of additional first mortgage bonds or other secured indebtedness.

Our mortgage prohibits additional first mortgage bonds from being issued, except in connection with certain refundings, unless our net earnings before income taxes and before provision for retirement and depreciation of property for a period of 12 consecutive months within 15 months preceding the issuance are not less than either two and one-half times the annual interest charges on, or 10% of the principal amount of, all of our first mortgage bonds outstanding after giving effect to the proposed issuance. In addition, the issuance of bonds is subject to limitations based on the amount of bondable property additions. At December 31, 2004, based on an assumed interest rate of 6%, approximately \$874.0 million principal amount of additional first mortgage bonds could be issued under the most restrictive provisions in the mortgage.

Westar Energy's revolving credit facility prohibits us and Westar Energy from increasing the amount of secured indebtedness outstanding as of March 12, 2004 by more than \$300.0 million. In June 2004, Westar Energy issued \$250.0 million of Westar Energy first mortgage bonds and immediately placed the funds in escrow for retirement of \$225.0 million of Westar Energy first mortgage bonds, which was completed in July 2004. Therefore, at December 31, 2004, we could incur a maximum of \$275.0 million of additional secured debt under this provision in the Westar Energy revolving credit facility. On January 18, 2005, Westar Energy sold \$250.0 million aggregate principal amount of Westar Energy first mortgage bonds. Following this issuance, we and/or Westar Energy can incur a maximum of \$25.0 million of additional secured debt under this provision in Westar Energy's revolving credit facility.

### **Cash Flows from Operating Activities**

Cash flows from operating activities decreased \$3.4 million to \$137.5 million in 2004 from \$140.9 million in 2003. This decrease was mostly attributable to changes in working capital.





## [Table of Contents](#)

Maturities of long-term debt at December 31, 2004 are as follows.

Year	Principal Amount
	(In Thousands)
2005	\$ 65,000
2006	100,000
Thereafter	387,419
	<hr/>
	\$ 552,419

### Debt Financings

On March 12, 2004, Westar Energy entered into a revolving credit facility. The credit facility matures on March 12, 2007. It is used as a source of short-term liquidity. It allows borrowings up to an aggregate limit of \$300.0 million, including letters of credit up to a maximum aggregate amount of \$50.0 million. At December 31, 2004, Westar Energy had no outstanding borrowings and \$15.3 million of letters of credit outstanding under the revolving credit facility. All borrowings under the revolving credit facility are secured by our first mortgage bonds.

On June 10, 2004, we refinanced \$327.5 million of pollution control bonds. The original issue had an interest rate of 7% and was due in 2031. This issue was replaced with pollution control bonds at interest rates of 5.3% on \$127.5 million that matures in 2031, 2.65% on \$100.0 million that is puttable in 2006, and a variable rate on \$100.0 million that matures in 2031.

### Debt Covenants

Some of Westar Energy's debt instruments contain restrictions that require it to maintain various coverage and leverage ratios as defined in the agreements. Westar Energy calculates these ratios in accordance with its credit agreements. These ratios are used solely to determine compliance with its various debt covenants. Westar Energy was in compliance with these covenants at December 31, 2004.

### Credit Ratings

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

On February 23, 2005, Moody's upgraded its ratings for our debt and affirmed the speculative liquidity rating it assigned to Westar Energy of SGL-2, reflecting its view that Westar Energy has "good" liquidity. On December 22, 2004, Fitch raised its outlook rating to positive from stable and affirmed its ratings as shown in the table below. On July 22, 2004, S&P improved its ratings on our first mortgage bonds to BBB from BB+.

As of March 1, 2005, ratings with these agencies are as shown in the table below.

	Westar Energy Mortgage Bond Rating	Westar Energy Unsecured Debt	KGE Mortgage Bond Rating
S&P	BBB-	BB-	BBB
Moody's	Baa3	Ba1	Baa3
Fitch	BBB-	BB+	BBB-

## [Table of Contents](#)

In general, less favorable credit ratings make debt financing more costly and more difficult to obtain on terms that are economically favorable to us. Westar Energy and we have credit rating conditions under our revolving credit agreement and in the agreements governing the sale of our accounts receivable discussed in Note 4 of the Notes to Consolidated Financial Statements, "Accounts Receivable and Variable Interest Entities" that affect the cost of borrowing but do not trigger a default. We may enter into new credit agreements that contain credit conditions, which could affect our liquidity and/or our borrowing costs.

### Capital Structure

Our consolidated capital structure at December 31, 2004 and 2003 was as follows.

	2004	2003
Shareholder's equity	66%	66%
Long-term debt	34%	34%
<b>Total</b>	<b>100%</b>	<b>100%</b>

### OFF-BALANCE SHEET ARRANGEMENTS

#### Accounts Receivable Sales Program

Under a revolving accounts receivable sales program, we and Westar Energy can currently sell up to \$125.0 million of our accounts receivable. For additional detail, see Note 4 of the Notes to Consolidated Financial Statements, "Accounts Receivable and Variable Interest Entities."

#### LaCygne 2 Sale/Leaseback Agreement

In 1987, KGE sold and leased back its 50% undivided interest in the LaCygne 2 generating unit. The LaCygne 2 lease has an initial term of 29 years, with various options to renew the lease or repurchase the 50% undivided interest. KGE remains responsible for its share of operating and maintenance costs and other related operating costs of LaCygne 2. The lease is an operating lease for financial reporting purposes. We recognized a gain on the sale, which was deferred and is being amortized over the lease term. See Note 16 of the Notes to Consolidated Financial Statements, "Operating Leases," for additional information.

### CONTRACTUAL CASH OBLIGATIONS

In the course of our business activities, we enter into a variety of contractual obligations. Some of these result in direct obligations reflected on our consolidated balance sheets while others are commitments, some firm and some based on uncertainties, not reflected in our underlying consolidated financial statements. The obligations listed below do not include amounts for on-going needs for which no contractual obligations existed at December 31, 2004, and represent only those amounts that we were contractually obligated to meet at December 31, 2004. We may from time to time enter into new contracts to replace contracts that expire.

## [Table of Contents](#)

The following table summarizes the projected future cash payments for our contractual obligations existing at December 31, 2004.

	Total	2005 (c)	2006 (c) –2007	2008 – 2009	Thereafter
<b>Contractual Obligations</b>	<b>(In Thousands)</b>				
Long-term debt (a)	\$ 552,419	\$ 65,000	\$ 100,000	\$ —	\$ 387,419
Interest payments on long-term debt (b)	356,327	23,251	31,852	25,653	275,571
Adjusted long-term debt	908,746	88,251	131,852	25,653	662,990
Operating leases (d)	567,444	41,418	126,534	59,627	339,865
Fossil fuel (e)	355,655	43,298	70,953	64,264	177,140
Nuclear fuel (f)	162,691	4,404	39,898	12,649	105,740
Unconditional purchase obligations	21,956	15,982	5,974	—	—
<b>Total contractual obligations, including adjusted long-term debt</b>	<b>\$2,016,492</b>	<b>\$ 193,353</b>	<b>\$ 375,211</b>	<b>\$ 162,193</b>	<b>\$1,285,735</b>

- (a) See Note 9 of the Notes to Consolidated Financial Statements, “Long-term Debt,” for individual long-term debt maturities.
- (b) We calculate interest payments on our variable rate debt based on the effective interest rate at December 31, 2004.
- (c) We have an obligation to pay rebates to customers in 2005 and 2006.
- (d) Includes the LaCygne 2 lease, office space, operating facilities, office equipment, operating equipment and other miscellaneous commitments.
- (e) Coal and natural gas commodity and transportation contracts.
- (f) Uranium concentrates, conversion, enrichment, fabrication and spent fuel disposal.

## OTHER INFORMATION

### Ice Storm

On January 4 and 5, 2005, substantially all of our service territory experienced a severe ice storm. The storm interrupted electric service in a large portion of our service territory and damaged a significant portion of our electric distribution system. We estimate that we will incur \$31.0 million to \$35.0 million of system restoration costs. Of this amount, we expect \$5.5 million to \$7.5 million to be accounted for as capital expenditures and we expect the balance related to maintenance expenditures to be accounted for as a regulatory asset. On February 3, 2005, we filed an application for an accounting authority order with the KCC requesting that we be allowed to accumulate and defer for future recovery maintenance costs related to system restoration. We can provide no assurance that the KCC will approve our application, however, in the past the KCC has approved similar requests.

### Impact of Regulatory Accounting

We currently apply accounting standards that recognize the economic effects of rate regulation and record regulatory assets and liabilities related to our operations. If we determine that we no longer meet the criteria of SFAS No. 71, we may have a material non-cash charge to earnings.

At December 31, 2004, we had recorded regulatory assets currently subject to recovery in future rates of approximately \$321.4 million. Of this amount, \$144.8 million is related to income tax benefits previously passed on to customers. The remainder of the regulatory assets include asset retirement obligations, system restoration, loss on reacquired debt, refinancing costs on the LaCygne 2 lease, deferred employee benefit costs, deferred plant costs and coal contract settlement costs. We periodically review SFAS No. 71 criteria and believe that our net regulatory assets are probable of future recovery.

### Asset Retirement Obligations

In January 2003, we adopted SFAS No. 143, “Accounting for Asset Retirement Obligations.” SFAS No. 143 requires recognition of legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development or normal operation of such assets. Concurrent with the recognition of the liability, the estimated cost of an asset retirement obligation is capitalized and depreciated over the remaining life of the asset. Any income effects are offset by regulatory accounting pursuant to SFAS No. 71.

### **Legal Liability - Wolf Creek**

On January 1, 2003, we recognized the liability for our 47% share of the estimated cost to decommission Wolf Creek. SFAS No. 143 requires the recognition of the present value of the asset retirement obligation we incurred at the time Wolf Creek was placed into service in 1985. On January 1, 2003, we recorded an asset retirement obligation of \$74.7 million. In addition, we increased our property and equipment balance, net of accumulated depreciation, by \$10.7 million. We also established a regulatory asset for \$64.0 million, which represents the accretion of the liability since 1985 and the increased depreciation expense associated with the increase in plant. The asset retirement obligation is included on our consolidated balance sheets in other long-term liabilities. Costs to retire Wolf Creek are currently being recovered through rates as provided by the KCC.

### **Non-legal Liability - Cost of Removal**

We have recovered amounts in rates to provide for recovery of the probable costs of removing utility plant assets, but which do not represent legal retirement obligations. At December 31, 2004, we had \$2.6 million in removal costs classified as a regulatory liability. At December 31, 2003, we had \$2.1 million in removal costs classified as a regulatory asset. The net amount related to non-legal retirement costs can fluctuate based on amounts related to removal costs recovered compared to removal costs incurred.

## **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

### **Hedging Activity**

Westar Energy and we jointly use financial and physical instruments to economically hedge the price of a portion of our anticipated fossil fuel needs. At the time we enter into these transactions, we are unable to determine what the value will be when the agreements are actually settled.

In an effort to mitigate market risk associated with fuel and energy prices, we may use economic hedging arrangements to reduce our exposure to price increases. Our future exposure to changes in prices will be dependent on the market prices and the extent and effectiveness of any economic hedging arrangements into which we enter.

See Note 5 of the Notes to Consolidated Financial Statements, "Financial Instruments, Energy Marketing and Risk Management — Derivative Instruments and Hedge Accounting — Hedging Activities," for detailed information regarding hedging relationships.

### **Market Price Risks**

Our economic hedging and trading activities involve risks, including commodity price risk, interest rate risk and credit risk. Commodity price risk is the risk that changes in commodity prices may impact the price at which we are able to buy and sell electricity and purchase fuels for our generating units. We believe we will continue to experience volatility in the prices for these commodities. This volatility may increase or decrease future earnings.

Interest rate risk represents the risk of loss associated with movements in market interest rates. In the future, we may use swaps or other financial instruments to manage interest rate risk.

Credit risk represents the risk of loss resulting from non-performance by a counterparty of its contractual obligations. We have exposure to credit risk and counterparty default risk with our retail, wholesale and energy marketing activities. We maintain credit policies intended to reduce overall credit risk. We employ additional credit risk control mechanisms that we believe are appropriate, such as letters of credit, parental guarantees and master netting agreements with counterparties that allow for offsetting exposures. Results actually achieved from economic hedging and trading activities could vary materially from intended results and could materially affect our consolidated financial results depending on the success of our credit risk management efforts.

## **Commodity Price Exposure**

We are exposed to commodity price changes outside of trading activities. We use derivative contracts for non-trading purposes and a mix of various fuel types primarily to reduce exposure relative to the volatility of market and commodity prices. The wholesale power market is extremely volatile in price and supply. This 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. The increased expenses or loss of revenues associated with this could be material and adverse to our consolidated results of operations and financial condition.

From 2003 to 2004, we experienced an approximate 18% increase in the average price per MWh of electricity purchased for utility operations. Volatility in the prices for power we purchase could be greater than the average price increase indicates. Additionally, short-term, but extreme price volatility could potentially be of greater significance than the change in the average price would indicate, especially during adverse weather or market conditions. If we were to have a 10% increase in our purchased power price from 2004 to 2005, given the amount of power purchased for utility operations during 2004, we would have exposure of approximately \$2.0 million of operating income. Due to the volatility of the power market, we believe past prices are not a good predictor of future prices.

We use various fossil fuel types, including coal, natural gas and oil, to operate our plants. A significant portion of our coal requirements are purchased under long-term contracts. During 2004, we experienced an approximate 21% increase, or \$0.94 per MMBtu, in our average cost for natural gas purchased for utility operations. Due to this substantial increase in natural gas cost, we decreased our natural gas usage by approximately 1% compared to the amount burned in 2003. Due to the volatility of natural gas prices, we have increasingly operated facilities that have allowed us to use lower cost fuel types as generating unit constraints and environmental restrictions allow, primarily by using oil in our facilities that also burn natural gas. Although the average cost for oil purchased for utility operations increased \$0.59 per MMBtu, or approximately 19%, compared to the average cost in 2003, it was \$1.66 per MMBtu less than the average cost of the natural gas we burned. If we were to have a 10% increase in our price for natural gas and oil burned from 2004 to 2005, based on MMBtus of natural gas and oil burned during 2004, we would have exposure of approximately \$4.2 million of operating income. Due to the volatility of natural gas prices, past prices cannot be used to predict future prices.

We have 100% of the uranium and conversion services required to operate Wolf Creek under contract through September 2009. We also have 100% of the enrichment services required to operate Wolf Creek under contract through March 2008. We will be exposed to the price risk associated with any components not currently under contract if a counterparty were to fail its contractual obligations.

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 used for generation vary from year to year based on the availability, price and deliverability of a given fuel type as well as planned and scheduled outages at our facilities that use fossil fuels and the nuclear refueling schedule. Our customers' electricity usage could also vary from year to year based on the weather or other factors.

## **Interest Rate Exposure**

We had approximately \$211.4 million of variable rate debt and current maturities of fixed rate debt at December 31, 2004. A 100 basis point change in interest rates applicable to this debt would impact operating income on an annualized basis by approximately \$2.0 million.

[Table of Contents](#)

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

**TABLE OF CONTENTS**

	<b>PAGE</b>
<a href="#">Report of Independent Registered Public Accounting Firm</a>	31
Financial Statements:	
Kansas Gas and Electric Company:	
<a href="#">Consolidated Balance Sheets, as of December 31, 2004 and 2003</a>	32
<a href="#">Consolidated Statements of Income and Comprehensive Income for the years ended December 31, 2004, 2003 and 2002</a>	33
<a href="#">Consolidated Statements of Cash Flows for the years ended December 31, 2004, 2003 and 2002</a>	34
<a href="#">Consolidated Statements of Shareholder's Equity for the years ended December 31, 2004, 2003 and 2002</a>	35
<a href="#">Notes to Consolidated Financial Statements</a>	36
<a href="#">Schedule II - Valuation and Qualifying Accounts</a>	63

**SCHEDULES OMITTED**

The following schedules are omitted because of the absence of the conditions under which they are required or the information is included on our consolidated financial statements and schedules presented:

I, III, IV, and V.

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors of  
Kansas Gas and Electric Company  
Topeka, Kansas

We have audited the accompanying consolidated balance sheets of Kansas Gas and Electric Company (the "Company"), a wholly-owned subsidiary of Westar Energy, Inc., as of December 31, 2004 and 2003, and the related consolidated statements of income and comprehensive income, shareholder's equity, and cash flows for each of the three years in the period ended December 31, 2004. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2004 and 2003, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2004, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 13 to the consolidated financial statements, effective January 1, 2003, the Company adopted Statement of Financial Accounting Standard No. 143, "Accounting for Asset Retirement Obligations."

DELOITTE & TOUCHE LLP  
Kansas City, Missouri  
March 11, 2005

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

	As of December 31,	
	2004	2003
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 812	\$ 6,321
Accounts receivable, net	92,284	80,771
Inventories and supplies	64,397	66,482
Energy marketing contracts	4,020	8,688
Deferred tax assets	544	2,956
Prepaid expenses	24,070	24,657
Other	2,633	1,457
	188,760	191,332
<b>PROPERTY, PLANT AND EQUIPMENT, NET</b>	<b>2,349,673</b>	<b>2,362,371</b>
<b>OTHER ASSETS:</b>		
Regulatory assets	321,359	316,670
Nuclear decommissioning trust	91,095	80,075
Other	40,303	31,225
	452,757	427,970
<b>TOTAL ASSETS</b>	<b>\$2,991,190</b>	<b>\$ 2,981,673</b>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Current maturities of long-term debt	\$ 65,000	\$ —
Accounts payable	39,772	41,783
Payable to affiliates	91,504	81,380
Accrued interest	7,308	8,246
Accrued taxes	29,420	28,059
Energy marketing contracts	2,497	6,799
Other	30,079	24,543
	265,580	190,810
<b>LONG-TERM LIABILITIES:</b>		
Long-term debt, net	487,419	549,604
Unamortized investment tax credits	46,073	48,663
Deferred income taxes	656,838	684,965
Deferred gain from sale-leaseback	138,981	150,810
Asset retirement obligation	87,118	80,695
Nuclear decommissioning	91,095	80,075
Other	126,280	110,473
	1,633,804	1,705,285
<b>COMMITMENTS AND CONTINGENCIES (Note 12)</b>		
<b>SHAREHOLDER'S EQUITY:</b>		
Common stock, without par value; authorized and issued 1,000 shares	1,065,634	1,065,634
Retained earnings	26,172	19,944
	1,091,806	1,085,578
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>	<b>\$2,991,190</b>	<b>\$ 2,981,673</b>

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



**KANSAS GAS AND ELECTRIC COMPANY**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**AND COMPREHENSIVE INCOME**  
**(Dollars in Thousands)**

	Year Ended December 31,		
	2004	2003	2002
SALES	\$ 714,939	\$ 709,654	\$ 695,524
OPERATING EXPENSES:			
Fuel and purchased power	181,039	177,975	170,731
Operating and maintenance	229,587	221,667	215,796
Depreciation and amortization	91,835	90,604	93,934
Selling, general and administrative	75,105	70,737	81,249
Total Operating Expenses	577,566	560,983	561,710
INCOME FROM OPERATIONS	137,373	148,671	133,814
OTHER INCOME (EXPENSE):			
Other income	25,353	13,921	2,784
Other expense	(14,880)	(14,412)	(14,185)
Total Other Income (Expense)	10,473	(491)	(11,401)
Interest Expense	32,060	54,550	46,795
INCOME FROM OPERATIONS BEFORE INCOME TAXES	115,786	93,630	75,618
Income tax expense	34,558	27,003	16,079
NET INCOME	\$ 81,228	\$ 66,627	\$ 59,539
OTHER COMPREHENSIVE INCOME, NET OF TAX:			
Unrealized holding gain on cash flow hedges	\$ —	\$ 2,421	\$ 17,644
Adjustment for (gain) loss included in net income	—	(3,135)	1,374
Income tax benefit (expense) related to items of other comprehensive income	—	284	(7,565)
Total other comprehensive (loss) gain, net of tax	—	(430)	11,453
COMPREHENSIVE INCOME	\$ 81,228	\$ 66,197	\$ 70,992

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

**KANSAS GAS AND ELECTRIC COMPANY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Dollars in Thousands)

	Year Ended December 31,		
	2004	2003	2002
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:</b>			
Net income	\$ 81,228	\$ 66,627	\$ 59,539
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	91,835	90,604	93,934
Amortization of nuclear fuel	14,221	12,410	13,142
Amortization of deferred gain from sale-leaseback	(11,828)	(11,828)	(11,828)
Amortization of prepaid corporate-owned life insurance	12,764	12,060	14,956
Net deferred taxes	(13,402)	4,469	18,477
Net changes in energy marketing assets and liabilities	388	739	4,338
(Gain) loss on sale of property	(503)	—	1,423
Changes in working capital items:			
Restricted cash	—	—	(10,282)
Accounts receivable, net	(11,513)	(31,993)	(4,418)
Inventories and supplies	2,085	(926)	(24)
Prepaid expenses and other	(44,688)	(45,693)	(48,233)
Accounts payable	(2,427)	10,209	(20,572)
Payable to affiliates	10,124	26,517	45,951
Other current liabilities	2,409	3,309	(7,378)
Changes in other, assets	(6,139)	(9,385)	(7,269)
Changes in other, liabilities	12,923	13,803	16,275
	<u>137,477</u>	<u>140,922</u>	<u>158,031</u>
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:</b>			
Additions to property, plant and equipment	(92,994)	(85,580)	(59,232)
Removal, dismantlement and salvage of property, plant and equipment	(6,333)	(4,645)	(5,980)
Investment in corporate-owned life insurance	(19,658)	(19,599)	(19,399)
Proceeds from investment in corporate-owned life insurance	—	—	7,859
Proceeds from sale of property	1,506	—	1,205
	<u>(117,479)</u>	<u>(109,824)</u>	<u>(75,547)</u>
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:</b>			
Proceeds from long-term debt	321,540	—	—
Retirements of long-term debt	(329,137)	(135,005)	—
Funds in trust for debt repayments	—	145,260	(135,000)
Borrowings against cash surrender value of corporate-owned life insurance	57,090	58,818	61,120
Repayment of borrowings against cash surrender value of corporate-owned life insurance	—	—	(8,018)
Dividends to parent company	(75,000)	(100,000)	—
	<u>(25,507)</u>	<u>(30,927)</u>	<u>(81,898)</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(5,509)</b>	<b>171</b>	<b>586</b>
<b>CASH AND CASH EQUIVALENTS:</b>			
Beginning of period	6,321	6,150	5,564
End of period	<u>\$ 812</u>	<u>\$ 6,321</u>	<u>\$ 6,150</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>			
<b>CASH PAID FOR:</b>			
Interest on financing activities, net of amount capitalized	\$ 30,133	\$ 44,696	\$ 43,917

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

**KANSAS GAS AND ELECTRIC COMPANY**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY**  
**(Dollars in Thousands)**

	Year Ended December 31,		
	2004	2003	2002
Common Stock	\$1,065,634	\$1,065,634	\$1,065,634
Accumulated other comprehensive income:			
Beginning balance	—	430	(11,023)
Unrealized holding gain on cash flow hedges	—	2,421	17,644
Adjustment for (gain) loss included in net income	—	(3,135)	1,374
Tax benefit (expense)	—	284	(7,565)
Accumulated other comprehensive income	—	—	430
Retained Earnings:			
Beginning balance	19,944	53,317	(6,222)
Net income	81,228	66,627	59,539
Dividends to parent company	(75,000)	(100,000)	—
Ending balance	26,172	19,944	53,317
Total Shareholder's Equity	\$1,091,806	\$1,085,578	\$1,119,381

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

**KANSAS GAS AND ELECTRIC COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. DESCRIPTION OF BUSINESS**

Kansas Gas and Electric Company is a regulated electric utility incorporated in 1990 in Kansas. Unless the context otherwise indicates, all references in this Annual Report on Form 10-K to “the company,” “KGE,” “we,” “us,” “our” and similar words are to Kansas Gas and Electric Company. We are a wholly owned subsidiary of Westar Energy, Inc. (Westar Energy) and we provide rate-regulated electric service, together with the electric utility operations of Westar Energy, using the name Westar Energy. We provide electric generation, transmission and distribution services to approximately 301,000 customers in south-central and southeastern Kansas, including the city of Wichita, Kansas. Our corporate headquarters is located in Wichita, Kansas.

We own a 47% interest in the Wolf Creek Generating Station (Wolf Creek), a nuclear power plant located near Burlington, Kansas, and a 47% interest in Wolf Creek Nuclear Operating Corporation (WCNOC), the operating company for Wolf Creek.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Principles of Consolidation**

We prepare our consolidated financial statements in accordance with Generally Accepted Accounting Principles (GAAP) for the United States of America. Our consolidated financial statements include our undivided interests in jointly-owned generation facilities on a pro rata basis. Material intercompany accounts and transactions have been eliminated in consolidation.

**Use of Management’s Estimates**

When we prepare our consolidated financial statements, we are required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of our consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. We evaluate our estimates on an on-going basis, including those related to bad debts, inventories, valuation of commodity contracts, depreciation, unbilled revenue, valuation of our energy marketing portfolio, intangible assets, income taxes, our portion of WCNOC’s pension and other post-retirement benefits, our asset retirement obligations including decommissioning of Wolf Creek, environmental issues, contingencies and litigation. Actual results may differ from those estimates under different assumptions or conditions.

**Regulatory Accounting**

We currently apply accounting standards for our regulated utility operations that recognize the economic effects of rate regulation in accordance with Statement of Financial Accounting Standards (SFAS) No. 71, “Accounting for the Effects of Certain Types of Regulation,” and, accordingly, have recorded regulatory assets and liabilities when required by a regulatory order or based on regulatory precedent.

## [Table of Contents](#)

Regulatory assets represent incurred costs that have been deferred because they are probable of future recovery in customer rates. Regulatory liabilities represent probable obligations to make refunds to customers for previous collections for costs that are not likely to be incurred in the future. Regulatory assets and liabilities reflected on our consolidated balance sheets are as follows.

	As of December 31,	
	2004	2003
	(In Thousands)	
Amounts due from customers for future income taxes, net	\$ 144,817	\$ 155,800
Debt reacquisition costs	26,264	18,074
Deferred employee benefit costs	2,526	—
Deferred plant costs	27,979	28,532
2002 ice storm costs	10,748	9,898
Asset retirement obligations	77,349	70,455
KCC depreciation	22,596	14,294
Wolf Creek outage	6,467	13,645
Other regulatory assets	2,613	5,972
	<u>\$ 321,359</u>	<u>\$ 316,670</u>
Total regulatory assets	<u>\$ 321,359</u>	<u>\$ 316,670</u>
	<u>\$ 14,689</u>	<u>\$ 6,374</u>
Total regulatory liabilities	<u>\$ 14,689</u>	<u>\$ 6,374</u>

- **Amounts due from customers for future income taxes, net:** In accordance with various rate orders, we have reduced rates to reflect the tax benefits associated with certain accelerated tax deductions. We believe it is probable that the net future increases in income taxes payable will be recovered from customers when these temporary tax benefits reverse. We have recorded a regulatory asset for these amounts. We also have recorded a regulatory liability for our obligation to reduce rates charged customers for deferred taxes recovered from customers at corporate tax rates higher than the current tax rates. The rate reduction will occur as the temporary differences resulting in the excess deferred tax liabilities reverse. The tax-related regulatory assets and liabilities as well as unamortized investment tax credits are also temporary differences for which deferred income taxes have been provided. These items are measured by the expected cash flows to be received or settled through future rates. The net regulatory asset for these tax items is classified above as amounts due from customers for future income taxes.
- **Debt reacquisition costs:** Includes loss on reacquired debt and refinancing costs on the LaCygne 2 generating unit lease. Debt reacquisition costs are amortized over the original term of the reacquired debt or, if refinanced, the term of the new debt.
- **Deferred employee benefit costs:** Employee benefit costs as authorized by a Kansas Corporation Commission (KCC) accounting authority order received January 13, 2005.
- **Deferred plant costs:** Deferred plant costs under SFAS No. 90 “Registered Enterprises — Accounting for Abandonments and Disallowances of Plant Costs,” related to the Wolf Creek nuclear generating facility will be recovered over the term of the plant’s operating license through 2025.
- **2002 ice storm costs:** We accumulated and deferred for future recovery costs related to system restoration from an ice storm that occurred in January 2002. We were authorized to accrue carrying costs on this item. Recovery of this asset will be considered during the 2005 rate review.
- **Asset retirement obligations:** Asset retirement obligations represent amounts associated with our legal obligation to retire Wolf Creek. We recover final retirement costs through rates as provided by the KCC. We have placed amounts recovered through rates in a trust. The trust’s funds will be used to pay for the costs to retire and decommission Wolf Creek. See Note 13, “Asset Retirement Obligations,” for information regarding our Nuclear Decommissioning Trust Fund.
- **KCC depreciation:** Due to the change in our depreciation rates for ratemaking purposes for Wolf Creek and LaCygne 2, we record a regulatory asset for the amount that our depreciation expense exceeds our depreciation costs recovered in rates. See “—Depreciation” for additional information.

## [Table of Contents](#)

- **Wolf Creek outage:** Represents maintenance costs incurred in our most recent refueling outage. In accordance with regulatory treatment, this amount is amortized to expense ratably over the 18-month period after the outage.
- **Other regulatory assets:** This includes various regulatory assets that are relatively small in relation to the total regulatory assets balance. Other regulatory assets include coal contract settlement costs, rate review expense, and the net removal component included in depreciation rates.
- **Other regulatory liabilities:** This includes various regulatory liabilities that are relatively small and includes provisions for rate refunds, property taxes, emissions allowances, savings from the sale of an office building and the net removal component included in depreciation rates. Other regulatory liabilities are included in other long-term liabilities on our consolidated balance sheets.

A return is allowed on the KCC depreciation and coal contract settlement costs.

### **Cash and Cash Equivalents**

We consider highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

### **Inventories and Supplies**

Inventories and supplies are stated at average cost.

### **Property, Plant and Equipment**

Property, plant and equipment is stated at cost. For utility plant, cost includes contracted services, direct labor and materials, indirect charges for engineering and supervision, and an allowance for funds used during construction (AFUDC). AFUDC represents the cost of borrowed funds used to finance construction projects. The AFUDC rate was 3.8% in 2004, 5.3% in 2003 and 6.0% in 2002. The cost of additions to utility plant and replacement units of property is capitalized. AFUDC capitalized was \$1.1 million in 2004, \$0.9 million in 2003 and \$1.0 million in 2002.

Maintenance costs and replacement of minor items of property are charged to expense as incurred. Normally, when a unit of depreciable property is retired, the original cost, less salvage value, is charged to accumulated depreciation.

### **Depreciation**

Utility plant is depreciated on the straight-line method at rates based on the estimated remaining useful lives of the assets, which are based on an average annual composite basis using group rates that approximated 2.2% during 2004, 2.2% during 2003 and 2.4% during 2002.

Effective April 1, 2002, we adopted new depreciation rates which reduced our annual depreciation expense by approximately \$18.0 million.

As part of the 2001 KCC rate order, the KCC extended the estimated retirement date for Wolf Creek from 2025 to 2045, although our operating license for Wolf Creek expires in 2025. The KCC also extended the estimated retirement date for LaCygne 2 to 2032, although the term of our lease for LaCygne 2 expires in 2016. The effect of extending the retirement date was to reduce our depreciation and amortization expense recovered in customer rates. For financial statement purposes, we recognize depreciation and amortization expense based on the current operating license and the lease term. We record a regulatory asset for the difference between the KCC allowed expense and the expense recorded for financial statement purposes.

## [Table of Contents](#)

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

	Years
Fossil fuel generating facilities	6 to 68
Nuclear fuel generating facility	38 to 45
Transmission facilities	28 to 65
Distribution facilities	19 to 57
Other	5 to 55

### **Nuclear Fuel**

Our share of the cost of nuclear fuel used in the process of refinement, conversion, enrichment and fabrication is recorded as an asset in property, plant and equipment on our consolidated balance sheets at original cost and is amortized to fuel and purchased power based on the quantity of heat consumed during the generation of electricity, as measured in millions of British Thermal Units (MMBtu). The accumulated amortization of nuclear fuel in the reactor was \$30.9 million at December 31, 2004 and \$16.6 million at December 31, 2003. Spent fuel charged to fuel and purchased power was \$19.3 million in 2004, \$17.0 million in 2003 and \$17.8 million in 2002.

### **Cash Surrender Value of Life Insurance**

We recorded the following amounts related to corporate-owned life insurance policies (COLI) in other long-term assets on our consolidated balance sheets at December 31.

	2004	2003
	(In Thousands)	
Cash surrender value of policies	\$ 825,268	\$ 767,742
Borrowings against policies	(812,096)	(755,006)
<b>COLI, net</b>	<b>\$ 13,172</b>	<b>\$ 12,736</b>

Income is recorded for increases in cash surrender value and net death proceeds. Interest incurred on amounts borrowed is offset against policy income. Income recognized from death proceeds is highly variable from period to period. Death benefits recognized as income on our consolidated statements of income approximated \$0.8 million in 2004, \$0.2 million in 2003 and \$2.1 million in 2002.

### **Revenue Recognition – Energy Sales**

We recognize revenues from retail energy sales upon delivery to the customer and include an estimate for energy delivered but unbilled. Our estimate of revenue attributable to this unbilled portion is based on the total energy available for sale measured against total billed sales. At December 31, 2004, we had estimated unbilled revenue of \$25.0 million.

We are allocated a share of revenues from energy marketing derivative contracts that are jointly entered into with Westar Energy based on actual fuel burned at our generating facilities. The amount of actual fuel burned by a given generating facility is largely determined by utilizing the most economical units first. We account for energy marketing derivative contracts under the mark-to-market method of accounting. Under this method, we recognize changes in the portfolio value as gains or losses in the period of change. Unless related to fuel, we include the net mark-to-market change in sales on our consolidated statements of income. We record the resulting unrealized gains and losses as energy marketing long-term or short-term assets and liabilities on our consolidated balance sheets as appropriate. We use quoted market prices to value our energy marketing derivative contracts when such data are available. When market prices are not readily available or determinable, we use alternative approaches, such as model pricing. Prices used to value these transactions reflect our best estimate of fair values of our trading positions. Results actually achieved from these activities could vary materially from intended results and could affect our consolidated financial results.

## [Table of Contents](#)

### Income Taxes

We use the asset and liability method of accounting for income taxes as required by SFAS No. 109, "Accounting for Income Taxes." Under the asset and liability method, we recognize deferred tax assets and liabilities for the future tax consequences attributable to temporary differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities. We recognize the future tax benefits to the extent that realization of such benefits is more likely than not. We amortize deferred investment tax credits over the lives of the related properties.

### Reclassifications

We have reclassified certain prior year amounts to conform with classifications used in the current-year presentation as necessary for a fair presentation of the financial statements.

## 3. RATE MATTERS AND REGULATION

### Rate Review Request

As a result of an earlier KCC order, Westar Energy and we will file a request for a rate review with the KCC by May 2, 2005, based on a test year consisting of the 12 months ended December 31, 2004.

### Electric Service Reliability

On January 16, 2004, the KCC issued an order regarding electric service reliability for retail customers. The order was intended to help the KCC assess the reliability of retail electric service. Specifically, the KCC wanted to establish uniform definitions and requirements regarding service obligations, record keeping, customer notification and methods of reporting results to the KCC. On February 10, 2004, the North American Electric Reliability Council (NERC) issued reliability improvement initiatives stemming from the investigation of the August 14, 2003 blackout in portions of the northeastern United States. These initiatives will impact our operations in a number of ways, including system relay protection, vegetation management and operator training. The NERC and the ten operating regions in the United States, including the Southwest Power Pool, are working together to determine what operating policies and planning standards changes are necessary to achieve the NERC's goals. We are unable to estimate potential compliance costs at this time, it is likely that our annual capital and maintenance expenditure requirements will increase in the future.

## 4. ACCOUNTS RECEIVABLE AND VARIABLE INTEREST ENTITIES

Our accounts receivable on our consolidated balance sheets are comprised as follows.

	As of December 31,	
	2004	2003
	(In Thousands)	
Customer accounts receivable	\$97,017	\$85,712
Allowance for uncollectable accounts	(5,152)	(5,313)
	91,865	80,399
Transferred receivables, net	91,865	80,399
Other accounts receivable	475	462
Other allowance for uncollectable accounts	(56)	(90)
	\$92,284	\$80,771
Accounts receivable, net	\$92,284	\$80,771

### Accounts Receivable Sales Program

WR Receivables Corporation, a wholly owned subsidiary of Westar Energy, has an agreement with a financial institution whereby WR Receivables can sell an interest of up to \$125.0 million in a designated pool of our qualified accounts receivable. The agreement expires in July 2005. Under the terms of the agreement, new receivables generated by us are continuously purchased by WR Receivables. The receivables sold to the financial institution are not reflected in the accounts receivable balance in the accompanying consolidated balance sheets. The amounts sold to the financial institution were \$80.0 million at December 31, 2004 and 2003.



## [Table of Contents](#)

We service, administer and collect the receivables on behalf of the financial institution. Administrative expenses associated with the sale of these receivables were \$2.1 million in 2004, \$2.4 million in 2003 and \$1.3 million in 2002. We include these expenses in other expense on our consolidated statements of income.

We record receivables transferred to WR Receivables at book value, net of allowances for bad debts. This approximates fair value due to the short-term nature of the receivable. We include the transferred accounts receivables in accounts receivable, net, on our consolidated balance sheets. The interests that we hold are included in the table below.

	As of December 31,	
	2004	2003
	(In Thousands)	
Accounts receivables retained by WR Receivables, net	\$81,842	\$71,213
Accounts receivables reserved for purchaser, net	10,023	9,186
<b>Transferred receivables, net</b>	<b>\$91,865</b>	<b>\$80,399</b>

The following table provides gross proceeds and repayments between WR Receivables and the financial institution. We record these items on the consolidated statements of cash flows in the accounts receivable, net, line of cash flows from operating activities.

	Year Ended December 31,		
	2004	2003	2002
	(In Thousands)		
Proceeds from the purchaser due to the sale of receivables	\$ 40,000	\$ —	\$ 30,000
Payments to the purchaser for net collection of its receivables	(40,000)	(30,000)	(20,000)
<b>Proceeds and repayments, net</b>	<b>\$ —</b>	<b>\$(30,000)</b>	<b>\$ 10,000</b>

### **Consolidation of Variable Interest Entities**

In January 2003, the Financial Accounting Standards Board (FASB) issued Financial Interpretation Number (FIN) 46, "Consolidation of Variable Interest Entities," which was subsequently revised in December 2003 with the issuance of FIN 46R. The objective of this interpretation is to provide guidance on how to identify variable interest entities (VIE) and determine when the assets, liabilities, non-controlling interests and results of operations of a VIE need to be included in a company's consolidated financial statements. A company that holds variable interests in an entity will need to consolidate the entity if the company's interest in the VIE is such that the company will absorb a majority of the VIE's expected losses and/or receive a majority of the entity's expected residual returns, if they occur. FIN 46R also requires additional disclosures by primary beneficiaries and other significant variable interest holders. The provisions of this interpretation became effective upon issuance. We were not affected by FIN 46R.

**5. FINANCIAL INSTRUMENTS, ENERGY MARKETING AND RISK MANAGEMENT****Values of Financial Instruments**

The carrying values and estimated fair values of our financial instruments are as shown in the table below.

	Carrying Value		Fair Value	
	As of December 31,			
	2004	2003	2004	2003
	(In Thousands)			
Fixed-rate debt, net of current maturities (a)	\$ 340,988	\$ 505,988	\$ 354,079	\$ 519,094

(a) Fair value is estimated 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 amounts of accounts receivable and other current financial instruments approximate fair value. Cash and cash equivalents, short-term borrowings and variable-rate debt are carried at cost, which approximates fair value and are not included in the table above.

The fair value estimates are based on information available at December 31, 2004 and 2003. These fair value estimates have not been comprehensively revalued since that date and current estimates of fair value may differ significantly from the amounts above.

**Derivative Instruments and Hedge Accounting**

We are exposed to market risks from changes in commodity prices and interest rates that could affect our consolidated results of operations and financial condition. We manage our exposure to these market risks through our regular operating and financing activities and, when deemed appropriate, economically hedge a portion of these risks through the use of derivative financial instruments. We use the term economic hedge to mean a strategy designed to manage risks of volatility in prices or rate movements on some assets, liabilities or anticipated transactions by creating a relationship in which gains or losses on derivative instruments are expected to counterbalance the losses or gains on the assets, liabilities or anticipated transactions exposed to such market risks. We use derivative instruments as risk management tools consistent with our business plans and prudent business practices and for energy marketing purposes.

Westar Energy and we jointly use derivative financial and physical instruments primarily to manage risk as it relates to changes in the prices of commodities including natural gas, oil, coal and electricity. We classify derivative instruments used 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 gain positions as assets; energy marketing contracts representing unrealized loss positions are reported as liabilities.

**Energy Marketing Activities**

We engage in both financial and physical trading to manage our commodity price risk. We trade electricity, coal, natural gas and oil. We use financial instruments, including forward contracts, options and swaps and we trade energy commodity contracts daily. We may also use economic hedging techniques to manage overall fuel expenditures. We procure physical product under forward agreements and spot market transactions.

Within the trading portfolio, we take certain positions to economically hedge a portion of physical sale or purchase contracts and we take certain positions to take advantage of market trends and conditions. We reflect changes in value on our consolidated statements of income. We believe financial instruments help us manage our contractual commitments, reduce our exposure to changes in cash market prices and take advantage of selected market opportunities. We refer to these transactions as energy marketing activities.

## [Table of Contents](#)

We are involved in trading activities to reduce risk from market fluctuations, enhance system reliability and increase profits. 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 open positions, we are exposed to the risk that changing market prices could have a material, adverse impact on our consolidated financial position or results of operations.

We have considered a number of risks and costs associated with the future contractual commitments included in our energy portfolio. These risks include 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 that, in management's view, reduce our overall credit risk.

We are also exposed to commodity price changes outside of trading activities. We use derivative contracts for non-trading purposes and a mix of various fuel types primarily to reduce exposure relative to the volatility of market and commodity prices. The wholesale power market is extremely volatile in price and supply. This 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. The increased expenses or loss of revenues associated with this could be material and adverse to our consolidated results of operations and financial condition.

We use various fossil fuel types, including coal, natural gas and oil, to operate our plants. A significant portion of our coal requirements are purchased under long-term contracts. Due to the volatility of natural gas prices, we have increasingly operated facilities that have allowed us to use lower cost fuel types as generating unit constraints and environmental restrictions allow, primarily by using oil in our facilities that also burn natural gas.

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 used for generation vary from year to year based on the availability, price and deliverability of a given fuel type as well as planned and scheduled outages at our facilities that use fossil fuels and the nuclear refueling schedule. Our customers' electricity usage could also vary from year to year based on weather or other factors.

Although we generally attempt to balance our physical and financial contracts in terms of quantities and contract performance, net open positions typically exist. We will at times create a net open position or allow a net open position to continue when we believe that future price movements will increase the portfolio's value. To the extent we have open positions, we are exposed to the risk that changing market prices could have a material, adverse impact on our consolidated financial position or results of operations.

The prices we use to value price risk management activities reflect our estimate of fair values considering various factors, including closing exchange and over-the-counter quotations, time value of money and price volatility factors underlying the commitments. We adjust prices to reflect the potential impact of liquidating our position in an orderly manner over a reasonable period of time under present market conditions. We consider a number of risks and costs associated with the future contractual commitments included in our energy portfolio, including credit risks associated with the financial condition of counterparties and the time value of money. We continuously monitor the portfolio and value it daily based on present market conditions.

### **Hedging Activities**

During the third quarter of 2001, Westar Energy and we entered into hedging relationships to manage commodity price risk associated with future natural gas purchases. Initially, Westar Energy entered into futures and swap contracts with terms extending through July 2004 to hedge price risk for a portion of anticipated natural gas fuel requirements for generation facilities. We designated these hedging relationships as cash flow hedges.

## [Table of Contents](#)

In 2002, due to the increased availability of coal units and because we began burning more oil as use of oil became more economically favorable than natural gas, we did not burn our forecasted amount of natural gas. In September 2002, we determined that we had over-hedged approximately 8,280,000 MMBtu for the remaining period of the hedge. As a result of the discontinuance of this portion of the cash flow hedge, we recognized a gain of \$2.8 million. In December 2003, we determined we could no longer meet the criteria to use hedge accounting for the 2004 forecasted natural gas purchases. As a result, we recognized in income a gain of \$1.8 million.

### 6. PROPERTY, PLANT AND EQUIPMENT

The following is a summary of property, plant and equipment at December 31.

	2004	2003
	(In Thousands)	
Electric plant in service	\$ 3,072,629	\$ 3,028,120
Electric plant acquisition adjustment	800,971	800,971
Accumulated depreciation	(1,595,241)	(1,531,806)
	2,278,359	2,297,285
Construction work in progress	35,302	35,818
Nuclear fuel, net	35,942	29,198
	2,349,603	2,362,301
Net utility plant	70	70
Non-utility plant in service	70	70
	\$ 2,349,673	\$ 2,362,371

Depreciation expense on property, plant and equipment was \$71.7 million in 2004, \$70.5 million in 2003 and \$73.8 million in 2002.

### 7. JOINT OWNERSHIP OF UTILITY PLANTS

Under joint ownership agreements with other utilities, we have undivided ownership interests in three electric generating stations. Energy generated and operating expenses are divided on the same basis as ownership with each owner reflecting its respective costs in its statements of income. Information relative to our ownership interest in these facilities at December 31, 2004 is shown in the table below.

Our Ownership at December 31, 2004						
	In-Service Dates	Investment	Accumulated Depreciation	Net MW	Ownership Percent	
	(Dollars in Thousands)					
LaCygne 1 (a)	June 1973	\$ 191,346	\$ 118,168	344.0	50	
Jeffrey 1 (b)	July 1978	75,889	36,926	147.0	20	
Jeffrey 2 (b)	May 1980	73,131	34,792	147.0	20	
Jeffrey 3 (b)	May 1983	102,431	51,518	149.0	20	
Jeffrey wind 1 (b)	May 1999	208	52	0.1	20	
Jeffrey wind 2 (b)	May 1999	207	52	0.1	20	
Wolf Creek (c)	Sept. 1985	1,409,238	590,055	548.0	47	

- (a) Jointly owned with Kansas City Power & Light Company (KCPL)
- (b) Jointly owned with Aquila, Inc. and Westar Energy.
- (c) Jointly owned with KCPL and Kansas Electric Power Cooperative, Inc.

## [Table of Contents](#)

Amounts and capacity presented above represent our share. Our share of operating expenses of the above plants, as well as such expenses for a 50% undivided interest in LaCygne 2 (representing 337 megawatt (MW) capacity) sold and leased back to us in 1987, are included in operating expenses on our consolidated statements of income. Our share of other transactions associated with the plants is included in the appropriate classification on our consolidated financial statements.

### 8. SHORT-TERM BORROWINGS

We had no short-term borrowings outstanding at December 31, 2004 and 2003. Our short-term liquidity needs are met from cash advances by Westar Energy.

Westar Energy has an arrangement with a syndicate of banks to provide it a revolving credit facility on a committed basis totaling \$300.0 million. The facility is secured by our first mortgage bonds and matures on March 12, 2007.

See Note 9, "Long-term Debt," for a discussion of covenants applicable to Westar Energy's credit facilities.

### 9. LONG-TERM DEBT

The amount of our first mortgage bonds authorized by our Mortgage and Deed of Trust (Mortgage) dated April 1, 1940, as supplemented, is limited to a maximum of \$2.0 billion. Amounts of additional bonds that may be issued are subject to property, earnings and certain restrictive provisions of the Mortgage. Electric plant is subject to the lien of the Mortgage except for transportation equipment. At December 31, 2004, based on an assumed interest rate of 6%, approximately \$874.0 million principal amount of additional first mortgage bonds could be issued under the most restrictive provisions in the mortgage.

Long-term debt outstanding at December 31 is as follows.

	2004	2003
	(In Thousands)	
First mortgage bond series:		
6.50% due 2005	\$ 65,000	\$ 65,000
6.20% due 2006	100,000	100,000
	165,000	165,000
Pollution control bond series:		
5.10% due 2023	13,488	13,488
Variable due 2027, 1.75% at December 31, 2004	21,940	21,940
7.00% due 2031	—	327,500
5.30% due 2031	108,600	—
5.30% due 2031	18,900	—
2.65% due 2031 and putable 2006	100,000	—
Variable due 2031, 1.92% at December 31, 2004	100,000	—
Variable due 2032, 1.67% at December 31, 2004	14,500	14,500
Variable due 2032, 1.85% at December 31, 2004	10,000	10,000
	387,428	387,428
Unamortized debt discount (a)	(9)	(2,824)
Long-term debt due within one year	(65,000)	—
Long-term debt, net	\$487,419	\$549,604

(a) We amortize debt discount over the term of the respective issue.

## [Table of Contents](#)

### Debt Covenants

Some of Westar Energy's debt instruments contain restrictions that require it to maintain various coverage and leverage ratios as defined in the agreements. Westar Energy calculates these ratios in accordance with its credit agreements. These ratios are used solely to determine compliance with its various debt covenants. Westar Energy was in compliance with these covenants at December 31, 2004.

### Maturities

Maturities of long-term debt at December 31, 2004 are as follows.

<u>Year</u>	<u>Principal Amount</u>
	(In Thousands)
2005	\$ 65,000
2006	100,000
Thereafter	387,419
	<u>\$ 552,419</u>

Our interest expense on long-term debt was \$29.6 million in 2004, \$46.5 million in 2003 and \$46.8 million in 2002.

## 10. EMPLOYEE BENEFIT PLANS

### Pension and Post-retirement Benefits

The WCNOG pension plan expense and liabilities are measured using assumptions, which include discount rates, compensation rates and past and future estimated plan asset returns. Due to a decrease in interest rates and a corresponding decrease in the discount rates used to estimate pension liabilities, the fair value of WCNOG's pension plan assets was less than the accumulated benefit obligation at the measurement dates. On March 29, 2004, the Federal Energy Regulatory Commission (FERC) issued guidance allowing an entity to recognize the amount of the minimum pension liability otherwise chargeable to other comprehensive income as a regulatory asset. On January 13, 2005, we received an accounting authority order from the KCC to recognize as a regulatory asset the additional minimum pension liability that otherwise would have been charged to other comprehensive income. At December 31, 2004, our share of WCNOG's additional minimum pension liability adjustment was \$3.1 million, offset by an intangible asset of \$0.6 million and a regulatory asset of \$2.5 million. At December 31, 2003, our share of WCNOG's additional minimum pension liability was immaterial.

## [Table of Contents](#)

As a co-owner of WCNOG, we are indirectly responsible for 47% of the liabilities and expenses associated with the WCNOG pension and post-retirement plans. We accrue our 47% of the WCNOG cost of pension and post-retirement benefits during the years an employee provides service. Our 47% share is included in the tables that follow.

	Pension Benefits		Post-retirement Benefits	
	2004	2003	2004	2003
<b>At December 31,</b>				
(In Thousands)				
<b>Change in Benefit Obligation:</b>				
Benefit obligation, beginning of year	\$ 49,927	\$ 44,519	\$ 5,455	\$ 4,857
Service cost	2,572	2,545	235	218
Interest cost	3,295	2,928	356	289
Plan participants' contributions	—	—	147	111
Benefits paid	(849)	(729)	(416)	(349)
Actuarial losses	4,223	664	325	329
<b>Benefit obligation, end of year</b>	<b>\$ 59,168</b>	<b>\$ 49,927</b>	<b>\$ 6,102</b>	<b>\$ 5,455</b>
<b>Change in Plan Assets:</b>				
Fair value of plan assets, beginning of year	\$ 26,799	\$ 22,276	\$ N/A	\$ N/A
Actual return on plan assets	2,551	2,622	N/A	N/A
Employer contribution	3,810	2,459	N/A	N/A
Benefits paid	(669)	(558)	N/A	N/A
<b>Fair value of plan assets, end of year</b>	<b>\$ 32,491</b>	<b>\$ 26,799</b>	<b>\$ N/A</b>	<b>\$ N/A</b>
<b>Funded status</b>	<b>\$(26,677)</b>	<b>\$(23,128)</b>	<b>\$ (6,102)</b>	<b>\$ (5,455)</b>
Unrecognized net loss	15,239	11,589	2,211	2,028
Unrecognized transition obligation, net	398	455	461	519
Unrecognized prior service cost	220	252	—	—
Post-measurement date adjustments	740	441	—	—
<b>Accrued post-retirement benefit costs</b>	<b>\$(10,080)</b>	<b>\$(10,391)</b>	<b>\$ (3,430)</b>	<b>\$ (2,908)</b>
<b>Amounts Recognized in the Balance Sheets Consist Of:</b>				
Accrued benefit liability	\$(10,080)	\$(10,391)	\$ (3,430)	\$ (2,908)
Additional minimum liability	(3,144)	(66)	N/A	N/A
Intangible asset	618	35	N/A	N/A
Other comprehensive income (a)	—	31	N/A	N/A
Regulatory asset (a)	2,526	—	N/A	N/A
<b>Net amount recognized</b>	<b>\$(10,080)</b>	<b>\$(10,391)</b>	<b>\$ (3,430)</b>	<b>\$ (2,908)</b>

- (a) On March 29, 2004, FERC issued guidance allowing an entity to recognize the amount of the minimum pension liability otherwise chargeable to other comprehensive income as a regulatory asset. On January 13, 2005, we received an accounting authority order from the KCC to record the other comprehensive income related to pension benefit obligation costs as a regulatory asset.

[Table of Contents](#)

	Pension Benefits		Post-retirement Benefits	
	2004	2003	2004	2003
<b>At December 31,</b>				
(Dollars in Thousands)				
Accumulated Benefit Obligation	\$46,455	\$37,037	\$ N/A	\$ N/A
Pension Plans With a Projected Benefit Obligation In Excess of Plan Assets:				
Projected benefit obligation	\$59,168	\$49,927	N/A	N/A
Accumulated benefit obligation	46,455	37,037	N/A	N/A
Fair value of plan assets	32,491	26,799	N/A	N/A
Pension Plans With an Accumulated Benefit Obligation In Excess of Plan Assets:				
Projected benefit obligation	\$59,168	\$49,927	N/A	N/A
Accumulated benefit obligation	46,455	37,037	N/A	N/A
Fair value of plan assets	32,491	26,799	N/A	N/A
Post-retirement Plans With an Accumulated Post-retirement Benefit Obligation In Excess of Plan Assets:				
Accumulated post-retirement benefit obligation	N/A	N/A	\$ 6,060	\$ 5,455
Fair value of plan assets	N/A	N/A	N/A	N/A
Weighted-Average Actuarial Assumptions used to Determine Net Periodic Benefit Obligation:				
Discount rate	6.00%	6.20%	6.00%	6.20%
Compensation rate increase	3.00%	3.20%	N/A	N/A

WCNOC uses a measurement date of December 1 for the majority of its pension and post-retirement benefit plans.

The prior service cost is amortized on a straight-line basis over the average future service of the active plan participants benefiting under the plan at the time of the amendment. The net actuarial loss subject to amortization is amortized on a straight-line basis over the average future service of active plan participants benefiting under the plan, without application of the amortization corridor described in SFAS Nos. 87 and 106.

	Pension Benefits			Post-retirement Benefits		
	2004	2003	2002	2004	2003	2002
<b>For the Year Ended December 31,</b>						
(Dollars in Thousands)						
Components of Net Periodic Cost:						
Service cost	\$ 2,572	\$ 2,545	\$ 2,207	\$ 235	\$ 218	\$ 166
Interest cost	3,295	2,928	2,613	356	289	272
Expected return on plan assets	(2,780)	(2,464)	(2,469)	—	—	—
Amortization of unrecognized:						
Transition obligation, net	57	57	57	58	58	57
Prior service costs	31	31	27	—	—	—
Loss, net	802	603	21	141	99	73
Curtailments, settlements and special term benefits	—	—	284	—	—	—
Net periodic cost	\$ 3,977	\$ 3,700	\$ 2,740	\$ 790	\$ 664	\$ 568
Weighted-Average Actuarial Assumptions used to Determine Net Periodic Cost:						
Discount rate	6.20%	6.75%	7.25%	6.10%	6.50%	7.25%
Expected long-term return on plan assets	9.00%	9.00%	9.02%	8.50%	N/A	N/A
Compensation rate increase	3.20%	Graded rates	Graded rates	N/A	N/A	N/A

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



[Table of Contents](#)

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

	At December 31,	
	2004	2003
Health care cost trend rate assumed for next year	8.5%	9.0%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.0%	5.0%
Year that the rate reaches the ultimate trend rate	2012	2012

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

	One-Percentage-Point Increase	One-Percentage-Point Decrease
	(In Thousands)	
Effect on total of service and interest cost	\$ 3	\$ (3)
Effect on the present value of the accumulated projected benefit obligation	46	(45)

The asset allocation for the pension plans at the end of 2004 and 2003, and the target allocation for 2005, by asset category are as shown in the following table.

Asset Category	Target Allocation for 2005	Plan Assets	
		2004	2003
Pension Plans:			
Equity securities	50% - 70%	65%	66%
Debt securities	30% - 50%	28%	33%
Other	0%	7%	1%
Total		100%	100%

WCNOC's pension plan investment strategy supports the objective of the fund, which is to earn the highest possible return on plan assets consistent with a reasonable and prudent level of risk. Investments are diversified across classes, sectors and manager style to minimize the risk of large losses. WCNOC delegates investment management to specialists in each asset class and where appropriate, provides the investment manager with specific guidelines, which include allowable and/or prohibited investment types. Investment risk is measured and monitored on an ongoing basis through quarterly investment portfolio reviews.

[Table of Contents](#)

Expected cash flows

	Pension Benefits		Post-Retirement Benefits	
	To/(From) Trust	To/(From) Company Assets	To/(From) Trust	To/(From) Company Assets
(In Thousands)				
Expected contributions:				
2005	\$ 4,700	\$ 200	\$ N/A	\$ 300
Expected benefit payments:				
2005	\$ (800)	\$ (200)	\$ N/A	\$ (300)
2006	(900)	(200)	N/A	(300)
2007	(1,100)	(200)	N/A	(300)
2008	(1,400)	(200)	N/A	(400)
2009	(1,600)	(200)	N/A	(400)
2010 – 2014	(13,800)	(900)	N/A	(2,600)

Savings Plan

WCNOC maintains a qualified 401(k) savings plan in which most of its employees participate. They match employees' contributions in cash up to specified maximum limits. WCNOC's contribution to the plan is deposited with a trustee and is invested at the direction of plan participants into one or more of the investment alternatives provided under the plan. Our portion of expense associated with WCNOC's matching contributions was \$0.8 million for 2004, \$0.9 million for 2003 and \$0.8 million for 2002.

11. INCOME TAXES

Income tax expense (benefit) is composed of the following components at December 31.

	2004	2003	2002
(In Thousands)			
Current income taxes:			
Federal	\$ 42,178	\$ 18,074	\$ (1,994)
State	5,782	4,460	(404)
Deferred income taxes:			
Federal	(10,282)	4,921	16,325
State	(1,076)	1,486	4,284
Investment tax credit amortization	(2,044)	(1,938)	(2,132)
Total income tax expense	\$ 34,558	\$ 27,003	\$ 16,079

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

	December 31,	
	2004	2003
(In Thousands)		
Current deferred tax assets, net	\$ 544	\$ 2,956
Non-current deferred tax liabilities, net	656,838	684,965
Net deferred tax liabilities	\$ 656,294	\$ 682,009

[Table of Contents](#)

Temporary differences related to deferred tax assets and deferred tax liabilities are summarized in the following table.

	December 31,	
	2004	2003
	(In Thousands)	
<b>Deferred tax assets:</b>		
Deferred gain on sale-leaseback	\$ 61,241	\$ 66,448
Disallowed plant costs	13,484	14,527
General business credit carryforward (a)	10,746	7,602
Accrued liabilities	4,920	4,956
Other	25,321	25,618
<b>Total deferred tax assets</b>	<b>\$ 115,712</b>	<b>\$ 119,151</b>
<b>Deferred tax liabilities:</b>		
Accelerated depreciation	\$377,454	\$384,612
Acquisition premium	242,585	250,583
Amounts due from customers for future income taxes, net	144,817	155,800
Other	7,150	10,165
<b>Total deferred tax liabilities</b>	<b>\$772,006</b>	<b>\$801,160</b>
<b>Net deferred tax liabilities</b>	<b>\$656,294</b>	<b>\$682,009</b>

- (a) Balance represents unutilized tax credits generated from affordable housing partnerships in which we sold the majority of our interests in 2001. These credits expire beginning 2019 through 2024.

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

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

	For the Year Ended December 31,		
	2004	2003	2002
Statutory federal income tax rate	35.0%	35.0%	35.0%
Effect of:			
State income taxes	3.9	4.1	3.2
Amortization of investment tax credits	(1.8)	(2.1)	(2.8)
Corporate-owned life insurance policies	(10.4)	(13.3)	(16.5)
Accelerated depreciation flow through and amortization	3.6	5.3	2.0
Change in provision for accrued taxes	2.5	—	—
Other	(2.9)	(0.2)	0.4
<b>Effective income tax rate</b>	<b>29.9%</b>	<b>28.8%</b>	<b>21.3%</b>

We are a member of Westar Energy's consolidated tax group. We file consolidated tax returns with Westar Energy. Westar Energy allocates to us our pro rata portion of consolidated income taxes based on our contribution to consolidated taxable income.

## [Table of Contents](#)

As of December 31, 2004, we had recorded reserves for uncertain tax positions, including interest, of \$2.9 million. Tax reserves are established for tax deductions or income positions taken in prior income tax returns that we believe were treated properly on the tax returns but may be challenged if such tax returns are audited. The tax returns containing these tax deductions or income positions are currently under audit or will likely be audited. The timing of the resolution of these audits is uncertain. If the positions taken on the returns are ultimately sustained, we will reverse these tax provisions to income. If the positions taken on the tax returns are not ultimately sustained, we may be required to make cash payments plus interest. We also have a tax reserve of \$0.5 million (after-tax) for property and sales tax assessments by various state and local taxing authorities.

## 12. COMMITMENTS AND CONTINGENCIES

### Purchase Orders and Contracts

As part of our ongoing operations and construction program, we have purchase orders and contracts, excluding fuel, which is discussed below under “ — Fuel Commitments,” that have an unexpended balance of approximately \$22.0 million at December 31, 2004, all of which has been committed. These commitments relate to purchase obligations issued and outstanding at year-end.

The yearly detail of the aggregate amount of required payments at December 31, 2004 was as follows.

	<b>Committed Amount</b>
	<b>(In Thousands)</b>
2005	\$ 15,982
2006	3,630
2007	2,344
	<hr/>
	\$ 21,956

### Clean Air Act

Generally, we must comply with the Clean Air Act, state laws and implementing regulations that impose, among other things, limitations on major pollutants, including sulfur dioxide (SO<sub>2</sub>), particulate matter and nitrogen oxides (NO<sub>x</sub>). In addition, we must comply with the provisions of the Clean Air Act Amendments of 1990 that require a two-phase reduction in some emissions. We have installed continuous monitoring and reporting equipment in order to meet the acid rain requirements. We have not had to make any material capital expenditures to meet Phase II SO<sub>2</sub> and NO<sub>x</sub> requirements.

### EPA New Source Review

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

The EPA has requested information from Westar Energy under Section 114 regarding projects and maintenance activities that have been conducted since 1980 at the three coal-fired plants it operates. On January 22, 2004, the EPA notified Westar Energy that certain projects completed at Jeffrey Energy Center violated pre-construction permitting requirements of the Clean Air Act.

## [Table of Contents](#)

Westar Energy is in discussions with the EPA concerning this matter in an attempt to reach a settlement. Westar Energy expects that any settlement with the EPA could require Westar Energy to update or install emissions controls at Jeffrey Energy Center over an agreed upon number of years. Additionally, Westar Energy might be required to update or install emissions controls at its other coal-fired plants, pay fines or penalties, or take other remedial action. Together, these costs could be material. The EPA informed Westar Energy that it has referred this matter to the Department of Justice (DOJ) for the DOJ to consider whether to pursue an enforcement action in federal district court. We believe that costs related to updating or installing emissions controls would qualify for recovery through rates. If Westar Energy were to reach a settlement with the EPA, Westar Energy may be assessed a penalty. The penalty could be material and may not be recovered in rates. We anticipate that a portion of any of these potential costs would be allocated to us.

### **Manufactured Gas Sites**

We have been associated with three former manufactured gas sites located in Kansas that may contain coal tar and other potentially harmful materials. We and the Kansas Department of Health and Environment entered into a consent agreement in 1994 governing all future work at these sites. Through December 31, 2004, the costs incurred for preliminary site investigation and risk assessment have been minimal.

### **Nuclear Decommissioning**

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

We expense nuclear decommissioning costs over the expected life of Wolf Creek. The amount we expense is based on an estimate of nuclear decommissioning costs that we will incur upon retirement of the plant. Nuclear decommissioning costs that are recovered in rates are deposited in an external trust fund. In 2004, we expensed approximately \$3.9 million for nuclear decommissioning. We record our investment in the nuclear decommissioning fund at fair value. Fair value approximated \$91.1 million at December 31, 2004 and \$80.1 million at December 31, 2003.

The KCC reviews nuclear decommissioning plans in two phases. Phase one is the approval of the nuclear decommissioning study, the current-year funding and future funding. Phase two is the filing of a "funding schedule" by the owner of the nuclear facility detailing how it plans to fund the future-year dollar amount for the pro rata share of the plant.

We filed an updated nuclear decommissioning and dismantlement cost estimate with the KCC on August 30, 2002. Estimated costs outlined by this study were developed to decommission Wolf Creek following a shutdown. The analyses relied on site-specific, technical information, updated to reflect current plant conditions and operating assumptions. Based on this study, our share of Wolf Creek's nuclear decommissioning costs, under the immediate dismantlement method, is estimated to be approximately \$220.0 million in 2002 dollars. These costs include decontamination, dismantling and site restoration and are not inflated, escalated, or discounted over the period of expenditure. The actual nuclear decommissioning costs may vary from the estimates because of changes in technology and changes in costs for labor, materials and equipment.

The KCC issued an order on April 16, 2003 approving the August 2002 nuclear decommissioning study for Wolf Creek. On June 2, 2003, we filed a funding schedule with the KCC to reflect the KCC's April 16, 2003 order. On October 10, 2003, the KCC approved the funding schedule as filed without any change to our funding obligation.

We charge nuclear decommissioning costs to operating expense in accordance with the July 25, 2001 KCC rate order as modified by the KCC's approval of the funding schedule in the KCC's October 13, 2003 order. Electric

## [Table of Contents](#)

rates charged to customers provide for recovery of these nuclear decommissioning costs over the life of Wolf Creek, which, as determined by the KCC for purposes of the funding schedule, will be through 2045. The NRC requires that funds to meet its nuclear decommissioning funding assurance requirement be in our nuclear decommissioning fund by the time our license expires in 2025. We believe that the KCC approved funding level will be sufficient to meet the NRC minimum financial assurance requirement. However, our consolidated results of operations would be materially adversely affected if we are not allowed to recover the full amount of the funding requirement.

### **Storage of Spent Nuclear Fuel**

Under the Nuclear Waste Policy Act of 1982, the Department of Energy (DOE) is responsible for the permanent disposal of spent nuclear fuel. As required by federal law, the WCNOOC co-owners entered into a standard contract with the DOE in 1984 in which the DOE promised to begin accepting from commercial nuclear power plants their used nuclear fuel for disposal beginning in early 1998. In return, Wolf Creek pays into a federal Nuclear Waste Fund administered by the DOE a quarterly fee for the future disposal of spent nuclear fuel. The fee is one-tenth of a cent for each kilowatt-hour of net nuclear generation produced. We include these disposal costs in operating expenses.

A permanent disposal site will not be available for the nuclear industry until 2012 or later. Under current DOE policy, once a permanent site is available, the DOE will accept spent nuclear fuel on a priority basis. The owners of the oldest spent fuel will be given the highest priority. As a result, disposal services for Wolf Creek will not be available prior to 2018. Wolf Creek has on-site temporary storage for spent nuclear fuel. In early 2000, Wolf Creek completed replacement of spent fuel storage racks to increase its on-site storage capacity for all spent fuel expected to be generated by Wolf Creek through the end of its licensed life in 2025.

In 2002, the Yucca Mountain site in Nevada was approved for the development of a nuclear waste repository for the disposal of spent nuclear fuel and high level nuclear waste from the nation's defense activities. This action allows the DOE to apply to the NRC to license the project. The DOE expects that this facility will open in 2012. However, the opening of the Yucca Mountain site has been delayed many times and could be delayed further due to litigation and other issues related to the site as a permanent repository for spent nuclear fuel.

### **Nuclear Insurance**

We maintain nuclear insurance for Wolf Creek in four areas: liability, worker radiation, property and accidental outage. These policies contain certain industry standard exclusions, including, but not limited to, ordinary wear and tear and war. Both the nuclear liability and property insurance programs subscribed to by members of the nuclear power generating industry include industry aggregate limits for non-certified acts, as defined by the Terrorism Risk Insurance Act, of terrorism-related losses, including replacement power costs. An industry aggregate limit of \$300.0 million exists for liability claims, regardless of the number of non-certified acts affecting Wolf Creek or any other nuclear energy liability policy or the number of policies in place. An industry aggregate limit of \$3.24 billion plus any reinsurance recoverable by Nuclear Electric Insurance Limited (NEIL), our insurance provider, exists for property claims, including accidental outage power costs for acts of terrorism affecting Wolf Creek or any other nuclear energy facility property policy within twelve months from the date of the first act. These limits are the maximum amount to be paid to members who sustain losses or damages from these types of terrorist acts. For certified acts of terrorism, the individual policy limits apply. In addition, industry-wide retrospective assessment programs (discussed below) can apply once these insurance programs have been exhausted.

### **Nuclear Liability Insurance**

Pursuant to the Price-Anderson Act, we are required to insure against public liability claims resulting from nuclear incidents to the full limit of public liability, which is currently approximately \$10.8 billion. This limit of liability consists of the maximum available commercial insurance of \$300.0 million, and the remaining \$10.5 billion is provided through mandatory participation in an industry-wide retrospective assessment program. Under this retrospective assessment program, we can be assessed up to \$100.6 million per incident at any commercial reactor in the country, payable at no more than \$10.0 million per incident per year. This assessment is subject to an inflation adjustment based on the Consumer Price Index and applicable premium taxes. This assessment

## [Table of Contents](#)

also applies in excess of our worker radiation claims insurance. In addition, Congress could impose additional revenue-raising measures to pay claims. If the \$10.8 billion liability limitation is insufficient, Congress will consider taking whatever action is necessary to compensate the public for valid claims.

The Price-Anderson Act expired in August 2002 but was extended until December 31, 2003 for Licensees. Licensees such as Wolf Creek continue to be grandfathered under the Act. The current version of a comprehensive energy bill expected to be adopted in 2005 by Congress contains provisions that would amend Federal Law (the "Price-Anderson Act") addressing public liability from nuclear energy hazards in ways that would increase the annual limit on retrospective assessments from \$10.0 million to \$15.0 million per reactor per incident.

### **Nuclear Property Insurance**

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

### **Accidental Nuclear Outage Insurance**

The owners also carry additional insurance with NEIL to cover costs of replacement power and other extra expenses incurred during a prolonged outage resulting from accidental property damage at Wolf Creek. If significant losses were incurred at any of the nuclear plants insured under the NEIL policies, we may be subject to retrospective assessments under the current policies of approximately \$26.0 million (our share is \$12.2 million).

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

### **Fuel Commitments**

To supply a portion of the fuel requirements for our generating plants, we have entered into various commitments to obtain nuclear fuel and coal. Some of these contracts contain provisions for price escalation and minimum purchase commitments. At December 31, 2004, our share of WCNO's nuclear fuel commitments were approximately \$13.5 million for uranium concentrates expiring in 2007, \$1.7 million for conversion expiring in 2007, \$8.6 million for enrichment expiring at various times through 2006 and \$52.4 million for fabrication through 2024.

At December 31, 2004, our coal and coal transportation contract commitments in 2004 dollars under the remaining terms of the contracts were approximately \$354.5 million. The largest contract expires in 2020, with the remaining contracts expiring at various times through 2013.

At December 31, 2004, our natural gas transportation commitments in 2004 dollars under the remaining terms of the contracts were approximately \$1.1 million. The natural gas transportation contracts provide firm service to several of our natural gas burning facilities and expire at various times through 2016.

### **Energy Act**

As part of the 1992 Energy Policy Act, a special assessment is being collected from utilities for a uranium enrichment decontamination and nuclear decommissioning fund. Our portion of the assessment, including carrying costs, for Wolf Creek is approximately \$11.1 million, adjusted for inflation. To date, we have paid approximately \$9.7 million, with the estimated remainder payable over the next two years. We recover such costs from prices we charge our customers.

### 13. ASSET RETIREMENT OBLIGATIONS

In January 2003, we adopted SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 requires recognition of legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development or normal operation of such assets. Concurrent with the recognition of the liability, the estimated cost of an asset retirement obligation is capitalized and depreciated over the remaining life of the asset. Any income effects are offset by regulatory accounting pursuant to SFAS No. 71.

#### Legal Liability - Wolf Creek

On January 1, 2003, we recognized the liability for our 47% share of the estimated cost to decommission Wolf Creek. SFAS No. 143 requires the recognition of the present value of the asset retirement obligation we incurred at the time Wolf Creek was placed into service in 1985. On January 1, 2003, we recorded an asset retirement obligation of \$74.7 million. In addition, we increased our property and equipment balance, net of accumulated depreciation, by \$10.7 million. We also established a regulatory asset for \$64.0 million, which represents the accretion of the liability since 1985 and the increased depreciation expense associated with the increase in plant. The asset retirement obligation is included on our consolidated balance sheets in other long-term liabilities. Currently, we recover costs to retire Wolf Creek through rates as provided by the KCC.

The following table is a reconciliation of the legal asset retirement obligation related to the nuclear decommissioning of WCNO, which is included on our consolidated balance sheets in other long-term liabilities.

	As of December 31, 2004
	(In Thousands)
Beginning asset retirement obligation	\$ 80,695
Accretion expense	6,423
Ending asset retirement obligation	\$ 87,118

#### Non-legal Liability - Cost of Removal

We have recovered amounts in rates to provide for recovery of the probable costs of removing utility plant assets, but which do not represent legal retirement obligations. At December 31, 2004, we had \$2.6 million in removal costs classified as a regulatory liability. At December 31, 2003, we had \$2.1 million in removal costs classified as a regulatory asset. The net amount related to non-legal retirement costs can fluctuate based on amounts related to removal costs recovered compared to removal costs incurred.

### 14. LEGAL PROCEEDINGS

We are involved in various legal, environmental and regulatory proceedings. We believe that adequate provisions have been made and accordingly believe that the ultimate disposition of such matters will not have a material adverse effect on our consolidated financial position or results of operations. See also Notes 3, 12, and 15 for discussion of KCC regulatory proceedings, alleged violations of the Clean Air Act and an investigation by FERC.



**15. ONGOING INVESTIGATIONS****FERC Subpoena**

On December 16, 2002, Westar Energy received a subpoena from FERC seeking details on power trades with Cleco Corporation and its affiliates, documents concerning power transactions between our system and our marketing operations and information on power trades in which we or other trading companies acted as intermediaries. Westar Energy has provided information to FERC in response to the original subpoena, subsequent requests submitted through its counsel and additional subpoenas received July 28, 2003 and October 27, 2003 seeking information about compliance with FERC codes of conduct applicable to generation and transmission activities. Westar Energy believes that our participation in these transactions and the conduct of its generation and transmission operations did not violate FERC rules and regulations. However, Westar Energy is unable to predict the ultimate outcome of the investigation.

**16. OPERATING LEASES**

We lease office buildings, computer equipment, vehicles, railcars and other property and equipment with various terms and expiration dates ranging from 1 to 15 years. We have the right at the expiration of the basic lease terms to renew several leases, including the LaCygne 2 lease, static var equipment lease, and several railcar leases. We also have the right to purchase the equipment or assets at the expiration of the basic lease term or any renewal term at a price equal to the fair market value of the equipment if certain notification requirements are met.

In determining lease expense, we recognize the effects of scheduled rent increases on a straight-line basis over the minimum lease term. The rental expense associated with the LaCygne 2 operating lease includes an offset for the amortization of the deferred gain on the sale-leaseback. The rental expense and estimated commitments are as follows for the LaCygne 2 lease and other operating leases.

<u>Year Ended December 31,</u>	<u>LaCygne 2 Lease (a)</u>	<u>Total Operating Leases</u>
	(In Thousands)	
Rental expense:		
2002	\$ 28,895	\$ 38,316
2003	28,895	34,199
2004	28,895	32,071
Future commitments:		
2005	\$ 38,013	\$ 41,418
2006	42,287	45,785
2007	78,268	80,749
2008	12,609	15,031
2009	42,287	44,596
Thereafter	289,154	339,865
Total future commitments	<u>\$502,618</u>	<u>\$567,444</u>

(a) The LaCygne 2 lease amounts are included in the total operating leases column above.

In 1987, we sold and leased back our 50% undivided interest in the LaCygne 2 generating unit. The LaCygne 2 lease has an initial term of 29 years, with various options to renew the lease or repurchase the 50% undivided interest. We remain responsible for our share of operating and maintenance costs and other related operating costs of LaCygne 2. The lease is an operating lease for financial reporting purposes. We recognized a gain on the sale, which was deferred and is being amortized over the lease term. The increase in payments in 2006 and 2007 represents a change in accordance with the terms of the lease from the lease payments being made in arrears to the lease payments being made in advance and are included on a straight-line basis over the minimum lease term when determining lease expense.

## 17. RELATED PARTY TRANSACTIONS

Our cash management function, including cash receipts and disbursements, is performed by Westar Energy. An intercompany account is used to record receipts and disbursements between Westar Energy and us. The net amount payable to affiliates was approximately \$91.5 million at December 31, 2004 and approximately \$81.4 million at December 31, 2003 as reflected on our consolidated balance sheets.

Westar Energy provides all employees we use. Certain operating expenses have been allocated to us from Westar Energy. These expenses are allocated, depending on the nature of the expense, based on allocation studies, net investment, number of customers and/or other appropriate factors. We believe such allocation procedures are reasonable.

We declared and paid dividends of \$75.0 million to Westar Energy for the year ended December 31, 2004 and \$100.0 million for the year ended December 31, 2003. There were no dividends declared or paid in 2002.

### Termination of Shared Services Agreement

Westar Energy previously maintained shared services agreements with ONEOK, Inc. (ONEOK) pursuant to which Westar Energy and ONEOK provide customer service functions to each other, including meter reading, customer billing and call center operations. ONEOK terminated portions of this shared services agreement in September 2004, including electric service orders, call center functions, bill processing and remittance processing. In addition to joint meter reading, Westar Energy and ONEOK plan to continue to share some facilities and a mobile communications system.

## 18. QUARTERLY RESULTS (UNAUDITED)

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

	<u>First</u>	<u>Second</u>	<u>Third</u>	<u>Fourth</u>
	(In Thousands)			
<u>2004</u>				
Sales	\$ 162,091	\$ 180,335	\$ 202,209	\$ 170,304
Income from operations	11,591	42,970	50,445	32,367
Net income	2,945	26,923	33,948	17,412
<u>2003</u>				
Sales	\$ 172,670	\$ 172,165	\$ 207,261	\$ 157,558
Income from operations	36,364	34,988	58,069	19,250
Net income	17,024	15,984	28,923	4,696

## 19. SUBSEQUENT EVENT – Ice Storm

On January 4 and 5, 2005, substantially all of our service territory experienced a severe ice storm. The storm interrupted electric service in a large portion of our service territory and damaged a significant portion of our electric distribution system. We estimate that we will incur \$31.0 million to \$35.0 million of system restoration costs. Of this amount, we expect \$5.5 million to \$7.5 million to be accounted for as capital expenditures and we expect the balance related to maintenance expenditures to be accounted for as a regulatory asset. On February 3, 2005, we filed an application for an accounting authority order with the KCC requesting that we be allowed to accumulate and defer for future recovery maintenance costs related to system restoration. We can provide no assurance that the KCC will approve our application, however, in the past the KCC has approved similar requests.

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

**ITEM 9A. CONTROLS AND PROCEDURES**

We are a wholly owned subsidiary of Westar Energy and all evaluations of our controls and procedures were conducted in conjunction with those undertaken by Westar Energy. Under the supervision and with the participation of Westar Energy's management, including our president and our principal financial and accounting officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934. These controls and procedures are designed to ensure that material information relating to the company and its subsidiaries is communicated to the chief executive officer and the chief financial officer. Based on that evaluation, our president and our principal financial and accounting officer concluded that, at December 31, 2004, our disclosure controls and procedures are effective to ensure that information required to be disclosed by us 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.

There were no changes in our internal control over financial reporting during the fourth quarter ended December 31, 2004, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**ITEM 9B. OTHER INFORMATION**

None.

**PART III**

**ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT**

Information required by Item 10 is omitted pursuant to General Instruction I(2)(c) to Form 10-K.

**ITEM 11. EXECUTIVE COMPENSATION**

Information required by Item 11 is omitted pursuant to General Instruction I(2)(c) to Form 10-K.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

Information required by Item 12 is omitted pursuant to General Instruction I(2)(c) to Form 10-K.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

Information required by Item 13 is omitted pursuant to General Instruction I(2)(c) to Form 10-K.

**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

**Independent Auditor Fees**

The aggregate fees billed by our principal accounting firm, Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu, and their respective affiliates (collectively, "Deloitte & Touche") for services provided for fiscal years ended December 31, 2004 and 2003 are as follows.

	<u>2004</u>	<u>2003</u>
Audit fees	\$365,762	\$220,000

**Audit Committee Pre-Approval Policies and Procedures**

Westar Energy's Audit Committee charter provides that the Audit Committee will pre-approve audit services and non-audit services to be provided by our independent auditors before the accountant is engaged to render these services. Westar Energy's Audit Committee may consult with management in the decision-making process, but may not delegate this authority to management. Westar Energy's Audit Committee may delegate its authority to pre-approve services to one or more committee members, provided that the designees present the pre-approvals to the full committee at the next committee meeting.

Westar Energy's Audit Committee has authorized the Chairman of the Audit Committee to pre-approve the retention of an independent auditor for audit-related and permitted non-audit services not contemplated by the engagement letter for the annual audit, provided that: (a) these services are approved no more than thirty days in advance of the auditor commencing work; (b) the fees to be paid to the auditor for services related to any single engagement do not exceed \$25,000; (c) the aggregate fees to be paid to the auditor for services in any calendar year do not exceed \$100,000; and (d) the Chairman advises the Audit Committee of the pre-approval of the services at the next meeting of the Audit Committee following the approval.

**PART IV**

**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

**FINANCIAL STATEMENTS INCLUDED HEREIN**

**Kansas Gas and Electric Company**

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets, as of December 31, 2004 and 2003

Consolidated Statements of Income and Comprehensive Income, for the years ended December 31, 2004, 2003 and 2002

Consolidated Statements of Cash Flows, for the years ended December 31, 2004, 2003 and 2002

Consolidated Statements of Shareholder's Equity, for the years ended December 31, 2004, 2003 and 2002

Notes to Consolidated Financial Statements

**SCHEDULES**

Schedule II – Valuation and Qualifying Accounts

Schedules omitted as not applicable or not required under the Rules of Regulation S-X: I, III, IV, and V

**EXHIBIT INDEX**

All exhibits marked "I" are incorporated herein by reference. All exhibits marked by an asterisk are management contracts or compensatory plans or arrangements required to be identified by Item 14(a)(3) of Form 10-K.

Description

- 3(a) -Articles of Incorporation (Filed as Exhibit 3(a) to Form 10-K for the year ended December 31, 1992, File No. 1-7324) I
- 3(b) -Certificate of Merger of Kansas Gas and Electric Company into KCA Corporation (Filed as Exhibit 3(b) to Form 10-K for the year ended December 31, 1992, File No. 1-7324) I
- 3(c) -By-laws as amended (Filed as Exhibit 3(c) to Form 10-K for the year ended December 31, 1992, File No. 1-7324) I
- 4(c) -Mortgage and Deed of Trust, dated as of April 1, 1940 to Guaranty Trust Company of New York (now Morgan Guaranty Trust Company of New York) and Henry A. Theis (to whom W. A. Spooner is successor), Trustees, as supplemented by forty-three Supplemental Indentures, dated as of June 1, 1942, March 1, 1948, December 1, 1949, June 1, 1952, October 1, 1953, March 1, 1955, February 1, 1956, January 1, 1961, May 1, 1966, March 1, 1970, May 1, 1971, March 1, 1972, May 31, 1973, July 1, 1975, December 1, 1975, September 1, 1976, March 1, 1977, May 1, 1977, August 1, 1977, March 15, 1978, January 1, 1979, April 1, 1980, July 1, 1980, August 1, 1980, June 1, 1981, December 1, 1981, May 1, 1982, March 15, 1984, September 1, 1984 (Twenty-ninth and Thirtieth), February 1, 1985, April 15, 1986, June 1, 1991, March 31, 1992, December 17, 1992, August 24, 1993, January 15, 1994, March 1, 1994, April 15, 1994 and June 28, 2000, (Filed, respectively, as Exhibit A-1 to Form U-1, File No. 70-23; Exhibits 7(b) and 7(c), File No. 2-7405; Exhibit 7(d), File No. 2-8242; Exhibit 4(c), File No. 2-9626; Exhibit 4(c), File No. 2-10465; Exhibit 4(c), File No. 2-12228; Exhibit 4(c), File No. 2-15851; Exhibit 2(b)-1, File No. 2-24680; Exhibit 2(c), File No. 2-36170; Exhibits 2(c) and 2(d), File No. 2-39975; Exhibit 2(d), File No. 2-43053; Exhibit 4(c)2 to Form 10-K, for December 31, 1989, File No. 1-7324; Exhibit 2(c), File No. 2-53765; Exhibit 2(e), File No. 2-55488; Exhibit 2(c), File No. 2-57013; Exhibit 2(c), File No. 2-58180; Exhibit 4(c)3 to Form 10-K for December 31, 1989, File No. 1-7324; Exhibit 2(e), File No. 2-60089; Exhibit 2(c), File No. 2-60777; Exhibit 2(g), File No. 2-64521; Exhibit 2(h), File No. 2-66758; Exhibits 2(d) and 2(e), File No. 2-69620; Exhibits 4(d) and 4(e), File No. 2-75634; Exhibit 4(d), File No. 2-78944; Exhibit 4(d), File No. 2-87532; Exhibits 4(c)4, 4(c)5 and 4(c)6 to Form 10-K for December 31, 1989, File No. 1-7324; Exhibits 4(c)2 and 4(c)3 to Form 10-K for December 31, 1992, File No. 1-7324; Exhibit 4(b) to Form S-3, File No. 33-50075; Exhibits 4(c)2 and 4(c)3 to Form 10-K for December 31, 1993, File No. 1-7324; Exhibit 4(c)2 to Form 10-K for December 31, 1994, File No. 1-7324); Exhibit 4.1 to the June 30, 2002 Form 10-Q
- 4(d) -Forty-Second Supplemental Indenture dated March 12, 2004 between Kansas Gas and Electric Company and BNY Midwest Trust Company, as Trustee (filed as an Exhibit to this Form 10-K)
- 4(e) -Forty-Third Supplemental Indenture dated June 1, 2004 between Kansas Gas and Electric Company and BNY Midwest Trust Company, as Trustee (filed as an Exhibit to this Form 10-K)
- Instruments defining the rights of holders of other long-term debt not required to be filed as exhibits will be furnished to the Commission upon request.
- 10(a) -LaCygne 2 Lease (filed as Exhibit 10(a) to Form 10-K for the year ended December 31, 1988, File No. 1-7324) I
- 10(a) -Amendment No. 3 to LaCygne 2 Lease Agreement dated as of September 29, 1992 (filed as Exhibit 10(b)1 to Form 10-K for the year ended December 31, 1992, File No. 1-7324) I
- 10(b) -Outside Directors' Deferred Compensation Plan (filed as Exhibit 10(c) to the Form 10-K for the year ended December 31, 1993, File No. 1-7324)\* I
- 12 -Computations of Ratio of Consolidated Earnings to Fixed Charges

[Table of Contents](#)

- 31(a) -Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31(b) -Certification of Principal Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32 -Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished and not to be considered filed as part of the Form 10-K)
- 99(a) -Order on Rate Applications from The Corporation Commission of the State of Kansas in the Matter of the Application of Kansas Gas and Electric Company for the Approval to Make Certain Changes in its Charges for Electric Service (Filed as Exhibit 99.1 to Form 10-Q for the quarter ended June 30, 2001) I
- 99(b) -Kansas Corporation Commission Order dated November 8, 2002 (filed as Exhibit 99.2 to Form 10-Q for the quarter ended June 30, 2002) I
- 99(c) -Kansas Corporation Commission Order dated December 23, 2002 (filed as Exhibit 99(f) to Form 10-K for the year ended December 31, 2002) I
- 99(d) -Debt Reduction Plan filed with the Kansas Corporation Commission on February 6, 2003 (filed as Exhibit 99(g) to Form 10-K for the year ended December 31, 2002) I
- 99(e) -Kansas Corporation Commission Order dated February 10, 2003 (filed as Exhibit 99(h) to Form 10-K for the year ended December 31, 2002) I
- 99(f) -Kansas Corporation Commission Order dated March 11, 2003 (filed as Exhibit 99(i) to Form 10-K for the year ended December 31, 2002) I

**KANSAS GAS AND ELECTRIC COMPANY**  
**SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS**

<u>Description</u>	<u>Balance at Beginning of Period</u>	<u>Charged to Costs and Expenses</u>	<u>Deductions</u>	<u>Balance at End of Period</u>
(In Thousands)				
<b>Year ended December 31, 2002</b>				
Allowances deducted from assets for doubtful accounts (a)	\$ 6,552	\$ 5,584	\$ (5,976)	\$ 6,160
<b>Year ended December 31, 2003</b>				
Allowances deducted from assets for doubtful accounts (a)	6,160	3,807	(4,564)	5,403
<b>Year ended December 31, 2004</b>				
Allowances deducted from assets for doubtful accounts (a)	5,403	2,581	(2,776)	5,208

(a) Deductions are primarily the result of write-offs of accounts receivable.





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KANSAS GAS AND ELECTRIC COMPANY

TO

BNY MIDWEST TRUST COMPANY  
(successor to Harris Trust and Savings Bank)

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

**FORTY- SECOND SUPPLEMENTAL INDENTURE**

Providing, among other things, for

First Mortgage Bonds, 3.5% Series Due 2007

**Dated as of March 12, 2004**

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## FORTY-SECOND SUPPLEMENTAL INDENTURE

INDENTURE, dated as of March 12, 2004, 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 120 East First Street, Wichita, Kansas 67202 (hereinafter sometimes called the "Company"), and BNY Midwest Trust Company, a corporation of the State of Illinois, whose post office address is 2 North LaSalle Street, Suite 1020, Chicago, Illinois 60602 (successor to Harris Trust and Savings Bank (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, dated as of April 1, 1940 (hereinafter called the "Mortgage"), which Mortgage was 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, reference to which Mortgage is hereby made, this Indenture (hereinafter sometimes called the "Forty-second Supplemental Indenture") being supplemental thereto;

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

which supplemental indentures are hereinafter sometimes called the Fourteenth through Forty-first 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 21 1, 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 1 177, page 0876), and as a security agreement in the Office of the 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 301, 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;

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); 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 Forty-first 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

Series	Principal Amount Issued	Principal Amount Outstanding
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	18,900,000
7.00% Series B due 2031	308,600,000	308,600,000
7.60% Series due 2003	135,000,000	None
6-1/2% Series due 2005	65,000,000	65,000,000
6.20% Series due 2006	100,000,000	100,000,000
5.10% Series due 2023	13,982,500	13,487,500
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

hereinafter sometimes called Bonds of the First through Forty-first 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 Forty-second Supplemental Indenture, and the terms of the Bonds of the 2007 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 BNY Midwest Trust Company 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 Forty-first 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 Forty-second 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 Forty-second 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 Forty-second 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 Forty-second 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

#### 2007 SERIES OF BONDS

SECTION 1. (I) There shall be a series of bonds designated 3.5% Series due 2007 (herein sometimes referred to as the "Bonds of the 2007 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, shall contain suitable provisions with respect to the matters hereinafter in this Article I specified. Bonds of the 2007 Series shall be limited to \$300,000,000 in aggregate principal amount, except as provided in Section 16 of the Mortgage, shall mature on March 12, 2007, and shall be issued as fully registered bonds in denominations of Five Thousand Dollars and in any multiple or multiples of Five Thousand Dollars. Bonds of the 2007 Series shall bear interest at the rate of three and a half percent (3.5%) per annum payable (subject to the second paragraph of Section 1(III)) on the interest payment dates for the Loans (as defined below). Every Bond of the 2007 Series shall bear interest from each interest payment

date for the Loans next preceding the date thereof, unless no interest has been paid on this Bond in which case from March 12, 2004. The principal of and interest on Bonds of the 2007 Series shall be payable at the office or agency of the Company in the Borough of Manhattan, 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. Bonds of the 2007 Series shall be dated as in Section 10 of the Mortgage provided.

(II) Bonds of the 2007 Series are redeemable prior to maturity only upon demand therefor by the Collateral Agent. To effect the redemption of Bonds of the 2007 Series, the Collateral Agent shall deliver to the Trustee (and deliver a copy thereof to the Company) a written demand (hereinafter referred to as a "Redemption Demand") for the redemption of Bonds of the 2007 Series, signed by an authorized officer and dated the date of its delivery to the Corporate Trustee, stating (i) that an Event of Default (as defined in the Collateral Agreement) has occurred and is continuing, (ii) that there are not sufficient available funds held by the Collateral Agent pursuant to the Collateral Agreement to make all payments required as a result of such Event of Default, (iii) the amount of funds, in addition to available funds held by the Collateral Agent pursuant to the Collateral Agreement, required to make such payments, and (iv) the principal amount of Bonds of the 2007 Series the Collateral Agent demands to have redeemed and the redemption date therefor which date should be at least thirty-one (31) days after the date of such Redemption Demand (*provided*, such principal amount shall not exceed the amount of funds specified pursuant to the foregoing clause (iii)). The Trustee may conclusively presume the statements contained in the Redemption Demand to be correct. Redemption of Bonds of the 2007 Series shall in all cases be at a price equal to the principal amount of the Bonds to be redeemed together with accrued interest to the redemption date, and such amount shall become and be due and payable on the redemption date.

The Company hereby covenants that if a Redemption Demand shall be delivered to the Corporate Trustee, the Company will deposit, on or before the redemption date, with the Corporate Trustee, in accordance with Article X of the Mortgage, an amount in cash sufficient to redeem the Bonds of the 2007 Series so called for redemption.

(III) All Bonds of the 2007 Series shall be issued and pledged by the Company to the Collateral Agent pursuant to a Collateral and Guarantee Agreement dated as of March 12, 2004 among the Company, Westar Energy, Inc. ("WEI") and JPMorgan Chase Bank (in such capacity, the "Collateral Agent") to secure the payment of the principal of, and up to 3.5% per annum of the interest on any of the loans issued pursuant to the \$300,000,000 Credit Agreement, dated as of March 12, 2004 among WEI, JPMorgan Chase Bank, as administrative agent, and the lenders party thereto, (the "Credit Agreement" and the loans thereunder are referred to collectively as the "Loans").

The obligation of the Company to make payments with respect to the principal of and interest on Bonds of the 2007 Series (including without limitation upon maturity thereof) shall be fully or partially, as the case may be, satisfied and discharged to the extent that, at the time that any such payment shall be due, the then due principal of and interest on the Loans shall have been fully or partially paid, or there shall be held by the Collateral Agent pursuant to the Collateral Agreement sufficient available funds to fully or partially pay the then due principal of and interest on the Loans. Notwithstanding any other provisions of this Supplemental Indenture or the Mortgage, interest on the Bonds of the 2007 Series shall be deemed fully or partially satisfied and discharged as provided

herein even if the interest rate on Bonds of the 2007 Series may be higher or lower than the interest rate on any of the Loans at the time interest on any such Loans is paid. The Corporate Trustee may conclusively presume that the obligation of the Company to make payments with respect to the principal of and interest on Bonds of the 2007 Series shall have been fully satisfied and discharged unless and until the Corporate Trustee shall have received a written notice from the Collateral Agent, signed by an authorized officer, stating (i) that timely payment of the principal of or interest on the Loans required to be made by the Company has not been made, (ii) that there are not sufficient available funds held by the Collateral Agent pursuant to the Collateral Agreement to make such payment and (iii) the amount of funds, in addition to available funds held by the Collateral Agent pursuant to the Collateral Agreement, required to make such payment.

(IV) At the option of the registered owner, any Bonds of the 2007 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 2007 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.

(V) Bonds of the 2007 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.

## ARTICLE II MISCELLANEOUS PROVISIONS

SECTION 1. All Bonds of the 2007 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 Forty-second Supplemental Indenture, the terms defined in the Mortgage, as heretofore supplemented, shall, for all purposes of this Forty-second 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 Forty-second 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 Forty-second 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 Forty-second Supplemental Indenture.

SECTION 4. Subject to the provisions of Article XV and Article XVI of the Mortgage, as heretofore amended and supplemented, whenever in this Forty-second 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 Forty-second 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 5. Nothing in this Forty-second 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 Forty-second Supplemental Indenture or any covenant, condition, stipulation, promise or agreement hereof, and all the covenants, conditions, stipulations, promises and agreements in this Forty-second 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 6. The Company reserves the right, subject to appropriate corporate action, but without any consent or other action by holders of Bonds of the 2007 Series, or of any subsequent series of bonds, to make such amendments to the Mortgage, as supplemented, as shall be necessary in order to (A) permit the issuance of additional Prior Lien Bonds other than to the Corporate Trustee (i) in a principal amount not to exceed the principal amount of Bonds which could then be issued on the basis of Property Additions under the Mortgage or (ii) upon the redemption or retirement of Prior Lien Bonds secured by such Prior Lien, (B) to remove the requirement that Prior Lien Bonds be issued to the Corporate Trustee, (C) remove the provisions of Article V which eliminate from the calculation of unfunded net Property Additions available for issuance of Bonds the amount of any Property Additions subject to a Prior Lien if the aggregate amount of Outstanding Prior Lien Bonds is 15% or more of the sum of the Outstanding Bonds and Prior Lien Bonds, and (D) make such other amendments to the Mortgage as may be necessary or desirable in the opinion of the Company to effect the foregoing.

SECTION 7. This Forty-second 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 Mark A. Ruelle, Vice President and Treasurer, and its corporate seal to be attested by Larry D. Irick, its Secretary for and on its behalf, BNY MIDWEST TRUST COMPANY 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/ Mark A. Ruelle

\_\_\_\_\_  
Mark A. Ruelle  
Vice President and Treasurer

Attest:

/s/ Larry D. Irick

\_\_\_\_\_  
Larry D. Irick  
Secretary

Executed, sealed and delivered by  
KANSAS GAS AND ELECTRIC COMPANY,  
in the presence of:

/s/ Peggy S. Wettengel

\_\_\_\_\_  
Peggy S. Wettengel

/s/ Patti Beasley

\_\_\_\_\_  
Patti Beasley

BNY MIDWEST TRUST COMPANY, as  
Trustee

By: /s/ D.G. Donovan

\_\_\_\_\_  
Vice President

Attest:

/s/ C. Potter

\_\_\_\_\_  
Assistant Secretary

/s/ J. Bartolini

\_\_\_\_\_  
(Judith L. Bartolini)

Executed, sealed and delivered by  
BNY MIDWEST TRUST COMPANY  
and JUDITH L. BARTOLINI, in the  
presence of:

/s/ Roxane Ellwanger

\_\_\_\_\_  
/s/ L. Garcia

STATE OF KANSAS

)

: ss.:

COUNTY OF SEDGWICK

)

BE IT REMEMBERED, that on this 12th day of March, A.D. 2004, before me, the undersigned, a Notary Public within and for the County and State aforesaid, came Mark A. Ruelle, the Vice President and 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 12th day of March, 2004, 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 12th day of March in the year 2004, before me personally appeared Mark A. Ruelle to me known, who, being by me duly sworn, did depose and say that he is the Vice President and 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 Mark A. Ruelle 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.

/s/ Patti Beasley

\_\_\_\_\_  
NOTARY PUBLIC — STATE OF KANSAS  
MY APPOINTMENT EXPIRES

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

BE IT REMEMBERED, that on this 9<sup>th</sup> day of March, A.D. 2004, before me, the undersigned, a Notary Public within and for the County and State aforesaid, came D.G. Donovan, a Vice President of BNY Midwest Trust Company, a corporation, duly organized, incorporated and existing under the laws of the State of Illinois, 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 9<sup>th</sup> day of March, 2004, before me appeared C. Potter, to me personally known, who being by me duly sworn did say that she is a Assistant Secretary of BNY MIDWEST TRUST 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 Norma Pane acknowledged said instrument to be the free act and deed of said corporation.

On the 9<sup>th</sup> day of March in the year 2004, before me personally came D.G. Donovan, to me known, who, being by me duly sworn, did depose and say that she resides at Arlington Heights, Illinois, that she is a Vice President of BNY MIDWEST TRUST COMPANY, one of the corporations described in and which executed the above instrument; that she 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 she signed her 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/ A. Hernandez

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NOTARY PUBLIC, STATE OF ILLINOIS  
NO.  
QUALIFIED IN COOK COUNTY  
COMMISSION EXPIRES

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

On this 9<sup>th</sup> day of March in the year 2004, 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 he 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/ A. Hernandez*

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NOTARY PUBLIC, STATE OF ILLINOIS  
NO.  
QUALIFIED IN COOK COUNTY  
COMMISSION EXPIRES

AFFIDAVIT

STATE OF KANSAS            )  
                                      ) SS:  
COUNTY OF SEDGWICK    )

I, Larry D. Irick, being first duly sworn on oath, depose and say:

1. I am the Secretary of Kansas Gas and Electric Company, a corporation duly organized and existing under the laws of the State of Kansas (the "Company"). I am duly authorized to make this affidavit on behalf of the Company.

2. The Company has heretofore executed and delivered to BNY Midwest Trust Company (as successor to Harris Trust and Savings Bank) (the "Corporate Trustee") and Judith L. Bartolini (the "Individual Trustee", together with the Corporate Trustee, the "Trustees"), a Mortgage and Deed of Trust, dated as of April 1, 1940, (hereinafter called the "Indenture"), to secure the Company's First Mortgage Bonds.

3. The Company has heretofore executed and delivered to the Trustees supplemental indentures numbered "First" through "Forty-first," inclusive, (hereinafter called the "Supplemental Indentures"), creating other series of the Company's First Mortgage Bonds.

4. The Indenture and all Supplemental Indentures confirmed unto the Trustees the real property situated in the State of Kansas which is subject to the lien of the Indenture.

5. The Indenture and all Supplemental Indentures were duly received and filed for record in accordance with the laws of the State of Kansas, and the mortgage registration fee thereon provided for was, and has been, paid in full by the Company.

6. Under the Fortieth Supplemental Indenture, the Company duly paid the mortgage registration fee in the amount of \$1,780,538.50, based upon \$684,822,500 of the Company's indebtedness. The Fortieth Supplemental Indenture is found in the Sedgwick County Register of Deeds office at film 2062, page 53.

7. The Company has executed and delivered to the Trustees a new series of First Mortgage Bonds called "3.5% Series Due March 12, 2007" to be issued under and secured by the Indenture, the Supplemental Indentures and a new Supplemental Indenture dated as of March 12, 2004, (hereinafter called the "Forty-second Supplemental Indenture").

8. The purpose of the Forty-second Supplemental Indenture is to reflect the issuance and pledge of \$300,000,000 principal amount of First Mortgage Bonds.

9. \$300,000,000 of the principal amount of the First Mortgage Bonds issued pursuant to the Forty-second Supplemental Indenture tendered for filing constitutes the same principal indebtedness covered or included in the previously recorded Indenture and the Forty-first Supplemental Indenture with BNY Midwest Trust Company and Judith L. Bartolini, Trustees, the same lender.



10. Under the Forty-second Supplemental Indenture the registration fee with respect to all of the indebtedness of \$300,000,000 has been previously paid by the Company in connection with the Forty-first Supplemental Indenture and by virtue thereof is considered by the Company to be the same indebtedness, and thus exempt from the payment of further registration fees pursuant to the provisions of K.S.A. 1990 Supp. 79-3102(d)(3).

[REMAINDER OF PAGE LEFT BLANK INTENTIONALLY]

FURTHER AFFIANT SAITH NAUGHT.

/s/ Larry D. Irick

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Larry D. Irick, Secretary  
Kansas Gas and Electric Company

Subscribed and sworn to before me this 12<sup>th</sup> day of March, 2004.

/s/ Patti Beasley

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Notary Public

My Commission Expires 11/18/04

KANSAS GAS AND ELECTRIC COMPANY

TO

BNY MIDWEST TRUST COMPANY  
(successor to Harris Trust and Savings Bank)

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

**FORTY-THIRD SUPPLEMENTAL INDENTURE**

Providing, among other things, for

First Mortgage Bonds, Wamego Series 2004 Due 2031

First Mortgage Bonds, Burlington Series 2004A Due 2031

First Mortgage Bonds, Burlington Series 2004B Due 2031

and

First Mortgage Bonds, Burlington Series 2004C Due 2031

Dated as of June 1, 2004

## FORTY-THIRD SUPPLEMENTAL INDENTURE

INDENTURE, dated as of June 1, 2004, 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 120 East First Street, Wichita, Kansas 67202 (hereinafter sometimes called the "Company"), and BNY Midwest Trust Company, a corporation of the State of Illinois, whose post office address is 2 North LaSalle Street, Suite 1020, Chicago, Illinois 60602 (successor to Harris Trust and Savings Bank (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, dated as of April 1, 1940 (hereinafter called the "Mortgage"), which Mortgage was 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, reference to which Mortgage is hereby made, this Indenture (hereinafter sometimes called the "Forty-third Supplemental Indenture") being supplemental thereto;

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

<u>Designation</u>	<u>Dated as of</u>
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

which supplemental indentures are hereinafter sometimes called the Fourteenth through Forty-second 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 21 1, 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 1 177, 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

<u>Date</u>	<u>Amount</u>
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 301, 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-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 Forty-second 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

Series	Principal Amount Issued	Principal Amount Outstanding
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
8-7/8% 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
6-1/2% Series due 2005	65,000,000	65,000,000
6.20% Series due 2006	100,000,000	100,000,000
5.10% Series due 2023	13,982,500	13,487,500
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 in 2007	300,000,000	300,000,000

\* Upon issuance of the bonds of the Forty-fifth, Forty-sixth, Forty-seventh, and Forty-eighth Series pursuant to this Supplemental Indenture, the 7.00% Pollution Control Series A and B will be redeemed and will no longer be outstanding under the Indenture.

hereinafter sometimes called Bonds of the First through Forty-second 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 four new series of bonds; and

WHEREAS, the execution and delivery by the Company of this Forty-third Supplemental Indenture, and the terms of the bonds of the Forty-fifth Series, Forty-sixth Series, Forty-seventh Series, and Forty-eighth 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 ensealing 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 BNY

Midwest Trust Company 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 Forty-second 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 Forty-third 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 Forty-third 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 Forty-third 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 Forty-third 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  
FORTY-FIFTH SERIES OF BONDS

SECTION 1. (I) There shall be a series of bonds designated Wamego Series 2004 due 2031” (herein sometimes referred to as the “Forty-fifth 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, shall contain suitable provisions with respect to the matters hereinafter in this Article I specified. Bonds of the Forty-fifth Series shall be limited to \$18,900,000 in aggregate principal amount, except as provided in Section 16 of the Mortgage, shall mature on June 1, 2031, and shall be issued as fully registered bonds in denominations of Five Thousand Dollars and in any multiple or multiples of Five Thousand Dollars. Bonds of the Forty-fifth Series shall bear interest from time to time at a rate equal to the interest rate then borne by the City of Wamego, Kansas, Pollution Control Refunding Revenue Bonds (Kansas Gas and Electric Company Project) Series 2004 (hereinafter referred to as the “2004 Wamego Bonds”) issued under the Indenture of Trust, dated as of June 1, 2004 (hereinafter referred to as the “Wamego Indenture”) of the City of Wamego, Kansas, which rate shall initially be 5.30% per annum, payable at the same times as interest is payable on the 2004 Wamego Bonds, the first payment to be made on December 1, 2004 for the period from June 10, 2004 to December 1, 2004. The principal of and interest on bonds of the Forty-fifth 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. Bonds of the Forty-fifth Series shall be dated as in Section 10 of the Mortgage provided.

(II) Upon the redemption, in whole or in part, of the 2004 Wamego Bonds, bonds of the Forty-fifth Series shall be redeemed in whole or in like part. To effect the redemption of bonds of the Forty-fifth Series, the trustee under the Wamego Indenture (hereinafter referred to as the “Wamego Trustee”) shall deliver to the Corporate Trustee (and mail a copy thereof to the Company) a written demand (hereinafter referred to as a “Wamego Redemption Demand”) for the redemption of bonds of the Forty-fifth Series equal in principal amount to the principal amount of the 2004 Wamego Bonds to be redeemed. The Wamego Redemption Demand shall be signed by the President, a Vice President, an Assistant Vice President or a Trust Officer of the Wamego Trustee and shall state: (1) the aggregate principal amount of the 2004 Wamego Bonds then outstanding under the Wamego Indenture; (2) the principal amount of the 2004 Wamego Bonds to be redeemed; (3) the interest thereon and premium, if any, to be payable on the redemption date; (4) the redemption date and that notice thereof has been given as required in the Wamego Indenture; and (5) that the Corporate Trustee is thereby instructed to call for redemption bonds of the Forty-fifth Series equal in principal amount to the principal amount of the 2004 Wamego Bonds specified in (2) above and on the same date and at the same price as the 2004 Wamego Bonds. The Wamego Redemption Demand shall also contain a waiver of notice of such redemption by the Wamego Trustee, as holder of all bonds of the Forty-fifth Series then outstanding. The Corporate Trustee may conclusively presume the statements contained in the Wamego Redemption Demand to be correct. Redemption of the bonds of the Forty-fifth Series shall be at the principal amount of the bonds to be redeemed, together with premium, if any, and the accrued interest to the redemption date, and such amount shall become and be due and payable on the redemption date.

If the Wamego Trustee has declared the principal of and accrued interest on the 2004 Wamego Bonds to be immediately due and payable pursuant to Section 7.2 of the Wamego Indenture as a result of an Event of Default under Section 7.1 of the Wamego Indenture (except 7.1(f) thereof), and if the Wamego Trustee shall deliver to the Corporate Trustee (and mail a copy thereof to the Company) a written demand (hereinafter referred to as a "Wamego Bonds Acceleration Notice") for the immediate redemption of bonds of the Forty-fifth Series in whole, the bonds of the Forty-fifth Series shall be immediately redeemed at the principal amount thereof and accrued interest thereon. The Wamego Bonds Acceleration Notice shall be signed by the President, a Vice President, an Assistant Vice President or a Trust Officer of the Wamego Trustee and shall state: (1) the aggregate principal amount of the 2004 Wamego Bonds then outstanding under the Wamego Indenture; (2) that the entire principal amount of the 2004 Wamego Bonds has been declared by the Wamego Trustee to be immediately due and payable pursuant to Section 7.2 of the Wamego Indenture; (3) that the Corporate Trustee is thereby instructed to call for immediate redemption bonds of the Forty-fifth Series in whole; and (4) that the Wamego Trustee, as holder of all bonds of the Forty-fifth Series, waives notice of such redemption.

The Company hereby covenants that, if a Wamego Redemption Demand or a Wamego Bonds Acceleration Notice shall be delivered to the Corporate Trustee, the Company, subject to subdivision (III) of this Article I, will deposit, on or before the redemption date, with the Corporate Trustee, in accordance with Article X of the Mortgage, an amount in cash sufficient to redeem the bonds of the Forty-fifth Series so called for redemption.

The bonds of the Forty-fifth Series shall not be subject to redemption prior to maturity except as provided in this Section I (II).

(III) All bonds of the Forty-fifth Series shall be pledged by the Company with the Wamego Trustee to secure the payment of the principal of, and interest on, the 2004 Wamego Bonds. The obligation of the Company to make payments with respect to the principal of and interest on bonds of the Forty-fifth Series shall be fully or partially, as the case may be, satisfied and discharged to the extent that, at the time that any such payment shall be due, the then due principal of and interest on the 2004 Wamego Bonds shall have been fully or partially paid, or there shall be in the Bond Fund established pursuant to the Wamego Indenture sufficient available funds to fully or partially pay the then due principal of and interest on the 2004 Wamego Bonds. The Corporate Trustee may conclusively presume that the obligation of the Company to make payments with respect to the principal of and interest on bonds of the Forty-fifth series shall have been fully satisfied and discharged unless and until the Corporate Trustee shall have received a written notice from the Wamego Trustee, signed by its President, a Vice President, or a Trust Officer, stating (i) that timely payment of the principal of or interest on the 2004 Wamego Bonds required to be made by the Company has not been made, (ii) that there are not sufficient available funds held in the Bond Fund to make such payment, and (iii) the amount of funds, in addition to available funds held in the Bond Fund, required to make such payment.

(IV) At the option of the registered owner, any bonds of the Forty-fifth Series, upon surrender thereof, for cancellation, at the office or agency of the Company in the Borough of Manhattan, The 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 Forty-fifth 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.

(V) Bonds of the Forty-fifth 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, The City of New York.

(VI) The Company may deliver to the Trustee in substitution for any bonds of the Forty-fifth 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 Forty-fifth Series (such substituted bonds hereinafter being referred to as the "Substituted Mortgage Bonds"). The Substituted Mortgage Bonds may only be delivered to the Trustee upon receipt by the Trustee of (i) a letter from Moody's (as hereinafter defined), 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 then current rating on the bonds of the Forty-fifth Series, (ii) a letter from S&P (as hereinafter defined), 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 then current rating on the bonds of the Forty-fifth Series, (iii) 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 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' rights 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, (iv) an opinion of Bond Counsel, as defined in the Wamego Indenture, to the effect that the substitution of the Substituted Mortgage Bonds will not adversely affect the exemption from federal income taxes of interest on the 2004 Wamego Bonds 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 Trustee may reasonably request.

"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 Ratings 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

### FORTY-SIXTH SERIES OF BONDS

SECTION 1. (I) There shall be a series of bonds designated Burlington Series 2004A due 2031” (herein sometimes referred to as the “Forty-sixth 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, shall contain suitable provisions with respect to the matters hereinafter in this Article II specified. Bonds of the Forty-sixth Series shall be limited to \$108,600,000 in aggregate principal amount, except as provided in Section 16 of the Mortgage, shall mature on June 1, 2031, and shall be issued as fully registered bonds in denominations of Five Thousand Dollars and in any multiple or multiples of Five Thousand Dollars. Bonds of the Forty-sixth Series shall bear interest from time to time at a rate equal to the interest rate then borne by the City of Burlington, Kansas, Pollution Control Refunding Revenue Bonds (Kansas Gas and Electric Company Project), Series 2004A (hereinafter referred to as the “Burlington Bonds Series 2004A”), issued under the Indenture of Trust, dated as of June 1, 2004 (hereinafter referred to as the “Burlington Indenture”), of the City of Burlington, Kansas, which rate shall initially be 5.30% per annum, payable at the same times as interest is payable on the Burlington Bonds Series 2004A, the first payment to be made on December 1, 2004 for the period from June 10, 2004 to December 1, 2004. The principal of and interest on bonds of the Forty-sixth 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. Bonds of the Forty-sixth Series shall be dated as in Section 10 of the Mortgage provided.

(II) Upon the redemption, in whole or in part, of the Burlington Bonds Series 2004A, bonds of the Forty-sixth Series shall be redeemed in whole or in like part. To effect the redemption of bonds of the Forty-sixth Series, the trustee under the Burlington Indenture (hereinafter referred to as the “Burlington Trustee”) shall deliver to the Corporate Trustee (and mail a copy thereof to the Company) a written demand (hereinafter referred to as a “Burlington Redemption Demand”) for the redemption of bonds of the Forty-sixth Series equal in principal amount to the principal amount of the Burlington Bonds Series 2004A to be redeemed. The Burlington Redemption Demand shall be signed by the President, a Vice President, an Assistant Vice President or a Trust Officer of

the Burlington Trustee and shall state: (1) the aggregate principal amount of the Burlington Bonds Series 2004A then outstanding under the Burlington Indenture; (2) the principal amount of the Burlington Bonds Series 2004A to be redeemed; (3) the interest thereon and premium, if any, to be payable on the redemption date; (4) the redemption date and that notice thereof has been given as required in the Burlington Indenture; and (5) that the Corporate Trustee is thereby instructed to call for redemption bonds of the Forty-sixth Series equal in principal amount to the principal amount of the Burlington Bonds Series 2004A specified in (2) above and on the same date and at the same price as the Burlington Bonds Series 2004A. The Burlington Redemption Demand shall also contain a waiver of notice of such redemption by the Burlington Trustee, as holder of all bonds of the Forty-sixth Series then outstanding. The Corporate Trustee may conclusively presume the statements contained in the Burlington Redemption Demand to be correct. Redemption of the bonds of the Forty-sixth Series shall be at the principal amount of the bonds to be redeemed, together with premium, if any, and the accrued interest to the redemption date, and such amount shall become and be due and payable on the redemption date.

If the Burlington Trustee has declared the principal of and accrued interest on the Burlington Bonds Series 2004A to be immediately due and payable pursuant to Section 7.2 of the Burlington Indenture as a result of an Event of Default under Section 7.1 of the Burlington Indenture (except 7.1(f) thereof), and if the Burlington Trustee shall deliver to the Corporate Trustee (and mail a copy thereof to the Company) a written demand (hereinafter referred to as a "Burlington Bonds Acceleration Notice") for the immediate redemption of bonds of the Forty-sixth Series in whole, the bonds of the Forty-sixth Series shall be immediately redeemed at the principal amount thereof and accrued interest thereon. The Burlington Bonds Acceleration Notice shall be signed by the President, a Vice President, an Assistant Vice President or a Trust Officer of the Burlington Trustee and shall state: (1) the aggregate principal amount of the Burlington Bonds Series 2004A then outstanding under the Burlington Indenture; (2) that the entire principal amount of the Burlington Bonds Series 2004A has been declared by the Burlington Trustee to be immediately due and payable pursuant to Section 7.2 of the Burlington Indenture; (3) that the Corporate Trustee is thereby instructed to call for immediate redemption bonds of the Forty-sixth Series in whole; and (4) that the Burlington Trustee, as holder of all bonds of the Forty-sixth Series, waives notice of such redemption.

The Company hereby covenants that if a Burlington Redemption Demand or a Burlington Bonds Acceleration Notice shall be delivered to the Corporate Trustee, the Company, subject to subdivision (III) of this Article II, will deposit, on or before the redemption date, with the Corporate Trustee, in accordance with Article X of the Mortgage, an amount in cash sufficient to redeem the bonds of the Forty-sixth Series so called for redemption.

The bonds of the Forty-sixth Series shall not be subject to redemption prior to maturity except as provided in this Section I (II).

(III) All bonds of the Forty-sixth Series shall be pledged by the Company with the Burlington Trustee to secure the payment of the principal of, and interest on, the Burlington Bonds Series 2004A. The obligation of the Company to make payments with respect

to the principal of and interest on bonds of the Forty-sixth Series shall be fully or partially, as the case may be, satisfied and discharged to the extent that, at the time that any such payment shall be due, the then due principal of and interest on the Burlington Bonds Series 2004A shall have been fully or partially paid, or there shall be in the Bond Fund established pursuant to the Burlington Indenture sufficient available funds to fully or partially pay the then due principal of and interest on the Burlington Bonds Series 2004A. The Corporate Trustee may conclusively presume that the obligation of the Company to make payments with respect to the principal of and interest on bonds of the Forty-sixth Series shall have been fully satisfied and discharged unless and until the Corporate Trustee shall have received a written notice from the Burlington Trustee, signed by its President, a Vice President, or a Trust Officer, stating (i) that timely payment of the principal of or interest on the Burlington Bonds Series 2004A required to be made by the Company has not been made, (ii) that there are not sufficient available funds held in the Bond Fund to make such payment, and (iii) the amount of funds, in addition to available funds held in the Bond Fund, required to make such payment.

(IV) At the option of the registered owner, any bonds of Forty-sixth Series, upon surrender thereof, for cancellation, at the office or agency of the Company in the Borough of Manhattan, The 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 Forty-sixth 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.

(V) Bonds of the Forty-sixth 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, The City of New York.

(VI) The Company may deliver to the Trustee in substitution for any bonds of the Forty-sixth 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 Forty-sixth Series (such substituted bonds hereinafter being referred to as the "Substituted Mortgage Bonds"). The Substituted Mortgage Bonds may only be delivered to the Trustee upon receipt by the Trustee of (i) a letter from Moody's (as hereinafter defined), 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 then current rating on the bonds of the Forty-sixth Series, (ii) a letter from S&P (as hereinafter defined), dated within ten days prior to the date of delivery of the Substituted Mortgage Bonds, stating that its rating to the Substituted Mortgage Bonds is at least equal to its then current rating on the bonds of the Forty-sixth Series, (iii) 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

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' rights 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, (iv) an opinion of Bond Counsel, as defined in the Burlington Indenture, to the effect that the substitution of the Substituted Mortgage Bonds will not adversely affect the exemption from federal income taxes of interest on the Burlington Bonds Series 2004A 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 Trustee may reasonably request.

"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 Ratings 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 III

#### FORTY-SEVENTH SERIES OF BONDS

SECTION 1. (I) There shall be a series of bonds designated "Burlington Series 2004B due 2031" (herein sometimes referred to as the "Forty-seventh 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, shall contain suitable provisions with respect to the matters hereinafter in this Article III specified. Bonds of the Forty-seventh Series shall be limited to \$100,000,000 in aggregate principal amount, except as provided in Section 16 of the Mortgage, shall mature on June 1, 2031, and shall be issued as fully registered bonds in denominations of Five Thousand Dollars and in any multiple or multiples of Five Thousand Dollars. Bonds of the Forty-Seventh Series shall bear interest at the rate of 2.65% per annum from June 10, 2004 to but not including June 1, 2006, payable semi-annually on June 1 and December 1 of each year, the first payment to be made on December 1, 2004 for the period from June 10, 2004 to December 1, 2004. On or after June 1, 2006, the Bonds of the Forty-seventh Series shall bear interest from time to time at a rate equal to the interest rate then borne by the City of Burlington, Kansas, Pollution Control Refunding Revenue Bonds (Kansas Gas and Electric Company Project) Series 2004B, (hereinafter referred to as the "Burlington Bonds Series 2004B"), issued under the Burlington Indenture, as such interest rate may be adjusted from time to time, payable at the same times as interest is payable on the Burlington Bonds Series 2004B. The principal of and interest on bonds of the Forty-seventh 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. Bonds of the Forty-seventh Series shall be dated as in Section 10 of the Mortgage provided.



(II) Upon the redemption, in whole or in part, of the Burlington Bonds Series 2004B, bonds of the Forty-seventh Series shall be redeemed in whole or in like part. To effect the redemption of bonds of the Forty-seventh Series, the trustee under the Burlington Indenture (hereinafter referred to as the "Burlington Trustee") shall deliver to the Corporate Trustee (and mail a copy thereof to the Company) a written demand (hereinafter referred to as a "Burlington Redemption Demand") for the redemption of bonds of the Forty-seventh Series equal in principal amount to the principal amount of the Burlington Bonds Series 2004B to be redeemed. The Burlington Redemption Demand shall be signed by the President, a Vice President, an Assistant Vice President or a Trust Officer of the Burlington Trustee and shall state: (1) the aggregate principal amount of the Burlington Bonds Series 2004B then outstanding under the Burlington Indenture; (2) the principal amount of the Burlington Bonds Series 2004B to be redeemed; (3) the interest thereon and premium, if any, to be payable on the redemption date; (4) the redemption date and that notice thereof has been given as required in the Burlington Indenture; and (5) that the Corporate Trustee is thereby instructed to call for redemption bonds of the Forty-seventh Series equal in principal amount to the principal amount of the Burlington Bonds Series 2004B specified in (2) above and on the same date and at the same price as the Burlington Bonds Series 2004B. The Burlington Redemption Demand shall also contain a waiver of notice of such redemption by the Burlington Trustee, as holder of all bonds of the Forty-seventh Series then outstanding. The Corporate Trustee may conclusively presume the statements contained in the Burlington Redemption Demand to be correct. Redemption of the bonds of the Forty-seventh Series shall be at the principal amount of the bonds to be redeemed, together with premium, if any, and the accrued interest to the redemption date, and such amount shall become and be due and payable on the redemption date.

If the Burlington Trustee has declared the principal of and accrued interest on the Burlington Bonds Series 2004B to be immediately due and payable pursuant to Section 7.2 of the Burlington Indenture as a result of an Event of Default under Section 7.1 of the Burlington Indenture (except 7.1(f) thereof), and if the Burlington Trustee shall deliver to the Corporate Trustee (and mail a copy thereof to the Company) a written demand (hereinafter referred to as a "Burlington Bonds Acceleration Notice") for the immediate redemption of bonds of the Forty-seventh Series in whole, the bonds of the Forty-seventh Series shall be immediately redeemed at the principal amount thereof and accrued interest thereon. The Burlington Bonds Acceleration Notice shall be signed by the President, a Vice President, an Assistant Vice President or a Trust Officer of the Burlington Trustee and shall state: (1) the aggregate principal amount of the Burlington Bonds Series 2004B then outstanding under the Burlington Indenture; (2) that the entire principal amount of the Burlington Bonds Series 2004B has been declared by the Burlington Trustee to be immediately due and payable pursuant to Section 7.2 of the Burlington Indenture; (3) that the Corporate Trustee is thereby instructed to call for immediate redemption bonds of the Forty-seventh Series in whole; and (4) that the Burlington Trustee, as holder of all bonds of the Forty-seventh Series, waives notice of such redemption.

The Company hereby covenants that if a Burlington Redemption Demand shall be delivered to the Corporate Trustee, the Company, subject to subdivision (III) of this Article III, will deposit, on or before the redemption date, with the Corporate Trustee, in accordance with Article X of the Mortgage, an amount in cash sufficient to redeem the bonds of the Forty-seventh Series so called for redemption.

The bonds of the Forty-seventh Series shall not be subject to redemption prior to maturity except as provided in this Section I (II).

(III) All bonds of the Forty-seventh Series shall be pledged by the Company with the Burlington Trustee to secure the payment of the principal of, and interest on, the Burlington Bonds Series 2004B. The obligation of the Company to make payments with respect to the principal of and interest on bonds of the Forty-seventh Series shall be fully or partially, as the case may be, satisfied and discharged to the extent that, at the time that any such payment shall be due, the then due principal of and interest on the Burlington Bonds Series 2004B shall have been fully or partially paid, or there shall be in the Bond Fund established pursuant to the Burlington Indenture sufficient available funds to fully or partially pay the then due principal of and interest on the Burlington Bonds Series 2004B. The Corporate Trustee may conclusively presume that the obligation of the Company to make payments with respect to the principal of and interest on bonds of the Forty-seventh Series shall have been fully satisfied and discharged unless and until the Corporate Trustee shall have received a written notice from the Burlington Trustee, signed by its President, a Vice President, or a Trust Officer, stating (i) that timely payment of the principal of or interest on the Burlington Bonds Series 2004B required to be made by the Company has not been made, (ii) that there are not sufficient available funds held in the Bond Fund to make such payment, and (iii) the amount of funds, in addition to available funds held in the Bond Fund, required to make such payment.

(IV) At the option of the registered owner, any bonds of Forty-seventh Series, upon surrender thereof, for cancellation, at the office or agency of the Company in the Borough of Manhattan, The 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 Forty-seventh 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.

(V) Bonds of the Forty-seventh 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, The City of New York.

(VI) The Company may deliver to the Trustee in substitution for any bonds of the Forty-seventh 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 Forty-seventh Series (such substituted bonds hereinafter being referred to as the "Substituted Mortgage Bonds"). The Substituted Mortgage Bonds may only be delivered to the Trustee upon receipt by the Trustee of (i) a letter from Moody's (as hereinafter defined), 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 then current rating on the bonds of the Forty-seventh Series, (ii) a letter from S&P (as hereinafter defined), dated within ten days prior to the date of delivery of the Substituted Mortgage Bonds, stating that its rating to the Substituted Mortgage Bonds is at least equal to its then current rating on the bonds of the Forty-seventh Series, (iii) 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 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' rights 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, (iv) an opinion of Bond Counsel, as defined in the Burlington Indenture, to the effect that the substitution of the Substituted Mortgage Bonds will not adversely affect the exemption from federal income taxes of interest on the Burlington Bonds Series 2004B 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 Trustee may reasonably request.

"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 Ratings 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 IV  
FORTY-EIGHTH SERIES OF BONDS

SECTION 1. (I) There shall be a series of bonds designated "Burlington Series 2004C due 2031" (herein sometimes referred to as the "Forty-eighth 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, shall contain suitable provisions with respect to the matters

hereinafter in this Article IV specified. Bonds of the Forty-eighth Series shall be limited to \$100,000,000 in aggregate principal amount, except as provided in Section 16 of the Mortgage, shall mature on June 1, 2031, and shall be issued as fully registered bonds in denominations of Five Thousand Dollars and in any multiple or multiples of Five Thousand Dollars. Bonds of the Forty-eighth Series shall bear interest from time to time at a rate equal to the interest rate then borne by the City of Burlington, Kansas, Pollution Control Refunding Revenue Bonds (Kansas Gas and Electric Company Project) Series 2004C, (hereinafter referred to as the "Burlington Bonds Series 2004C"), issued under the Burlington Indenture, payable at the same times as interest is payable on the Burlington Bonds Series 2004C. The principal of and interest on bonds of the Forty-eighth 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. Bonds of the Forty-eighth Series shall be dated as in Section 10 of the Mortgage provided.

(II) Upon the redemption, in whole or in part, of the Burlington Bonds Series 2004C, bonds of the Forty-eighth Series shall be redeemed in whole or in like part. To effect the redemption of bonds of the Forty-eighth Series, the trustee under the Burlington Indenture (hereinafter referred to as the "Burlington Trustee") shall deliver to the Corporate Trustee (and mail a copy thereof to the Company) a written demand (hereinafter referred to as a "Burlington Redemption Demand") for the redemption of bonds of the Forty-eighth Series equal in principal amount to the principal amount of the Burlington Bonds Series 2004C to be redeemed. The Burlington Redemption Demand shall be signed by the President, a Vice President, an Assistant Vice President or a Trust Officer of the Burlington Trustee and shall state: (1) the aggregate principal amount of the Burlington Bonds Series 2004C then outstanding under the Burlington Indenture; (2) the principal amount of the Burlington Bonds Series 2004C to be redeemed; (3) the interest thereon and premium, if any, to be payable on the redemption date; (4) the redemption date and that notice thereof has been given as required in the Burlington Indenture; and (5) that the Corporate Trustee is thereby instructed to call for redemption bonds of the Forty-eighth Series equal in principal amount to the principal amount of the Burlington Bonds Series 2004C specified in (2) above and on the same date and at the same price as the Burlington Bonds Series 2004C. The Burlington Redemption Demand shall also contain a waiver of notice of such redemption by the Burlington Trustee, as holder of all bonds of the Forty-eighth Series then outstanding. The Corporate Trustee may conclusively presume the statements contained in the Burlington Redemption Demand to be correct. Redemption of the bonds of the Forty-eighth Series shall be at the principal amount of the bonds to be redeemed, together with premium, if any, and the accrued interest to the redemption date, and such amount shall become due and payable on the redemption date.

If the Burlington Trustee has declared the principal of and accrued interest on the Burlington Bonds Series 2004C to be immediately due and payable pursuant to Section 7.2 of the Burlington Indenture as a result of an Event of Default under Section 7.1 of the Burlington Indenture (except 7.1(f) thereof), and if the Burlington Trustee shall deliver to the Corporate Trustee (and mail a copy thereof to the Company) a written demand (hereinafter referred to as a "Burlington Bonds Acceleration Notice") for the immediate redemption of bonds of the Forty-eighth Series in whole, the bonds of the Forty-eighth Series shall be immediately redeemed at the principal amount thereof and accrued interest thereon. The Burlington Bonds Acceleration Notice shall be signed by

the President, a Vice President, an Assistant Vice President or a Trust Officer of Burlington Trustee and shall state: (1) the aggregate principal amount of the Burlington Bonds Series 2004C then outstanding under the Burlington Indenture; (2) that the entire principal amount of the Burlington Bonds Series 2004C has been declared by the Burlington Trustee to be immediately due and payable pursuant to Section 7.2 of the Burlington Indenture; (3) that the Corporate Trustee is thereby instructed to call for immediate redemption bonds of the Forty-eighth Series in whole; and (4) that the Burlington Trustee, as holder of all bonds of the Forty-eighth Series, waives notice of such redemption.

The Company hereby covenants that if a Burlington Redemption Demand shall be delivered to the Corporate Trustee, the Company, subject to subdivision (III) of this Article IV, will deposit, on or before the redemption date, with the Corporate Trustee, in accordance with Article X of the Mortgage, an amount in cash sufficient to redeem the bonds of the Forty-eighth Series so called for redemption.

The bonds of the Forty-eighth Series shall not be subject to redemption prior to maturity except as provided in this Section I (II).

(III) All Bonds of the Forty-eighth Series shall be pledged by the Company with the Burlington Trustee to secure the payment of the principal of, and interest on, the Burlington Bonds Series 2004C. The obligation of the Company to make payments with respect to the principal of and the interest on bonds of the Forty-eighth Series shall be fully or partially, as the case may be, satisfied and discharged to the extent that, at the time that any such payment shall be due, the then due principal of and interest on the Burlington Bonds Series 2004C shall have been fully or partially paid, or there shall be in the Bond Fund established pursuant to the Burlington Indenture sufficient available funds to fully or partially pay the then due principal of and interest on the Burlington Bonds Series 2004C. The Corporate Trustee may conclusively presume that the obligation of the Company to make payments with respect to the principal of and interest on bonds of the Forty-eighth Series shall have been fully satisfied and discharged unless and until the Corporate Trustee shall have received a written notice from the Burlington Trustee, signed by its President, a Vice President, or a Trust Officer, stating (i) that timely payment of the principal of or interest on the Burlington Bonds Series 2004C required to be made by the Company has not been made, (ii) that there are not sufficient available funds held in the Bond Fund to make such payment, and (iii) the amount of funds, in addition to available funds held in the Bond Fund, required to make such payment.

(IV) At the option of the registered owner, any bonds of Forty-eighth Series, upon surrender thereof, for cancellation, at the office or agency of the Company in the Borough of Manhattan, The 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 Forty-eighth 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.

(V) Bonds of the Forty-eighth 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, The City of New York.

(VI) The Company may deliver to the Trustee in substitution for any bonds of the Forty-eighth 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 Forty-eighth Series (such substituted bonds hereinafter being referred to as the “Substituted Mortgage Bonds”). The Substituted Mortgage Bonds may only be delivered to the Trustee upon receipt by the Trustee of (i) a letter from Moody’s (as hereinafter defined), 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 then current rating on the bonds of the Forty-eighth Series, (ii) a letter from S&P (as hereinafter defined), dated within ten days prior to the date of delivery of the Substituted Mortgage Bonds, stating that its rating to the Substituted Mortgage Bonds is at least equal to its then current rating on the bonds of the Forty-eighth Series, (iii) 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 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’ rights 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, (iv) an opinion of Bond Counsel, as defined in the Burlington Indenture, to the effect that the substitution of the Substituted Mortgage Bonds will not adversely affect the exemption from federal income taxes of interest on the Burlington Bonds Series 2004C 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 Trustee may reasonably request.

“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 Ratings 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 V  
AMENDMENTS TO THE MORTGAGE AND RESERVATION OF RIGHTS

SECTION 1. The Company reserves the right, subject to appropriate corporate action, but without any consent or other action by holders of Bonds of the Forty-fifth Series, Forty-sixth Series, Forty-seventh Series, and Forty-eighth Series, or of any subsequent series of bonds, to make such amendments to the Mortgage, as supplemented, as shall be necessary in order to (A) permit the issuance of additional Prior Lien Bonds other than to the Corporate Trustee (i) in a principal amount not to exceed the principal amount of Bonds which could then be issued on the basis of Property Additions under the Mortgage or (ii) upon the redemption or retirement of Prior Lien Bonds secured by such Prior Lien, (B) to remove the requirement that Prior Lien Bonds be issued to the Corporate Trustee, (C) remove the provisions of Article V which eliminate from the calculation of unfunded net Property Additions available for issuance of Bonds the amount of any Property Additions subject to a Prior Lien if the aggregate amount of Outstanding Prior Lien Bonds is 15% or more of the sum of the Outstanding Bonds and Prior Lien Bonds, and (D) 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 Forty-fifth Series, Forty-sixth Series, Forty-seventh Series, and Forty-eighth 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 3. The Company reserves the right, subject to appropriate action, but without any consent or other action by holders of Bonds of the Forty-fifth Series, Forty-sixth Series, Forty-seventh Series, and Forty-eighth Series, or of any subsequent series of bonds, to amend the Mortgage to eliminate the requirements for the provision by the Company of a Net Earning Certificate by deleting Section 27, Section 28(6) and Section 30(3) and deleting the following language from the end of Section 26: “and, in case the bonds are to be authenticated and delivered under the provisions of the next preceding paragraph of this Section by reason of an increase in the aggregate principal amount of bonds authenticated and delivered under this Indenture having increased the aggregate principal amount of bonds which may be authenticated and delivered within the limitations prescribed by this Section, a Net Earning Certificate showing the Net Earnings of the Company to be as required by Section 27 hereof.” 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 4. The Company reserves the right, subject to appropriate action, but without any consent or other action by holders of Bonds of the Forty-fifth Series, Forty-sixth Series, Forty-seventh Series, and Forty-eighth Series, or of any subsequent series of bonds, to amend the Mortgage as may be necessary in order to permit the Company to deliver to the Trustee in substitution for any bonds issued under the Mortgage, 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 original bonds (such substituted bonds hereinafter being referred to as the "Substituted Mortgage Bonds"). The Substituted Mortgage Bonds may only be delivered to the Trustee upon receipt by the Trustee of (i) if the original bonds were rated by Moody's, a letter from Moody's (as hereinafter defined), 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 then current rating on the original bonds, (ii) if the original bonds were rated by S&P, a letter from S&P (as hereinafter defined), dated within ten days prior to the date of delivery of the Substituted Mortgage Bonds, stating that its rating to the Substituted Mortgage Bonds is at least equal to its then current rating on the original bonds, (iii) 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 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' rights 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 (iv) 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 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 Ratings 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.

SECTION 5. The Company reserves the right, subject to appropriate action, but without any consent or other action by holders of Bonds of the Forty-fifth Series, Forty-sixth Series, Forty-seventh Series, and Forty-eighth 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 6. The Company reserves the right, subject to appropriate action, but without any consent or other action by holders of Bonds of the Forty-fifth Series, Forty-sixth Series, Forty-seventh Series, and Forty-eighth Series, or of any subsequent series of bonds, to amend the Mortgage to:

(I) Eliminate maintenance and improvement fund requirements;

(II) Simplify the provisions for release of obsolete property, de minimis property releases and substitution of property and unfunded property;

(III) Permit additional terms of bonds or forms of bond in supplemental indentures, including terms for uncertificated and global securities and medium-term notes;

(IV) Make any changes necessary to conform the Mortgage with the requirements of the Trust Indenture Act;

(V) Add defeasance provisions providing for covenant and legal defeasance options;

(VI) Permitting the Company to remove the trustee in certain circumstances;

(VII) Providing for direction to the trustee under the Mortgage to vote pledged prior lien bonds for specified amendments to the prior lien mortgage;

(VIII) Providing broader investment directions to the trustee or permitting the Company to direct investment of money held by the trustee, so long as there is no event of default under the Mortgage;

(IX) Amending the definition of "Excepted Property" to exclude property which generally cannot be mortgaged without undue administrative burden (i.e. automobiles), but allowing the Company to subject Excepted Property to the Mortgage;

(X) Amending the definition of "Bondable Property" to allow all mortgaged property to be bondable;

(XI) Updating the definition of "Permitted Liens."; and

(XII) Eliminate the requirement to have an individual trustee under the Mortgage.

ARTICLE VI  
MISCELLANEOUS PROVISIONS

SECTION 1. All Bonds of the Forty-fifth Series, Forty-sixth Series, Forty-seventh Series, and Forty-eighth 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 Forty-third Supplemental Indenture, the terms defined in the Mortgage, as heretofore supplemented, shall, for all purposes of this Forty-third 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 Forty-third 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 Forty-third 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 Forty-third Supplemental Indenture.

SECTION 4. Subject to the provisions of Article XV and Article XVI of the Mortgage, as heretofore amended and supplemented, whenever in this Forty-third 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 Forty-third 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 5. Nothing in this Forty-third 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 Forty-third Supplemental Indenture or any covenant, condition, stipulation, promise or agreement hereof, and all the covenants, conditions, stipulations, promises and agreements in this Forty-third 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 6. This Forty-third 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 Mark A. Ruelle, Vice President and Treasurer, and its corporate seal to be attested by Larry D. Irick, its Secretary for and on its behalf, BNY MIDWEST TRUST COMPANY 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/ Mark A. Ruelle

\_\_\_\_\_  
Mark A. Ruelle  
Vice President and Treasurer

Attest:

/s/ Larry D. Irick

\_\_\_\_\_  
Larry D. Irick  
Secretary

Executed, sealed and delivered by  
KANSAS GAS AND ELECTRIC COMPANY,  
in the presence of:

/s/ Peggy S. Wettengel

\_\_\_\_\_  
Peggy S. Wettengel

/s/ Patti Beasley

\_\_\_\_\_  
Patti Beasley

BNY MIDWEST TRUST COMPANY, as  
Trustee

By: /s/ D.G. Donovan

\_\_\_\_\_  
Vice President

Attest:

/s/ C. Potter

\_\_\_\_\_  
Assistant Secretary

/s/ J. Bartolini

\_\_\_\_\_  
(Judith L. Bartolini)

Executed, sealed and delivered by  
BNY MIDWEST TRUST COMPANY  
and JUDITH L. BARTOLINI, in the presence of:

/s/ L. Garcia

\_\_\_\_\_  
/s/ M. Callahan

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

BE IT REMEMBERED, that on this 1st day of June, A.D. 2004, before me, the undersigned, a Notary Public within and for the County and State aforesaid, came Mark A. Ruelle, the Vice President and 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 1st day of June, 2004, 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 1st day of June in the year 2004, before me personally appeared Mark A. Ruelle to me known, who, being by me duly sworn, did depose and say that he is the Vice President and 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 Mark A. Ruelle 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.

/s/ Patti Beasley

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NOTARY PUBLIC — STATE OF KANSAS  
MY APPOINTMENT EXPIRES (11/18/04)

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

BE IT REMEMBERED, that on this 1<sup>st</sup> day of June, A.D. 2004, before me, the undersigned, a Notary Public within and for the County and State aforesaid, came D.G. Donovan, a Vice President of BNY Midwest Trust Company, a corporation, duly organized, incorporated and existing under the laws of the State of Illinois, 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 1<sup>st</sup> day of June, 2004, before me appeared C. Potter, to me personally known, who being by me duly sworn did say that she is an Assistant Secretary of BNY MIDWEST TRUST 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 C. Potter acknowledged said instrument to be the free act and deed of said corporation.

On the 1<sup>st</sup> day of June in the year 2004, before me personally came D.G. Donovan, to me known, who, being by me duly sworn, did depose and say that she resides at Arlington Heights, IL; that she is a Vice President of BNY MIDWEST TRUST COMPANY, one of the corporations described in and which executed the above instrument; that she 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 she signed her 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/ A. Hernandez

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NOTARY PUBLIC, STATE OF ILLINOIS  
NO.  
QUALIFIED IN COOK COUNTY  
COMMISSION EXPIRES (07/08/06)

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

On this 1<sup>st</sup> day of June in the year 2004, 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 he 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/ A. Hernandez

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NOTARY PUBLIC, STATE OF ILLINOIS  
NO.  
QUALIFIED IN COOK COUNTY  
COMMISSION EXPIRES (07/08/06)



AFFIDAVIT

STATE OF KANSAS            )  
                                  ) SS:  
COUNTY OF SEDGWICK     )

I, Larry D. Irick, being first duly sworn on oath, depose and say:

1. I am the Secretary of Kansas Gas and Electric Company, a corporation duly organized and existing under the laws of the State of Kansas (the "Company"). I am duly authorized to make this affidavit on behalf of the Company.

2. The Company has heretofore executed and delivered to BNY Midwest Trust Company (as successor to Harris Trust and Savings Bank) (the "Corporate Trustee") and Judith L. Bartolini (the "Individual Trustee", together with the Corporate Trustee, the "Trustees"), a Mortgage and Deed of Trust, dated as of April 1, 1940, (hereinafter called the "Indenture"), to secure the Company's First Mortgage Bonds.

3. The Company has heretofore executed and delivered to the Trustees supplemental indentures numbered "First" through "Forty-second," inclusive, (hereinafter called the "Supplemental Indentures"), creating other series of the Company's First Mortgage Bonds.

4. The Indenture and all Supplemental Indentures confirmed unto the Trustees the real property situated in the State of Kansas which is subject to the lien of the Indenture.

5. The Indenture and all Supplemental Indentures were duly received and filed for record in accordance with the laws of the State of Kansas, and the mortgage registration fee thereon provided for was, and has been, paid in full by the Company.

6. Under the Seventh, Eighth, Twenty-fifth, Twenty-sixth, Twenty-eighth, Thirty-first, and Thirty-third Supplemental Indentures, the Company duly paid the mortgage registration fees in the amount of \$17,500, \$17,500, \$75,000, \$62,500, \$93,750, \$0, and \$334,100, (the mortgage registration fee having been paid with respect to previously filed Supplemental Indentures), respectively, based upon \$7,000,000, \$7,000,000, \$30,000,000, \$25,000,000, \$100,000,000, \$30,000,000, and \$128,500,000 of the Company's indebtedness. The Seventh, Eighth, Twenty-fifth, Twenty-sixth, Twenty-eighth, Thirty-first, and Thirty-third Supplemental Indentures are found in the Sedgwick County Register of Deeds office at Book 1181, page 445; Book 1399, page 360; film 483, page 1512; film 510, page 300; film 645, page 1524, film 707, page 378, and film 1177, page 0876, respectively.

7. The Company has executed and delivered to the Trustees a Forty-fifth, Forty-sixth, Forty-seventh, and Forty-eighth Series of bonds to be issued under and secured by the Indenture, the Supplemental Indentures and a new Supplemental Indenture dated as of June 1, 2004, (hereinafter called the "Forty-third Supplemental Indenture").

8. The purpose of the Forty-third Supplemental Indenture is to reflect the issuance and pledge of \$327,500,000 principal amount of First Mortgage Bonds.

9. \$327,500,000 of the principal amount of the First Mortgage Bonds issued pursuant to the Forty-third Supplemental Indenture tendered for filing constitutes the same principal indebtedness covered or included in the Thirty-third Supplemental Indenture with BNY Midwest Trust Company and Judith L. Bartolini, Trustees, the same lender.

10. Under the Forty-third Supplemental Indenture the registration fee with respect to all of the indebtedness of \$327,500,000 has been previously paid by the Company in connection with the Thirty-third Supplemental Indenture and by virtue thereof is considered by the Company to be the same indebtedness, and thus exempt from the payment of further registration fees pursuant to the provisions of K.S.A. 1990 Supp. 79-3102(d)(3).

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FURTHER AFFIANT SAITH NAUGHT.

/s/ Larry D. Irick

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Larry D. Irick, Secretary  
Kansas Gas and Electric Company

Subscribed and sworn to before me this 1<sup>st</sup> day of June, 2004.

/s/ Patti Beasley

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Notary Public

My Commission Expire (11/18/04)

Kansas Gas and Electric Company  
 Computations of Ratio of Earnings to Fixed Charges  
 (Dollars in Thousands)

	Year Ended December 31,				
	2004	2003	2002	2001	2000
Earnings from continuing operations (a)	\$ 115,786	\$ 93,630	\$ 75,618	\$ 35,701	\$ 120,683
Fixed Charges:					
Interest expense	33,171	55,467	47,844	49,610	49,605
Interest on corporate-owned life insurance borrowings	45,396	47,245	46,853	44,063	39,444
Interest applicable to rentals	18,270	19,688	20,766	22,822	23,039
Total Fixed Charges	96,837	122,400	115,463	116,495	112,088
Earnings (a)	\$ 212,623	\$ 216,030	\$ 191,081	\$ 152,196	\$ 232,771
Ratio of Earnings to Fixed Charges	2.20	1.76	1.65	1.31	2.08

(a) Earnings are deemed to consist of earnings from continuing operations and fixed charges. Fixed charges consist of all interest on indebtedness, amortization of debt discount and expense, and the portion of rental expense that represents an interest factor.

**KANSAS GAS AND ELECTRIC COMPANY**  
**PRINCIPAL EXECUTIVE OFFICER**  
**CERTIFICATION PURSUANT TO**  
**SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, William B. Moore, as chairman of the board and president of Kansas Gas and Electric Company, certify that:

1. I have reviewed this annual report on Form 10-K for the period ended December 31, 2004 of Kansas Gas and Electric Company;
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 registrant as of, and for, the periods presented in this report;
4. The registrant'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)) for the registrant 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 registrant, 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. Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this report (the "Evaluation Date"); and
  - c. Presented in this report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant'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 registrant'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; and
6. The registrant's other certifying officer(s) and I have indicated in this report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 16, 2005

By:

/s/ William B. Moore

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William B. Moore,  
Chairman of the Board and President  
(Principal Executive Officer)

**KANSAS GAS AND ELECTRIC COMPANY**  
**PRINCIPAL FINANCIAL AND ACCOUNTING OFFICER**  
**CERTIFICATION PURSUANT TO**  
**SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Mark A. Ruelle, as vice president and treasurer of Kansas Gas and Electric Company, certify that:

1. I have reviewed this annual report on Form 10-K for the period ended December 31, 2004 of Kansas Gas and Electric Company;
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 registrant as of, and for, the periods presented in this report;
4. The registrant'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)) for the registrant 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 registrant, 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. Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this report (the "Evaluation Date"); and
  - c. Presented in this report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant'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 registrant's ability to record, process, summarize and report financial information; and
  - c. 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; and
6. The registrant's other certifying officer(s) and I have indicated in this report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 16, 2005

By:

/s/ Mark A. Ruelle

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Mark A. Ruelle,  
Vice President and Treasurer  
(Principal Financial and 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 Annual Report of Kansas Gas and Electric Company (the Company) on Form 10-K for the year ended December 31, 2003 (the Report), which this certification accompanies, William B. Moore, in my capacity as Chairman of the Board and President (Principle Executive Officer) of the Company, and Mark A. Ruelle, in my capacity as Vice President and Treasurer (Principle Financial and Accounting 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: March 16, 2005

By: /s/ William B. Moore

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William B. Moore,  
Chairman of the Board and President  
(Principal Executive Officer)

Date: March 16, 2005

By: /s/ Mark A. Ruelle

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Mark A. Ruelle,  
Vice President and Treasurer  
(Principal Financial and Accounting Officer)