UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2005

OR

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

For the transition period from ______ to ______

Commission File Number 1-3523

WESTAR ENERGY, INC.
(Exact name of registrant as specified in its charter)

Kansas **(State or other jurisdiction of incorporation or organization)**	**48-0290150** **(I.R.S. Employer Identification No.)**

818 South Kansas Avenue
Topeka, Kansas 66612
(785) 575-6300
(Address, including Zip Code and telephone number, including area code, of registrant's principal executive offices)

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ☒ No ☐

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

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

Common Stock, par value $5.00 per share **(Class)**	**86,815,325 shares** **(Outstanding at October 27, 2005)**

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FORWARD-LOOKING STATEMENTS

Certain matters discussed in this Form 10-Q are "forward-looking statements." The Private Securities Litigation Reform Act of 1995 has established that these statements qualify for safe harbors from liability. Forward-looking statements may include words like we "believe," "anticipate," "target," "expect," "pro forma," "estimate," "intend" and words of similar meaning. Forward-looking statements describe our future plans, objectives, expectations or goals. Such statements address future events and conditions concerning:

- 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 and dividends,
- 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,
- the outcome of the pending rate review filed with the Kansas Corporation Commission on May 2, 2005, and the Federal Energy Regulatory Commission transmission rate review also filed on May 2, 2005,
- 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 on January 22, 2004 from the Environmental Protection Agency and other environmental matters,
- political, legislative, judicial and regulatory developments,
- the impact of the purported employee class action lawsuits filed against us,
- the impact of our potential liability to David C. Wittig and Douglas T. Lake for unpaid compensation and benefits and the impact of claims they have made against us related to the termination of their employment and the publication of the report of the special committee of the board of directors,
- the impact of changes in interest rates,
- changes in, and the discount rate assumptions used for, pension and other post-retirement and post-employment benefit liability calculations, as well as actual and assumed investment returns on pension plan assets,
- the impact of changing interest rates and other assumptions regarding our Wolf Creek Generating Station decommissioning trust,
- regulatory requirements for utility service reliability,
- homeland security considerations,
- coal, natural gas, oil and wholesale electricity prices,
- availability and timely provision of 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 and in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2004. No one section of this report deals with all aspects of the subject matter and additional information on some matters that could impact our operations and financial results may be included in our Annual Report on Form 10-K for the year ended December 31, 2004. Any forward-looking statement speaks only as of the date such statement was made, and we do not undertake any obligation 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.

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PART I. Financial Information
ITEM 1. CONDENSED FINANCIAL STATEMENTS

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

	September 30, 2005	December 31, 2004
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 16,285	$ 24,611
Restricted cash	2,385	2,256
Accounts receivable, net	118,257	92,532
Inventories and supplies	97,119	124,563
Energy marketing contracts	32,283	23,155
Tax receivable	45,021	90,845
Deferred tax assets	—	7,218
Prepaid expenses	37,799	29,179
Other	51,621	21,581
Total Current Assets	400,770	415,940
PROPERTY, PLANT AND EQUIPMENT, NET	3,917,395	3,910,987
OTHER ASSETS:		
Restricted cash	25,627	27,408
Regulatory assets	543,721	442,944
Nuclear decommissioning trust	98,326	91,095
Energy marketing contracts	55,050	4,904
Other	189,296	192,433
Total Other Assets	912,020	758,784
TOTAL ASSETS	$ 5,230,185	$ 5,085,711
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt	$ 100,000	$ 65,000
Accounts payable	107,975	105,593
Accrued taxes	124,330	97,874
Energy marketing contracts	25,564	20,431
Accrued interest	21,657	30,506
Deferred tax liabilities	23,216	—
Other	131,031	99,170
Total Current Liabilities	533,773	418,574
LONG-TERM LIABILITIES:		
Long-term debt, net	1,562,920	1,639,901
Deferred income taxes	968,082	927,087
Unamortized investment tax credits	65,115	68,957
Deferred gain from sale-leaseback	131,887	138,981
Accrued employee benefits	116,813	120,152
Asset retirement obligation	92,319	87,118
Nuclear decommissioning	98,326	91,095
Energy marketing contracts	466	1,547
Other	173,878	182,977
Total Long-Term Liabilities	3,209,806	3,257,815
COMMITMENTS AND CONTINGENCIES (see Notes 7 and 10)		
SHAREHOLDERS' EQUITY:		
Cumulative preferred stock, par value $100 per share; authorized 600,000 shares; issued and outstanding 214,363 shares	21,436	21,436
Common stock, par value $5 per share; authorized 150,000,000 shares; issued 86,742,583 shares and 86,029,721 shares, respectively	433,713	430,149
Paid-in capital	919,760	912,932
Unearned compensation	(11,014)	(10,361)
Retained earnings	122,558	55,053
Accumulated other comprehensive income, net	153	113

Total Shareholders' Equity	1,486,606	1,409,322
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 5,230,185	$ 5,085,711

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

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

	Three Months Ended September 30,	
	2005	2004
SALES	$ 477,896	$ 421,489
OPERATING EXPENSES:		
Fuel and purchased power	132,030	120,037
Operating and maintenance	107,719	99,970
Depreciation and amortization	42,821	42,464
Selling, general and administrative	42,071	40,638
Total Operating Expenses	324,641	303,109
INCOME FROM OPERATIONS	153,255	118,380
OTHER INCOME (EXPENSE):		
Investment earnings	4,732	5,194
Other income	848	681
Other expense	(5,094)	(4,404)
Total Other Income	486	1,471
Interest expense	26,886	31,508
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	126,855	88,343
Income tax expense	42,380	27,974
NET INCOME	84,475	60,369
Preferred dividends	242	242
EARNINGS AVAILABLE FOR COMMON STOCK	$ 84,233	$ 60,127
BASIC AND DILUTED EARNINGS PER AVERAGE COMMON SHARE OUTSTANDING (see Note 2):		
Basic earnings available	$ 0.97	$ 0.70
Diluted earnings available	$ 0.96	$ 0.69
Average equivalent common shares outstanding	86,949,726	86,059,210
DIVIDENDS DECLARED PER COMMON SHARE	$ 0.23	$ 0.19

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

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

	Nine Months Ended September 30, 2005	Nine Months Ended September 30, 2004
SALES	$ 1,189,201	$ 1,120,181
OPERATING EXPENSES:		
Fuel and purchased power	343,437	320,892
Operating and maintenance	322,767	300,460
Depreciation and amortization	127,682	126,649
Selling, general and administrative	124,723	123,668
Total Operating Expenses	918,609	871,669
INCOME FROM OPERATIONS	270,592	248,512
OTHER INCOME (EXPENSE):		
Investment earnings	9,252	12,543
Loss on extinguishment of debt	—	(18,840)
Other income	7,931	2,066
Other expense	(13,102)	(11,295)
Total Other Income (Expense)	4,081	(15,526)
Interest expense	84,488	112,203
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	190,185	120,783
Income tax expense	62,218	37,644
INCOME FROM CONTINUING OPERATIONS	127,967	83,139
Results of discontinued operations, net of tax	—	6,888
NET INCOME	127,967	90,027
Preferred dividends	727	727
EARNINGS AVAILABLE FOR COMMON STOCK	$ 127,240	$ 89,300
BASIC AND DILUTED EARNINGS PER AVERAGE COMMON SHARE OUTSTANDING (see Note 2):		
Basic earnings available from continuing operations	$ 1.47	$ 1.01
Results of discontinued operations, net of tax	—	0.08
Basic earnings available	$ 1.47	$ 1.09
Diluted earnings available from continuing operations	$ 1.46	$ 1.00
Results of discontinued operations, net of tax	—	0.08
Diluted earnings available	$ 1.46	$ 1.08
Average equivalent common shares outstanding	86,783,512	81,849,084
DIVIDENDS DECLARED PER COMMON SHARE	$ 0.69	$ 0.57

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

WESTAR ENERGY, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Dollars in Thousands)
(Unaudited)

	Three Months Ended September 30,	
	2005	**2004**
NET INCOME	$84,475	$60,369
OTHER COMPREHENSIVE INCOME, BEFORE TAX:		
Unrealized holding gain (loss) on marketable securities arising during the period	40	(6)
Other comprehensive gain (loss)	40	(6)
COMPREHENSIVE INCOME	$84,515	$60,363

	Nine Months Ended September 30,	
	2005	**2004**
NET INCOME	$ 127,967	$ 90,027
OTHER COMPREHENSIVE INCOME, BEFORE TAX:		
Unrealized holding gain on marketable securities arising during the period	40	27
Other comprehensive gain	40	27
COMPREHENSIVE INCOME	$ 128,007	$ 90,054

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

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

	Nine Months Ended September 30,	
	2005	2004
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:		
Net income	$ 127,967	$ 90,027
Adjustments to reconcile net income to net cash provided by operating activities:		
Discontinued operations, net of tax	—	(6,888)
Depreciation and amortization	127,682	126,649
Amortization of nuclear fuel	9,368	10,631
Amortization of deferred gain from sale-leaseback	(7,095)	(8,871)
Amortization of prepaid corporate-owned life insurance	12,928	10,143
Non-cash stock compensation	2,522	4,548
Net changes in energy marketing assets and liabilities	(55,222)	7,442
Loss on extinguishment of debt	—	18,840
Accrued liability to certain former officers	2,418	7,184
Net deferred taxes and credits	69,367	8,907
Changes in working capital items, net of acquisitions and dispositions:		
Accounts receivable, net	(25,725)	(24,463)
Inventories and supplies	27,444	10,201
Prepaid expenses and other	(40,537)	(37,340)
Accounts payable	2,074	5,966
Accrued taxes	72,280	54,644
Other current liabilities	(47,611)	(1,730)
Changes in other, assets	(15,949)	8,817
Changes in other, liabilities	(15,028)	(7,949)
Cash flows from continuing operations	246,883	276,758
Cash flows from discontinued operations	—	4,606
Cash flows from operating activities	246,883	281,364
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:		
Additions to property, plant and equipment	(145,949)	(131,319)
Investment in corporate-owned life insurance	(19,346)	(19,658)
Proceeds from sale of Protection One, Inc.	—	122,170
Proceeds from investment in corporate-owned life insurance	10,794	—
Proceeds from sale of plant and property	—	7,098
Repayment of officer loans	—	2
Proceeds from other investments	8,495	11,139
Cash flows used in continuing operations	(146,006)	(10,568)
Cash flows used in discontinued operations	—	(3,412)
Cash flows used in investing activities	(146,006)	(13,980)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:		
Short-term debt, net	—	(1,000)
Proceeds from long-term debt	642,807	623,301
Retirements of long-term debt	(741,847)	(1,188,081)
Funds in trust for debt repayments	—	78
Repayment of capital leases	(3,686)	(3,727)
Borrowings against cash surrender value of corporate-owned life insurance	56,532	55,593
Repayment of borrowings against cash surrender value of corporate-owned life insurance	(12,229)	(456)
Issuance of common stock, net	5,079	244,649
Cash dividends paid	(55,859)	(40,899)
Reissuance of treasury stock	—	1,927
Cash flows used in financing activities	(109,203)	(308,615)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(8,326)	(41,231)
CASH AND CASH EQUIVALENTS:		
Beginning of period	24,611	79,559
End of period	$ 16,285	$ 38,328

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

WESTAR ENERGY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. DESCRIPTION OF BUSINESS

We are the largest electric utility in Kansas. Unless the context otherwise indicates, all references in this quarterly report on Form 10-Q to "the company," "we," "us," "our" and similar words are to Westar Energy, Inc. and its consolidated subsidiaries. The term "Westar Energy" refers to Westar Energy, Inc., a Kansas corporation incorporated in 1924, alone and not together with its consolidated subsidiaries. We provide electric generation, transmission and distribution services to approximately 659,000 customers in Kansas. Westar Energy provides these services in central and northeastern Kansas, including the cities of Topeka, Lawrence, Manhattan, Salina and Hutchinson. Kansas Gas and Electric Company (KGE), Westar Energy's wholly owned subsidiary, provides these services in south-central and southeastern Kansas, including the city of Wichita. Both Westar Energy and KGE conduct business using the name Westar Energy.

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

The accompanying condensed consolidated financial statements and notes should be read in conjunction with the consolidated financial statements and notes included in our Annual Report on Form 10-K for the year ended December 31, 2004 (2004 Form 10-K).

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, investments, valuation of our energy marketing portfolio, intangible assets, income taxes, pension and other post-retirement and post-employment 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. The results of operations for the three and nine months ended September 30, 2005 are not necessarily indicative of the results to be expected for the full year.

Dilutive Shares

Basic earnings per share applicable to equivalent common stock are based on the weighted average number of common shares outstanding and shares issuable in connection with vested restricted share units (RSUs) during the period reported. Diluted earnings per share include the effects of potential issuances of common shares resulting from the assumed vesting of all outstanding RSUs and the exercise of all outstanding stock options issued pursuant to the terms of our stock-based compensation plans and the additional issuance of shares under the employee stock purchase plan (ESPP). We discontinued the ESPP effective January 1, 2005. The dilutive effect of shares issuable under the ESPP and our stock-based compensation plans is computed using the treasury stock method.

The following table reconciles the weighted average number of equivalent common shares outstanding used to compute basic and diluted earnings per share.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
DENOMINATOR FOR BASIC AND DILUTED EARNINGS PER SHARE:				
Denominator for basic earnings per share – weighted average equivalent shares	86,949,726	86,059,210	86,783,512	81,849,084
Effect of dilutive securities:				
Employee stock purchase plan shares	—	524	—	1,607
Employee stock options	1,901	2,313	1,784	2,167
Restricted share units	600,680	814,803	588,387	771,285
Denominator for diluted earnings per share – weighted average shares	87,552,307	86,876,850	87,373,683	82,624,143
Potentially dilutive shares not included in the denominator since they are antidilutive	214,340	217,375	214,340	217,375

Stock Based Compensation

For purposes of the pro forma disclosures required by the Financial Accounting Standards Board's (FASB) Statement of Financial Accounting Standards (SFAS) No. 148, "Accounting for Stock Based Compensation — Transition and Disclosure," the estimated fair value of stock options is amortized to expense over the relevant vesting period. Information related to the pro forma impact on our consolidated earnings and earnings per share follows.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
	(Dollars in Thousands, Except Per Share Amounts)			
Earnings available for common stock, as reported	$ 84,233	$ 60,127	$ 127,240	$ 89,300
Add: Effect of stock-based compensation included in earnings available for common stock, as reported, net of related tax effects	—	2	5	286
Deduct: Total stock option expense determined under fair value method for all awards, net of related tax effects	3	18	10	217
Earnings available for common stock, pro forma	$ 84,230	$ 60,111	$ 127,235	$ 89,369
Weighted average shares used for dilution	87,552,307	86,876,850	87,373,683	82,624,143
Earnings per share:				
Basic – as reported	$ 0.97	$ 0.70	$ 1.47	$ 1.09
Basic – pro forma	$ 0.97	$ 0.70	$ 1.47	$ 1.09
Diluted – as reported	$ 0.96	$ 0.69	$ 1.46	$ 1.08
Diluted – pro forma	$ 0.96	$ 0.69	$ 1.46	$ 1.08

New Accounting Pronouncements

Share-Based Payment: In December 2004, the FASB issued SFAS No. 123R, "Share-Based Payment." SFAS No. 123R requires companies to recognize as compensation expense the grant-date fair value of stock options and other equity-based compensation issued to employees. We will implement the provisions of the statement effective January 1, 2006.

We currently use RSUs for stock-based awards granted to employees. Some of our outstanding RSU awards include provisions that allow RSUs to vest following an employee's retirement. For these awards, we currently recognize the expense over the vesting period and record any remaining expense when the employee retires. Upon adoption of SFAS No. 123R, the compensation expense of any new RSU awards with provisions allowing the RSU awards to vest following retirement will be recognized over the period from the grant date to the earlier of either the end of the vesting period or the date the employee becomes eligible for retirement. For employees who are eligible for retirement on the grant date, the compensation expense will be recognized on the grant date. Given the characteristics of our stock-based compensation program, we do not expect the adoption of SFAS No. 123R to materially impact our consolidated results of operations.

Accounting for Conditional Asset Retirement Obligations: In March 2005, FASB issued Interpretation No. (FIN) 47, “Accounting for Conditional Asset Retirement Obligations.” FIN 47 clarifies that the term “conditional asset retirement obligation” as used in SFAS No. 143, “Accounting for Asset Retirement Obligations,” refers to a legal obligation to perform an asset retirement activity in which the timing or method of settlement are conditional on a future event. An entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. Uncertainty about the timing or method of settlement of a conditional asset retirement obligation should be factored into the measurement of the liability when sufficient information exists. FIN 47 also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. FIN 47 is effective for the year ended December 31, 2005.

We currently have insulating materials at our power plants that contain asbestos. We have determined that the disposal of the asbestos represents a conditional asset retirement obligation that is within the scope of FIN 47. It is likely that we will record an asset retirement obligation pursuant to the requirements of FIN 47. We are currently in the process of determining the fair value of that disposal obligation. The amount of the retirement obligation will be recorded as of 1983, the date when the Occupational Safety and Health Administration published the Emergency Temporary Standard for asbestos. We will also capitalize the retirement obligation as an increase to the power plant’s carrying value. The amount of depreciation and accretion expense accruing since 1983 will be recorded as a regulatory asset.

Supplemental Cash Flow Information

	Nine Months Ended September 30,	
	2005	**2004**
	(In Thousands)	
CASH PAID FOR:		
Interest on financing activities, net of amount capitalized	$82,248	$96,108
Income taxes	212	1,112
NON-CASH FINANCING TRANSACTIONS:		
Issuance of common stock for reinvested dividends and RSUs	10,054	10,328
Assets acquired through capital leases	3,204	2,733

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.

We have previously presented cash flows associated with discontinued operations as a single line item on the consolidated statements of cash flows. We have reclassified cash flows related to discontinued operations to present separately the operating, investing and financing cash flows from discontinued operations.

3. RATE MATTERS AND REGULATION

Retail Rate Review

In accordance with a Kansas Corporation Commission (KCC) order, we filed applications with the KCC on May 2, 2005 to increase our retail electric rates and to adopt other practices under the KCC's jurisdiction. We anticipate that any changes in our rates as a result of the rate review will become effective in January 2006. Key components of the applications are as follows:

- Increasing our retail electric rates by $84.1 million annually
- Implementing a fuel and purchased power adjustment clause
- Sharing of market-based wholesale margins between customers and us
- Recovering transmission costs through a separate Federal Energy Regulatory Commission (FERC) transmission delivery charge
- Adopting a tariff to provide more timely recovery of investments and expenditures associated with adding and operating pollution control equipment at our power plants
- Recovering $47.5 million of deferred maintenance costs associated with restoring utility service to our customers stemming from damage to our lines and equipment in the ice storms that occurred in 2002 and 2005
- Increasing depreciation expense by approximately $28.7 million
- Establishing customer service targets and the potential for rebates to customers based on our financial and customer service performance

On September 9, 2005, the KCC staff and intervenors in our rate case filed testimony with the KCC that proposes adjustments that would significantly decrease our electric rates. The KCC staff's suggested adjustments would result in a decrease in our rates by approximately $66.2 million. On October 3, 2005, we filed with the KCC additional testimony to update our filing and rebut the KCC staff's and intervenors' findings, conclusions and proposed adjustments. The adoption of the KCC staff's or intervenors' proposed adjustments to our rates would have a material adverse effect on our financial condition and results of operations. The KCC is not bound by the recommendations of its staff or other intervenors. We anticipate a ruling by the KCC on or before December 28, 2005 but are unable to predict the outcome.

FERC Proceedings

Request for Change in Transmission Rates

On May 2, 2005, we filed an application with FERC to change our transmission rates. The application proposes a formula transmission rate that provides for annual adjustments to reflect changes in our transmission costs. This is consistent with our proposal filed with the KCC on May 2, 2005 to separately charge retail customers for transmission service. We expect our proposed rates to become effective on December 1, 2005, subject to refund. We can provide no assurance that FERC will approve our application as filed.

Market-based Rates

On March 23, 2005, FERC instituted a proceeding concerning the reasonableness of our market-based rates in our electrical control area and the electrical control areas of Midwest Energy, Inc. and Aquila, Inc.'s West Plains Energy division. On April 21, 2005, we provided FERC with information it requested to complete its analysis. A FERC decision, expected by late 2005, could affect how we price future wholesale power sales to wholesale customers in our control area and to Midwest Energy and West Plains Energy and wholesale customers in their control areas. We do not expect the outcome of this matter to significantly impact our consolidated results of operations.

Service Reliability Standards

On February 10, 2004, the North American Electric Reliability Council (NERC) issued reliability improvement initiatives stemming from an investigation of the August 14, 2003 blackout in portions of the northeastern United States. In February 2005, NERC approved reliability standards, which went into effect on April 1, 2005. We are in compliance with these standards and did not have to make any significant expenditures to be in compliance.

4. DISCONTINUED OPERATIONS — SALE OF PROTECTION ONE, INC.

On February 17, 2004, we closed the sale of our interest in Protection One, Inc. to subsidiaries of Quadrangle Capital Partners LP and Quadrangle Master Funding Ltd. (together, Quadrangle). At closing, we received proceeds of $122.2 million. Pursuant to the terms of a November 12, 2004 settlement, Quadrangle paid us $32.5 million in cash as additional consideration, and we settled tax sharing-related obligations to Protection One by tendering $27.1 million in Protection One 7-3/8% senior notes, including accrued interest, and paying $45.9 million in cash. Our net cash payment under the settlement agreement was $13.4 million. Results of discontinued operations are presented in the table below.

	Nine Months Ended September 30, 2004 (a)
	(In Thousands, Except Per Share Amounts)
Sales	$ 22,466
Costs and expenses	19,937
Earnings from discontinued operations before income taxes	2,529
Estimated gain on disposal	4,115
Income tax benefit	(244)
Results of discontinued operations	$ 6,888
Basic and diluted results of discontinued operations per share	$ 0.08

(a) Includes results through February 17, 2004 when Protection One was sold.

5. ACCOUNTS RECEIVABLE SALES PROGRAM

We sell our accounts receivable to WR Receivables Corporation, a wholly owned subsidiary. WR Receivables has an agreement to sell up to $125.0 million of our qualified accounts receivable to a financial institution pursuant to an agreement entered into in 2000. The agreement has been extended annually since 2000 pursuant to mutual agreement of the parties. We renewed the agreement in July 2005 for one year on terms substantially similar to the expiring agreement.

The receivables sold by WR Receivables 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 $105.0 million at September 30, 2005 and $80.0 million at December 31, 2004. We record this activity on the consolidated statements of cash flows in the “accounts receivable, net” line of cash flows from operating activities.

We service, administer and collect the receivables on behalf of the financial institution. We paid administrative expenses to the financial institution of $1.2 million for the three months ended September 30, 2005 and $0.6 million for the same period of 2004 associated with the sale of these receivables, which represent the loss on the sale. We paid administrative expenses of $2.8 million for the nine months ended September 30, 2005 and $1.5 million for the same period of 2004. 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 allowance for bad debts. This approximates fair value due to the short-term nature of the receivable. We include the transferred accounts receivable in “accounts receivable, net,” on our consolidated balance sheets. The interests that we hold are presented in the table below.

	September 30, 2005	December 31, 2004
	(In Thousands)	
Accounts receivable retained by WR Receivables, net	$ 107,621	$ 81,842
Accounts receivable reserved for financial institution, net	10,152	10,023
Transferred receivables, net	$ 117,773	$ 91,865

6. INCOME TAXES AND TAXES OTHER THAN INCOME TAXES

We recorded income tax expense of approximately $42.4 million for the three months ended September 30, 2005 as compared to $28.0 million for the same period of 2004, and $62.2 million for the nine months ended September 30, 2005 as compared to $37.6 million for the same period of 2004.

As of September 30, 2005 and December 31, 2004, we had recorded reserves for uncertain income tax positions of $52.0 million and $49.7 million, respectively. The tax positions may involve income, deductions or credits reported in prior year income tax returns that we believe were treated properly on such tax returns. The tax returns containing these tax reporting positions are currently under audit or will likely be audited by the Internal Revenue Service or other taxing authorities. The timing of the resolution of these audits is uncertain. If the positions taken on the tax returns are ultimately upheld or not challenged within the time available for such challenges, we will reverse these tax provisions to income. If the positions taken on the tax returns are determined to be inappropriate, we may be required to make cash payments for taxes and interest. The reserves are determined based on our best estimate of probable assessments by the applicable taxing authorities and are adjusted, from time to time, based on changing facts and circumstances.

As of September 30, 2005 and December 31, 2004, we also had a reserve of $6.6 million for probable assessments of taxes other than income taxes.

7. COMMITMENTS AND CONTINGENCIES

Environmental Matters

Our activities are subject to environmental regulation by federal, state, and local governmental authorities. These regulations generally involve the use of water, discharges of effluents into the water, emissions into the air, the handling, storage and use of hazardous substances, and waste handling, remediation and disposal, among others. Congress or the State of Kansas may enact legislation, and the Environmental Protection Agency (EPA) or the State of Kansas may propose new regulations or change existing regulations, that could require us to reduce certain emissions at our plants.

Uncertain legislative and regulatory outcomes result in a wide range of potential expenditures. On August 9, 2005, Kansas City Power & Light Company (KCPL), the operator of our jointly owned La Cygne Generating Station (La Cygne), announced that it will begin preparations for the installation of environmental upgrades at La Cygne Unit No. 1. As work on these upgrades progresses, we will incur costs beginning in 2005 and continuing through the completion of installation in 2009. We anticipate that our share of these costs will be approximately $105.0 million. Additionally, we have identified the potential for up to $555.0 million of expenditures for other environmental projects over approximately 10 years. In addition to the capital investment, were we to install such equipment, we anticipate that we would incur a significant annual expense to operate and maintain the equipment and the operation of the equipment would reduce net production from our plants.

The degree to which we will need to reduce emissions and the timing of when such emissions control equipment may be required is uncertain. Both the timing and the nature of required investments depend on specific outcomes that result from interpretation of regulations, new regulations, legislation, and the resolution of the EPA New Source Review described below. Although we expect to recover such costs through our utility rates, we can provide no assurance that we would be able to fully and timely recover all or any increased costs relating to environmental compliance. Failure to recover these associated costs could have a material adverse effect on our consolidated financial condition or results of operations.

EPA New Source Review

Under Section 114(a) of the Clean Air Act (Section 114), 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. 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 requested information from us under Section 114 regarding projects and maintenance activities that have been conducted since 1980 at the three coal-fired plants we operate. On January 22, 2004, the EPA notified us that certain projects completed at Jeffrey Energy Center violated pre-construction permitting requirements of the Clean Air Act.

We are in discussions with the EPA concerning this matter in an attempt to reach a settlement. We expect that any settlement with the EPA could require us to update or install emissions controls at Jeffrey Energy Center over an agreed upon number of years. Additionally, we might be required to update or install emissions controls at our other coal-fired plants, pay fines or penalties, or take other remedial action. Together, these costs could be material. The EPA has informed us that it has referred this matter to the Department of Justice (DOJ) for it 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 we were to reach a settlement with the EPA, we may be assessed a penalty. The penalty could be material and may not be recovered in rates.

Nuclear Decommissioning

Nuclear decommissioning is a nuclear industry term for the permanent shutdown of a nuclear power plant in accordance with Nuclear Regulatory Commission (NRC) requirements. The NRC requires companies with nuclear power plants to prepare formal financial plans to fund nuclear decommissioning. We file a nuclear decommissioning and dismantlement study with the KCC every three years.

We filed an updated nuclear decommissioning and dismantlement cost estimate study with the KCC on September 1, 2005. Costs outlined by this study were developed to decommission Wolf Creek following a shutdown. The analyses relied upon the site-specific, technical information, updated to reflect current plant conditions and operating assumptions. Based on this study, our share of Wolf Creek's decommissioning costs, under the immediate dismantlement method, is estimated to be approximately $243.3 million in 2005 dollars. These costs include decontamination, dismantling and site restoration and are not inflated, escalated, or discounted over the period of expenditure. We anticipate a KCC order on the September 2005 decommissioning study in the second quarter of 2006. The actual decommissioning costs may vary from the estimates because of changes in technology and changes in costs for labor, materials and equipment.

8. 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. On March 22, 2005, we received an accounting authority order from the KCC that allows us to accumulate and defer for recovery the maintenance costs related to system restoration, as well as accumulate and record a carrying charge on the deferred balance. As of September 30, 2005, we have recorded $30.2 million as a regulatory asset related to these costs. Recovery of these costs is being considered as part of our rate review as discussed in Note 3, "Rate Matters and Regulation."

9. DEBT

The table below shows our long-term debt outstanding at September 30, 2005 and December 31, 2004.

	September 30, 2005	December 31, 2004
	(In Thousands)	
Westar Energy		
First mortgage bond series:		
7.875% due 2007	$ —	$ 365,000
6.000% due 2014	250,000	250,000
5.150% due 2017	125,000	—
5.100% due 2020	250,000	—
5.950% due 2035	125,000	—
5.875% due 2036	150,000	—
	900,000	615,000
Pollution control bond series:		
Variable due 2032, 2.880% at September 30, 2005	45,000	45,000
Variable due 2032, 2.250% at September 30, 2005	30,500	30,500
5.000 % due 2033	58,340	58,340
	133,840	133,840
9.750% unsecured senior notes due 2007	—	260,000
7.125% unsecured senior notes due 2009	145,078	145,078
	145,078	405,078
KGE		
First mortgage bond series:		
6.500% due 2005	—	65,000
6.200% due 2006	100,000	100,000
	100,000	165,000
Pollution control bond series:		
5.100% due 2023	13,488	13,488
Variable due 2027, 2.700% at September 30, 2005	21,940	21,940
5.300% due 2031	108,600	108,600
5.300% due 2031	18,900	18,900
2.650% due 2031 and putable 2006	100,000	100,000
Variable due 2031, 2.650% at September 30, 2005	100,000	100,000
Variable due 2032, 2.650% at September 30, 2005	14,500	14,500
Variable due 2032, 2.650% at September 30, 2005	10,000	10,000
	387,428	387,428
Unamortized debt discount (a)	(3,426)	(1,445)
Long-term debt due within one year	(100,000)	(65,000)
Long-term debt, net	$ 1,562,920	$1,639,901

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

On August 1, 2005, KGE repaid the outstanding $65.0 million aggregate principal amount of KGE 6.5% first mortgage bonds.

On June 30, 2005, Westar Energy sold $400.0 million aggregate principal amount of Westar Energy first mortgage bonds, consisting of $150.0 million of 5.875% bonds maturing in 2036 and $250.0 million of 5.100% bonds maturing in 2020. On July 27, 2005, proceeds from the offering were used to redeem the outstanding $365.0 million aggregate principal amount of Westar Energy's 7.875% first mortgage bonds due 2007, together with accrued interest and a call premium equal to approximately 6% of the principal outstanding, and for general corporate purposes. The call premium is recorded as a regulatory asset and is being amortized over the term of the new bonds.

On May 6, 2005, Westar Energy amended its revolving credit facility dated March 12, 2004 to extend the term and reduce borrowing costs. The amended revolving credit facility matures on May 6, 2010. The facility allows us to borrow up to an aggregate amount of $350.0 million, including letters of credit up to a maximum aggregate amount of $100.0 million. So long as there is no default or event of default under the revolving credit facility, Westar Energy may elect, subject to lender participation, to increase the aggregate amount of borrowings under this facility to $500.0 million. All borrowings under the revolving credit facility are secured by KGE first mortgage bonds.

On January 18, 2005, Westar Energy sold $250.0 million aggregate principal amount of Westar Energy first mortgage bonds, consisting of $125.0 million 5.15% bonds maturing in 2017 and $125.0 million 5.95% bonds maturing in 2035. On February 17, 2005, we used the net proceeds from the offering, together with cash on hand, additional funds raised through the accounts receivable sales program and borrowings under Westar Energy's revolving credit facility, to redeem the remaining $260.0 million aggregate principal amount of Westar Energy 9.75% senior notes due 2007. Together with accrued interest and a premium equal to approximately 12% of the outstanding senior notes, we paid $298.5 million to redeem the Westar Energy 9.75% senior notes due 2007. The call premium is recorded as a regulatory asset and is being amortized over the term of the new bonds.

10. LEGAL PROCEEDINGS

We and certain of our present and former officers and directors are defendants in a consolidated purported class action lawsuit in United States District Court in Topeka, Kansas, "In Re Westar Energy, Inc. Securities Litigation," Master File No. 5:03-CV-4003 and related cases. In early April 2005, we reached an agreement in principle with the plaintiffs to settle this lawsuit for $30.0 million. The full terms of the proposed settlement are set forth in a Stipulation and Agreement of Compromise, Settlement and Release dated as of May 31, 2005 filed with the court. On September 1, 2005, the court approved the proposed settlement and directed the parties to consummate the settlement in accordance with the stipulation. Pursuant to the stipulation, we paid $1.25 million and our insurance carriers paid $28.75 million into a settlement fund that will be disbursed, after payment of $9.0 million of legal fees for plaintiffs' counsel plus expenses, to shareholders as provided in the stipulation. The amounts paid by our insurance carriers in this settlement include the payments related to the settlement of the shareholder derivative lawsuit described below. The effectiveness of the settlement is conditioned upon the entry of a final judgment approving the settlement of the shareholder derivative lawsuit described in the following paragraph. The status of the settlement of the shareholder derivative lawsuit is described in the following paragraph.

Certain present and former members of our board of directors and officers are defendants in a shareholder derivative complaint filed April 18, 2003, "Mark Epstein vs David C. Wittig, Douglas T. Lake, Charles Q. Chandler IV, Frank J. Becker, Gene A. Budig, John C. Nettels, Jr., Roy A. Edwards, John C. Dicus, Carl M. Koupal, Jr., Larry D. Irick and Cleco Corporation, defendants, and Westar Energy, Inc., nominal defendant, Case No. 03-4081-JAR." In early April 2005, a special litigation committee of our board of directors approved an agreement in principle to settle this lawsuit for $12.5 million to be paid to us by our insurance carriers. The full terms of the proposed settlement are set forth in a Stipulation and Agreement of Compromise, Settlement and Release dated May 31, 2005 filed with the court. On September 1, 2005, the court approved the proposed settlement and directed the parties to consummate the settlement in accordance with the stipulation. Pursuant to the stipulation, the recovery from our insurance carriers, less attorney's fees of $2.5 million, was paid into the settlement fund for the settlement of the securities class action lawsuit as described above. On September 16, 2005, one shareholder filed a motion asking the court to reconsider its order approving the settlement. The parties have briefed this motion and it is now pending before the court.

We and certain of our present and former officers and employees are defendants in a consolidated purported class action lawsuit filed in United States District Court in Topeka, Kansas, “In Re Westar Energy ERISA Litigation, Master File No. 03-4032-JAR.” The lawsuit is brought on behalf of participants in, and beneficiaries of, our Employees’ 401(k) Savings Plan between July 1, 1998 and January 1, 2003. The lawsuit alleges violations of the Employee Retirement Income Security Act arising from the conduct of certain present and former officers and employees who served or are serving as fiduciaries for the plan. The conduct is related to alleged securities law violations related to the previously proposed separation of our electric utility operations from our unregulated businesses, our rate cases filed with the KCC in 2000, the compensation of and benefits provided to our senior management, energy marketing transactions with Cleco Corporation and the first and second quarter 2002 restatements of our consolidated financial statements related to the revised goodwill impairment charge and the mark-to-market charge on our putable/callable notes. On September 29, 2005, the court largely denied motions to dismiss previously filed by the defendants. The parties have notified the court of efforts to settle the lawsuit through mediation. We intend to vigorously defend against this action. We are unable to predict the ultimate impact of this matter on our consolidated results of operations.

On June 13, 2003, we filed a demand for arbitration with the American Arbitration Association asserting claims against David C. Wittig, our former president, chief executive officer and chairman, and Douglas T. Lake, our former executive vice president, chief strategic officer and member of the board, arising out of their previous employment with us. Mr. Wittig and Mr. Lake have filed counterclaims against us in the arbitration alleging substantial damages related to the termination of their employment and the publication of the report of the special committee of our board of directors. We intend to vigorously defend against these claims. The arbitration was stayed pending the completion of a trial of Mr. Wittig and Mr. Lake on criminal charges in U.S. District Court in the District of Kansas. On September 12, 2005, the jury convicted Mr. Wittig and Mr. Lake on the charges relevant to each of them. Sentencing is currently scheduled for January 9, 2006. We are unable to predict the ultimate impact of this matter on our consolidated results of operations.

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

See also Note 11, “Ongoing Investigations” and Note 12, “Potential Liabilities to David C. Wittig and Douglas T. Lake” for additional discussion of other legal matters.

11. ONGOING INVESTIGATIONS

Department of Labor Investigation

On February 1, 2005, we received a subpoena from the Department of Labor seeking documents related to our Employees’ 401(k) Savings Plan and our defined pension benefit plan. We have provided information to the Department of Labor pursuant to the subpoena and subsequent inquiries. At this time, we do not know the specific purpose of the investigation, and we are unable to predict the ultimate outcome of the investigation or its impact on us. See Note 10, “Legal Proceedings,” for discussion of a class action lawsuit brought on behalf of participants in our Employees’ 401(k) Savings Plan.

FERC Settlement

On May 19, 2005, we and FERC reached a settlement regarding the matters related to the FERC investigation of power trades with Cleco Corporation and its affiliates, power transactions between our system and our marketing operations and power trades in which we or other trading companies acted as intermediaries. The settlement does not require us to make any monetary payments. As part of the settlement, we will follow a three-year plan to ensure compliance with FERC rules. The settlement was neither a finding of wrongdoing by FERC nor an admission of wrongdoing by us.

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12. POTENTIAL LIABILITIES TO DAVID C. WITTIG AND DOUGLAS T. LAKE

During the nine months ended September 30, 2005, we increased the amount of our accrued liability for potential obligations to Mr. Wittig and Mr. Lake by $2.6 million to $60.4 million from $57.8 million at December 31, 2004. The increase in the amount of the liability was for potential benefits due under an executive salary continuation plan, split-dollar life insurance and for dividend equivalents related to RSUs. As discussed above in Note 10, “Legal Proceedings,” we have filed a demand for arbitration with the American Arbitration Association seeking to avoid payment of compensation and other benefits Mr. Wittig and Mr. Lake claim to be owed to them, including RSUs and other compensation and benefits, as a result of their prior employment with us.

In addition, through September 30, 2005, we have accrued $6.9 million for legal fees and expenses incurred by Mr. Wittig and Mr. Lake in the defense of the criminal charges filed by the United States Attorney’s Office in Topeka, Kansas. On September 12, 2005, the jury convicted Mr. Wittig and Mr. Lake on the charges relevant to each of them. We will likely incur substantial additional expenses for legal fees and expenses incurred by Mr. Wittig and Mr. Lake related to the possible appeal of these convictions, the arbitration proceeding discussed above, and in the case of Mr. Wittig, the ERISA class action lawsuit described in Note 10, “Legal Proceedings,” above. We have filed lawsuits against Mr. Wittig and Mr. Lake claiming that the legal fees and expenses they have incurred, which we have advanced or for which they seek advancement in the defense of the criminal charges, are unreasonable and excessive. We have asked the court to determine the amount of the legal fees and expenses that were reasonably incurred and which we have an obligation to advance. We are unable to estimate the amount of the legal fees and expenses incurred or that will be incurred by Mr. Wittig and Mr. Lake for which we may be ultimately responsible.

The jury in the trial of Mr. Wittig and Mr. Lake also determined that Mr. Wittig and Mr. Lake should forfeit to the United States certain property that it determined was derived from their criminal conduct. The court subsequently entered a preliminary order of forfeiture with respect to the property forfeited by Mr. Lake. The forfeited property consists substantially of compensation and benefits that we are seeking to avoid payment of in the arbitration proceeding referenced above. We believe that we have exclusive or superior rights in the forfeited property. We have filed a petition with the court asserting these rights with respect to the property forfeited by Mr. Lake and we expect to file a similar petition with respect to the property forfeited by Mr. Wittig at the appropriate time. We are unable to predict whether the court will decide that the rights we have asserted are exclusive or superior to the rights of the United States or other persons who may assert rights in the forfeited property.

13. INTERIM PENSION AND POST-RETIREMENT BENEFIT DISCLOSURE

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

Three Months Ended September 30,	Pension Benefits 2005	Pension Benefits 2004	Post-retirement Benefits 2005	Post-retirement Benefits 2004
	(In Thousands)			
Components of Net Periodic Cost (Benefit):				
Service cost	$ 1,566	$ 1,565	$ 99	$ 378
Interest cost	6,355	7,197	1,623	1,345
Expected return on plan assets	(7,858)	(9,633)	(645)	(518)
Amortization of:				
Transition obligation, net	—	—	1,014	981
Prior service costs (benefits)	602	695	(119)	(116)
Loss, net	1,169	692	406	(84)
Net periodic cost	$ 1,834	$ 516	$ 2,378	$ 1,986

Nine Months Ended September 30,	Pension Benefits 2005	Pension Benefits 2004	Post-retirement Benefits 2005	Post-retirement Benefits 2004
	(In Thousands)			
Components of Net Periodic Cost (Benefit):				
Service cost	$ 4,826	$ 4,583	$ 1,225	$ 1,114
Interest cost	20,703	21,239	5,345	5,081
Expected return on plan assets	(25,970)	(28,921)	(1,935)	(1,584)
Amortization of:				
Transition obligation, net	—	—	2,980	2,947
Prior service costs (benefits)	1,984	2,071	(353)	(350)
Loss, net	3,903	1,894	1,466	878
Net periodic cost	$ 5,446	$ 866	$ 8,728	$ 8,086

14. WCNOC INTERIM PENSION AND POST-RETIREMENT BENEFIT DISCLOSURE

As a co-owner of WCNOC, KGE is indirectly responsible for 47% of the liabilities and expenses associated with the WCNOC pension and post-retirement plans. KGE accrues its 47% of the WCNOC cost of pension and post-retirement benefits during the years an employee provides service. The following table summarizes the net periodic costs for KGE's 47% share of the WCNOC pension and post-retirement benefit plans.

Three Months Ended September 30,	Pension Benefits 2005	Pension Benefits 2004	Post-retirement Benefits 2005	Post-retirement Benefits 2004
	(In Thousands)			
Components of Net Periodic Cost (Benefit):				
Service cost	$ 705	$ 643	$ 60	$ 59
Interest cost	932	824	96	89
Expected return on plan assets	(779)	(695)	—	—
Amortization of:				
Transition obligation, net	14	14	15	15
Prior service costs	8	8	—	—
Loss, net	336	201	42	35
Net periodic cost	$1,216	$ 995	$ 213	$ 198

Nine Months Ended September 30,	Pension Benefits 2005	Pension Benefits 2004	Post-retirement Benefits 2005	Post-retirement Benefits 2004
	(In Thousands)			
Components of Net Periodic Cost (Benefit):				
Service cost	$ 2,121	$ 1,906	$ 179	$ 179
Interest cost	2,806	2,443	288	264
Expected return on plan assets	(2,344)	(2,060)	—	—
Amortization of:				
Transition obligation, net	42	42	45	45
Prior service costs	24	23	—	—
Loss, net	1,010	597	126	106
Net periodic cost	$ 3,659	$ 2,951	$ 638	$ 594

15. LA CYGNE UNIT NO. 2 LEASE

On June 30, 2005, KGE and the owner of the La Cygne Unit No. 2 amended certain terms of the agreement relating to KGE's lease of La Cygne Unit No. 2, including an extension of the lease term. The lease was entered into in 1987 with an initial term ending in September 2016. With the June 30, 2005 extension, the term of the lease will expire in September 2029. Upon expiration of the lease term in 2029, KGE has a fixed price option to purchase La Cygne Unit No. 2 for a price that is estimated to be the fair market value of the facility in 2029. KGE can also elect to renew the lease at the expiration of the lease term in 2029. However, any renewal period, when added to the initial lease term, cannot exceed 80% of La Cygne Unit No. 2's estimated useful life.

On June 30, 2005, KGE caused the owner of La Cygne Unit No. 2 to refinance the debt used by the owner to finance the purchase of the facility. At June 30, 2005, KGE had an unamortized gain, net of transaction costs, of $168.0 million as a result of the original transaction. This balance will be amortized over the term of the extended lease period. The savings resulting from extending the term of the lease and refinancing the debt will reduce KGE's annual lease expense by approximately $11.0 million. These savings will be reflected in future utility rates.

The table below shows the estimated commitments for the La Cygne Unit No. 2 lease as reported in our 2004 Form 10-K as of December 31, 2004 and with the effect of the new lease as of September 30, 2005.

La Cygne Unit No. 2 Lease Commitments

	As of September 30, 2005	As of December 31, 2004
	(In Thousands)	
Future commitments:		
2005	$ —	$ 38,013
2006	33,535	42,287
2007	23,464	78,268
2008	32,892	12,609
2009	32,964	42,287
Thereafter	388,846	289,154
Total future commitments	$ 511,701	$ 502,618

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

INTRODUCTION

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

In Management's Discussion and Analysis, we discuss our general financial condition, significant changes since December 31, 2004, and our operating results for the three and nine months ended September 30, 2005 and 2004. As you read Management's Discussion and Analysis, please refer to our condensed consolidated financial statements and the accompanying notes, which contain our operating results.

SUMMARY OF SIGNIFICANT ITEMS

Overview

Several significant items have impacted us and our business operations since January 1, 2005.

- We filed applications with the KCC on May 2, 2005 for an increase in our retail electric rates of $84.1 million annually. See Note 3 of the Notes to Condensed Consolidated Financial Statements, "Rate Matters and Regulation," for additional information.
- We incurred $38.0 million in costs to restore our electric distribution system as a result of a severe ice storm that occurred in January 2005. See Note 8 of the Notes to Condensed Consolidated Financial Statements, "Ice Storm," for additional information.
- We refinanced debt as it matured or as market conditions allowed, which reduced our interest expense. See Note 9 of the Notes to Condensed Consolidated Financial Statements, "Debt," for additional information.
- We recorded $5.9 million of income from corporate-owned life insurance.
- We received proceeds from the Central Interstate Low-Level Radioactive Waste Compact (Central States Compact) of $9.2 million as a result of the settlement of a federal lawsuit. The proceeds include the return of our original $6.8 million investment and $2.4 million in interest.
- We received income tax refunds of $55.7 million primarily related to a capital loss carryback from tax year 2004 to tax year 2003.
- We recorded a non-cash $71.1 million mark-to-market gain on fuel supply contracts.
- Coal delivery issues have caused our coal inventory levels to decline significantly below desired levels.
- Wholesale sales volumes have declined and could continue to decline due to the cost and availability of fuel.
- The cost of sales has increased significantly as discussed in more detail in the following section.

Increasing Cost of Sales

The cost of power is impacted by, among other factors, customer demand, cost and availability of fuel and purchased power, price volatility, available generation capacity and operating constraints. Higher fuel and purchased power costs, unit outages, and operating constraints related to our efforts to conserve coal have increased our cost of sales.

Cost of Fuel and Purchased Power: The cost of fossil fuel has increased significantly, especially the cost of natural gas and oil. This higher cost of fuel affects not only the cost of fuel we burn, but also increases the market prices for both our wholesale sales and the power we purchase. The cost and availability of fuel may cause us to use higher priced fuel types or to purchase power to meet the needs of our customers. The effects of the fuel price increases are reflected in our operating results. The higher cost of fuel and purchased power has been partially offset by the gain in the market value of fuel supply contracts as discussed in the next paragraph.

Gain on Fuel Supply Contracts: For the nine months ended September 30, 2005, we recognized a non-cash $71.1 million gain in the market value of fuel contracts, with most of the gain associated with the coal supply contract for our Lawrence and Tecumseh Energy Centers. The gain results primarily from an increase in the market price of coal from the Powder River Basin region of Wyoming. Based on the terms of this contract, changes in the fair value of this contract are marked-to-market through earnings in accordance with the requirements of SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities,” as amended by SFAS No. 137, 138 and 149 (collectively SFAS No. 133). In our May 2, 2005 rate review applications, we requested authority to implement a fuel adjustment clause. If our request is granted, the cumulative mark-to-market adjustments associated with our coal supply contracts will be recognized as either a regulatory asset or liability with a corresponding adjustment to fuel expense in the fourth quarter of 2005.

Unit Availability: Our operating results are significantly influenced by the availability of our generating units. If our more economical units are not available, we must rely on more expensive sources of power to meet our load requirements. The primary outages during the nine months ended September 30, 2005 were the scheduled refueling and maintenance outage at Wolf Creek and planned and unplanned outages at La Cygne Unit No. 1. The primary outages during the nine months ended September 30, 2004 were the planned and unplanned outages and reduced availability of Jeffrey Energy Center.

Operating Constraints: Our operating results are influenced by operating constraints on our generating units, such as coal conservation. If our more economical units are constrained, we must rely on more expensive sources of power to meet our load requirements and/or forego some opportunities in the wholesale power market. During the nine months ended September 30, 2005, coal conservation efforts, at times, reduced the energy generated at our more economical units and contributed to the decline in our market-based wholesale sales volumes. Coal conservation was initiated due to slower than expected coal deliveries as discussed below.

Coal Inventory and Delivery: Coal deliveries from the Powder River Basin region of Wyoming have been slower than expected due primarily to problems with the rail tracks used to deliver our coal and operational problems at the mines where the coal is obtained. Nearly all of the coal used in our coal-fired generating stations is from the Powder River Basin region of Wyoming. Longer rail delivery cycle times could have a material adverse effect on our financial condition and results of operations.

We have taken compensating measures based on current delivery cycle times, our assumptions about future delivery cycle times, fuel usage and planned inventory levels. These measures include, but are not limited to, reducing coal consumption during off-peak periods by revising normal operational dispatch of generating units, purchasing power or using more expensive power to serve customers, decreasing wholesale sales, transferring railcars between or among our power plants and ordering additional rail cars for delivery next year. Through September 30, 2005, these actions have helped reduce the financial impact resulting from longer delivery cycle times. The effect of the reduction in sales due to slower coal deliveries has been partially offset by higher prices in the power markets received for the power we have sold.

CRITICAL ACCOUNTING ESTIMATES

Our discussion and analysis of financial conditions and results of operations are based on our condensed consolidated financial statements, which have been prepared in conformity with GAAP. Note 2 of the Notes to Condensed Consolidated Financial Statements, “Summary of Significant Accounting Policies,” contains a summary of our significant accounting policies, many of which require the use of estimates and assumptions by management. The policies highlighted in our 2004 Form 10-K have an impact on our reported results that may be material due to the levels of judgment and subjectivity necessary to account for uncertain matters or susceptibility of matters subject to change.

From December 31, 2004 through September 30, 2005, we have not experienced any significant changes in our critical accounting estimates. For additional information, see our 2004 Form 10-K.

OPERATING RESULTS

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

Retail: Sales of energy 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: Sales of energy to electric cooperatives, municipalities and other electric utilities, the rate for which is generally based on cost as prescribed by FERC tariffs. Also includes changes in valuations of contracts that have yet to settle.

Market-based wholesale: Sales of energy to other wholesale customers, the rate for which is based on prevailing market rates as allowed by our FERC approved market-based tariff. Also includes changes in valuations of contracts that have yet to settle.

Energy marketing: Includes: (1) market-based energy transactions unrelated to our generation or the needs of our regulated customers; (2) financially settled products and physical transactions sourced outside our control area; and (3) 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 Southwest Power Pool (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, among other factors, 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, available generation capacity and transmission availability.

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Three Months Ended September 30, 2005 Compared to Three Months Ended September 30, 2004

Below we discuss our operating results for the three months ended September 30, 2005 as compared to the results for the three months ended September 30, 2004. Changes in results of operations are as follows:

	Three Months Ended September 30,			
	2005	2004	Change	% Change
	(In Thousands, Except Per Share Amounts)			
SALES:				
Residential	$165,062	$144,296	$20,766	14.4
Commercial	124,607	116,996	7,611	6.5
Industrial	63,760	62,920	840	1.3
Other retail	256	277	(21)	(7.6)
Total Retail Sales	353,685	324,489	29,196	9.0
Tariff-based wholesale	61,694	42,829	18,865	44.0
Market-based wholesale	30,406	23,775	6,631	27.9
Energy marketing	6,897	4,922	1,975	40.1
Transmission (a)	19,002	19,301	(299)	(1.5)
Other	6,212	6,173	39	0.6
Total Sales	477,896	421,489	56,407	13.4
OPERATING EXPENSES:				
Fuel used for generation	96,044	97,481	(1,437)	(1.5)
Purchased power	35,986	22,556	13,430	59.5
Operating and maintenance	107,719	99,970	7,749	7.8
Depreciation and amortization	42,821	42,464	357	0.8
Selling, general and administrative	42,071	40,638	1,433	3.5
Total Operating Expenses	324,641	303,109	21,532	7.1
INCOME FROM OPERATIONS	153,255	118,380	34,875	29.5
OTHER INCOME (EXPENSE):				
Investment earnings	4,732	5,194	(462)	(8.9)
Other income	848	681	167	24.5
Other expense	(5,094)	(4,404)	(690)	(15.7)
Total Other Income	486	1,471	(985)	(67.0)
Interest expense	26,886	31,508	(4,622)	(14.7)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	126,855	88,343	38,512	43.6
Income tax expense	42,380	27,974	14,406	51.5
NET INCOME	84,475	60,369	24,106	39.9
Preferred dividends	242	242	—	—
EARNINGS AVAILABLE FOR COMMON STOCK	$ 84,233	$ 60,127	$24,106	40.1
BASIC EARNINGS PER SHARE	$ 0.97	$ 0.70	$ 0.27	38.6

(a) **Transmission:** Includes an SPP network transmission tariff. For the three months ended September 30, 2005, our SPP network transmission costs were approximately $16.3 million. This amount, less approximately $1.6 million that was retained by the SPP as administration cost, was returned to us as revenues. For the three months ended September 30, 2004, our SPP network transmission costs were approximately $16.6 million with an administration cost of approximately $1.0 million retained by the SPP.

The following table reflects changes in electric sales volumes, as measured by thousands of megawatt hours (MWh) of electricity. No sales volumes are shown for energy marketing, transmission or other. Energy marketing activities are unrelated to electricity we generate.

	Three Months Ended September 30,			
	2005	2004	Change	% Change
	(Thousands of MWh)			
Residential	2,198	1,915	283	14.8
Commercial	2,110	1,968	142	7.2
Industrial	1,451	1,407	44	3.1
Other retail	25	25	—	—

Total Retail	5,784	5,315	469	8.8
Tariff-based wholesale	1,620	1,299	321	24.7
Market-based wholesale	547	698	(151)	(21.6)
Total	7,951	7,312	639	8.7

Residential and commercial sales and sales volumes increased due primarily to warmer weather during the three months ended September 30, 2005 as compared to the same period of 2004. When measured by cooling degree days, the weather during the three months ended September 30, 2005 was 30% warmer than the same period last year and about 1% above the 20-year average. We measure cooling degree days at weather stations we believe to be generally reflective of conditions in our service territory.

The warmer weather was also the primary reason tariff-based wholesale sales and sales volumes increased. We had more energy available from Jeffrey Energy Center, which also contributed to the increased tariff-based wholesale sales.

Market-based wholesale sales increased due to higher market prices, which increased due largely to higher prevailing fuel prices. Market-based wholesale sales volumes declined because less energy was available for sale due to the increase in retail and tariff-based wholesale sales as well as coal conservation efforts.

The increase in energy marketing sales was due primarily to changes in market conditions.

Fuel expense decreased due primarily to the recognition of $45.8 million in mark-to-market gains on fuel contracts, which was partially offset by an increase in the amount and cost of fuel burned. We burned approximately 9% more fuel in order to meet our increased sales volumes and had a 29% higher fuel cost. In addition, we used more expensive sources of generation because of the planned and unplanned outages and coal conservation at some of our more economical generating units.

Purchased power expense increased due primarily to a 37% higher market price and a 16% increase in the quantity purchased. At times it was more economical to purchase power than to operate our available generating units.

Costs of operating and maintaining our distribution system increased $3.9 million due primarily to higher labor costs and additional maintenance projects. Also causing the operating and maintenance expense to increase was a $3.5 million charge to write off plant operating system development costs at Wolf Creek due to non-performance of the vendor developing the system and an increase of $1.4 million in taxes other than income tax. These higher expenses were partially offset by a decline in expense related to the changes in the La Cygne Unit No. 2 operating lease as discussed in Note 15 of the Notes to Condensed Consolidated Financial Statements, "La Cygne Unit No. 2 Lease."

Selling, general and administrative expense increased due primarily to higher employee pension and benefit costs. Partially offsetting this increase were declines in legal fees, insurance costs and general expenses.

Interest expense declined due to lower debt balances and lower interest rates due to the refinancing activities as discussed in detail in "Liquidity and Capital Resources" below and in our 2004 Form 10-K.

The increase in income tax expense reflects the increase in income from continuing operations before income taxes.

Nine Months Ended September 30, 2005 Compared to Nine Months Ended September 30, 2004

Below we discuss our operating results for the nine months ended September 30, 2005 as compared to the results for the nine months ended September 30, 2004. Changes in results of operations are as follows:

	Nine Months Ended September 30,			
	2005	2004	Change	% Change
	(In Thousands, Except Per Share Amounts)			
SALES:				
Residential	$ 361,949	$ 336,706	$ 25,243	7.5
Commercial	309,432	297,723	11,709	3.9
Industrial	180,848	180,663	185	0.1
Other retail	666	283	383	135.3
Total Retail Sales	852,895	815,375	37,520	4.6
Tariff-based wholesale	143,552	109,960	33,592	30.5
Market-based wholesale	96,498	102,102	(5,604)	(5.5)
Energy marketing	21,672	16,013	5,659	35.3
Transmission (a)	58,084	58,263	(179)	(0.3)
Other	16,500	18,468	(1,968)	(10.7)
Total Sales	1,189,201	1,120,181	69,020	6.2
OPERATING EXPENSES:				
Fuel used for generation	262,454	267,266	(4,812)	(1.8)
Purchased power	80,983	53,626	27,357	51.0
Operating and maintenance	322,767	300,460	22,307	7.4
Depreciation and amortization	127,682	126,649	1,033	0.8
Selling, general and administrative	124,723	123,668	1,055	0.9
Total Operating Expenses	918,609	871,669	46,940	5.4
INCOME FROM OPERATIONS	270,592	248,512	22,080	8.9
OTHER INCOME (EXPENSE):				
Investment earnings	9,252	12,543	(3,291)	(26.2)
Loss on extinguishment of debt	—	(18,840)	18,840	100.0
Other income	7,931	2,066	5,865	283.9
Other expense	(13,102)	(11,295)	(1,807)	(16.0)
Total Other Income (Expense)	4,081	(15,526)	19,607	126.3
Interest expense	84,488	112,203	(27,715)	(24.7)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	190,185	120,783	69,402	57.5
Income tax expense	62,218	37,644	24,574	65.3
INCOME FROM CONTINUING OPERATIONS	127,967	83,139	44,828	53.9
Results of discontinued operations, net of tax	—	6,888	(6,888)	(100.0)
NET INCOME	127,967	90,027	37,940	42.1
Preferred dividends	727	727	—	—
EARNINGS AVAILABLE FOR COMMON STOCK	$ 127,240	$ 89,300	$ 37,940	42.5
BASIC EARNINGS PER SHARE	$ 1.47	$ 1.09	$ 0.38	34.9

(a) **Transmission:** Includes an SPP network transmission tariff. For the nine months ended September 30, 2005, our SPP network transmission costs were approximately $49.5 million. This amount, less approximately $3.9 million that was retained by the SPP as administration cost, was returned to us as revenues. For the nine months ended September 30, 2004, our SPP network transmission costs were approximately $50.0 million with an administration cost of approximately $3.3 million retained by the SPP.

The following table reflects changes in electric sales volumes, as measured by thousands of MWh of electricity. No sales volumes are shown for energy marketing, transmission or other. Energy marketing activities are unrelated to electricity we generate.

	Nine Months Ended September 30,			
	2005	2004	Change	% Change
	(Thousands of MWh)			
Residential	5,001	4,667	334	7.2
Commercial	5,430	5,241	189	3.6
Industrial	4,130	4,105	25	0.6
Other retail	76	76	—	—
Total Retail	14,637	14,089	548	3.9
Tariff-based wholesale	4,183	3,484	699	20.1
Market-based wholesale	2,175	3,062	(887)	(29.0)
Total	20,995	20,635	360	1.7

Residential and commercial sales and sales volumes increased due to warmer weather during the nine months ended September 30, 2005 as compared with the same period of 2004. When measured by cooling degree days, the weather during the nine months ended September 30, 2005 was 25% warmer than the same period last year and 5% above the 20-year average.

The warmer weather was also the primary reason tariff-based wholesale sales and sales volumes increased. Additionally, about $2.1 million, or 6%, of the increase in tariff-based wholesale sales was due to the Wolf Creek outage. We sold more tariff-based wholesale power to a co-owner of Wolf Creek in accordance with a contract to supply replacement power to the co-owner when Wolf Creek is not available. We had more energy available from Jeffrey Energy Center, which also contributed to the increased sales. Approximately $1.2 million, or 4%, of the increase in tariff-based wholesale sales is attributable to the recovery of higher fuel costs through a fuel adjustment provision permitted in our FERC tariff.

Market-based wholesale sales and sales volumes decreased because less energy was available for sale due to the increase in retail and tariff-based wholesale sales, the reduced availability of some of our generating units, primarily Wolf Creek, as well as coal conservation efforts. Wolf Creek generated 18% less electricity in the nine months ended September 30, 2005 than in the same period of 2004 due to the scheduled refueling and maintenance outage. The decrease in market-based wholesale sales volumes was partially offset by higher market prices.

The increase in energy marketing sales was due primarily to changes in market conditions.

Fuel expense decreased due primarily to the recognition of $71.1 million in mark-to-market gains on fuel contracts, which was partially offset by a 22% increase in the cost of fuel burned. In addition, we used more expensive sources of generation because of the planned and unplanned outages and coal conservation at some of our more economical generating units.

Purchased power expense increased due to a 29% increase in the quantity purchased due to the various outages, reduced operating capability or coal conservation at some of our generating units and a 17% increase in the market price of such power. At times, it was more economical to purchase power than to operate our available generating units.

Costs of operating and maintaining our distribution system increased $9.3 million primarily associated with higher labor costs and additional maintenance projects. Also contributing to the higher operating and maintenance expense was an increase of $7.1 million in maintenance costs at our generating units due to the outages as discussed above in "—Unit Availability," an increase of $4.0 million in taxes other than income tax and a $3.5 million expense to write off plant operating system development costs at Wolf Creek due to non-performance of the vendor developing the system. These higher expenses were partially offset by a decline in expense related to the changes in the La Cygne Unit No. 2 operating lease.

Selling, general and administrative expense increased due primarily to higher employee pension and benefit costs. Partially offsetting this increase were declines in legal fees, insurance costs and general expenses.

During the nine months ended September 30, 2004, we recognized a loss of $16.1 million in connection with the redemption of some of our senior unsecured notes and a loss of $2.7 million in connection with the redemption of the Western Resources Capital I 7.875% Cumulative Quarterly Income Preferred Securities, Series A.

Other income increased due to $5.9 million of income received from corporate-owned life insurance during the nine months ended September 30, 2005.

Interest expense decreased during the nine months ended September 30, 2005 due to lower debt balances and lower interest rates due to the refinancing activities as discussed in detail in "Liquidity and Capital Resources" below and in our 2004 Form 10-K.

The increase in income tax expense reflects the increase in income from continuing operations before income taxes.

LIQUIDITY AND CAPITAL RESOURCES

Overview

We believe we will have sufficient cash to fund future operations, debt maturities and the payment of dividends from a combination of cash on hand, cash flows from operations and available borrowing capacity. Our available sources of funds include cash, Westar Energy's revolving credit facility, our accounts receivable sales program and access to capital markets. Uncertainties affecting our ability to meet these cash requirements include, among others, factors affecting sales described in "Operating Results" above, economic conditions, regulatory actions, conditions in the capital markets and compliance with environmental regulations.

Cash and Cash Equivalents

At September 30, 2005, we had $16.3 million in unrestricted cash and cash equivalents and $322.0 million available under Westar Energy's revolving credit facility. We consider cash equivalents to be highly liquid investments with maturities of three months or less at the time they are purchased.

At September 30, 2005, we also had $2.4 million of restricted cash classified as a current asset and $25.6 million of restricted cash classified as a long-term asset. The following table details our restricted cash at September 30, 2005.

	Restricted Cash Current Portion	Restricted Cash Long-term Portion
	(In Thousands)	
Prepaid capacity and transmission agreement	$ 2,385	$ 24,177
Cash held in escrow as required by surety bonds	—	1,450
Total	$ 2,385	$ 25,627

Debt Financings

On August 1, 2005, KGE repaid the outstanding $65.0 million aggregate principal amount of KGE 6.5% first mortgage bonds.

On June 30, 2005, Westar Energy sold $400.0 million aggregate principal amount of Westar Energy first mortgage bonds, consisting of $150.0 million of 5.875% bonds maturing in 2036 and $250.0 million of 5.100% bonds maturing in 2020. On July 27, 2005, proceeds from the offering were used to redeem the outstanding $365.0 million aggregate principal amount of Westar Energy's 7.875% first mortgage bonds due 2007, together with accrued interest and a call premium equal to approximately 6% of the principal outstanding, and for general corporate purposes. The call premium is recorded as a regulatory asset and is being amortized over the term of the new bonds.

On May 6, 2005, Westar Energy amended its revolving credit facility dated March 12, 2004 to extend the term and reduce borrowing costs. The amended revolving credit facility matures on May 6, 2010. The facility allows us to borrow up to an aggregate amount of $350.0 million, including letters of credit up to a maximum aggregate amount of $100.0 million. So long as there is no default or event of default under the revolving credit facility, Westar Energy may elect, subject to lender participation, to increase the aggregate amount of borrowings under this facility to $500.0 million. All borrowings under the revolving credit facility are secured by KGE first mortgage bonds.

A default by Westar Energy or KGE under other indebtedness totaling more than $25.0 million is a default under this facility. Westar Energy is required to maintain a consolidated indebtedness to consolidated capitalization ratio not greater than 65% at all times. Available liquidity under the facility is not impacted by a decline in Westar Energy's credit ratings. Also, the facility does not contain a material adverse effect clause requiring Westar Energy to represent, prior to each borrowing, that no event resulting in a material adverse effect has occurred.

On January 18, 2005, Westar Energy sold $250.0 million aggregate principal amount of Westar Energy first mortgage bonds, consisting of $125.0 million 5.15% bonds maturing in 2017 and $125.0 million 5.95% bonds maturing in 2035. On February 17, 2005, we used the net proceeds from the offering, together with cash on hand, additional funds raised through the accounts receivable conduit facility and borrowings under Westar Energy's revolving credit facility, to redeem the remaining $260.0 million aggregate principal amount of Westar Energy 9.75% senior notes due 2007. Together with accrued interest and a premium equal to approximately 12% of the outstanding senior notes, we paid $298.5 million to redeem the Westar Energy 9.75% senior notes due 2007. The call premium is recorded as a regulatory asset and is being amortized over the term of the new bonds.

For additional information on changes in our long-term debt, see Note 9 of the Notes to Condensed Consolidated Financial Statements, "Debt."

Cash Flows From Operating Activities

Cash flows from operating activities decreased $34.5 million to $246.9 million for the nine months ended September 30, 2005 from $281.4 million for the same period of 2004. During the nine months ended September 30, 2005, we used $33.2 million for system restoration costs related to the ice storm that affected our service territory in January 2005, and approximately $14.2 million for the Wolf Creek refueling outage. We also used cash for increases in fuel and purchased power expenses. We received approximately $45.8 million more cash from income tax refunds. Cash received from the sale of accounts receivable increased $15.0 million. Cash used to pay borrowing costs was $13.9 million lower in the nine months ended September 30, 2005 as compared with the same period of 2004.

Cash Flows Used In Investing Activities

In general, cash used for investing purposes relates to the growth of the operations of our electric utility business and the replacement of utility property. The utility business is capital intensive and requires significant ongoing investment in plant. We spent $146.0 million in the nine months ended September 30, 2005 and $14.0 million in the same period of 2004 on investing activities. We received proceeds from our investment in corporate-owned life insurance of $10.8 million and proceeds from the Central States Compact of $6.8 million during the nine months ended September 30, 2005. We used $4.8 million for system restoration costs related to the ice storm that affected our service territory in January 2005. We received proceeds from the sale of Protection One of $122.2 million in the nine months ended September 30, 2004.

Cash Flows Used In Financing Activities

Cash used in financing activities was $109.2 million for the nine months ended September 30, 2005 compared with a use of $308.6 million of cash for financing activities in the same period of 2004. In the nine months ended September 30, 2005, we received cash primarily from the issuance of long-term debt. We used cash primarily to retire long-term debt and pay dividends. In the nine months ended September 30, 2004, we received cash primarily from issuing long-term debt and common stock. We used cash primarily to retire long-term debt and pay dividends. In the fourth quarter of 2004, we increased our quarterly dividend to $0.23 per share from $0.19 per share. The increase in the dividends paid in the nine months ended September 30, 2005 is due primarily to the change in the quarterly dividend rate.

Future Cash Requirements

On August 9, 2005, KCPL, the operator of our jointly owned La Cygne Generating Station, announced that it will begin preparations for the installation of environmental upgrades at La Cygne Unit No. 1. As work on these upgrades progresses, we will incur costs beginning in 2005 and continuing through the completion of installation in 2009. We anticipate that our share of these costs will be approximately $105.0 million.

Pension Obligation

Our 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 our pension liabilities, the fair value of our pension plan assets may fall below the accumulated benefit obligation at the next measurement date. The combined effects of these factors could result in the recognition of additional liabilities. We anticipate that at December 31, 2005, we may be required to make additional cash contributions or to incur a charge to equity, unless we are able to obtain authority from the KCC to recognize as a regulatory asset the amount of the potential charge to equity. The amounts will depend on plan asset performance for the year and the discount rate in effect when the plan liabilities are measured. We are unable to determine the financial impact at this time, which may or may not be material.

OFF-BALANCE SHEET ARRANGEMENTS

From December 31, 2004 through September 30, 2005, there have been no material changes in our off-balance sheet arrangements other than the extension of the term of the La Cygne Unit No. 2 lease as discussed in Note 15 of the Notes to Condensed Consolidated Financial Statements, “La Cygne Unit No. 2 Lease.” For additional information, see our 2004 Form 10-K.

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

Contractual Cash Obligations

In the nine months ended September 30, 2005, long-term debt, net, decreased $77.0 million and current maturities of long-term debt increased $35.0 million due to the various debt refinancing transactions discussed in “Liquidity and Capital Resources — Debt Financings.” In addition to the change in balances, maturity dates have also changed.

On June 30, 2005, KGE and the owner of La Cygne Unit No. 2 amended certain terms of the agreement relating to KGE’s lease of La Cygne Unit No. 2, including an extension of the term of the lease to September 2029. In addition, KGE caused the owner of La Cygne Unit No. 2 to refinance the debt used by the owner to finance the purchase of the facility. See Note 15 of the Notes to Condensed Consolidated Financial Statements, “La Cygne Unit No. 2 Lease,” for additional information regarding these transactions.

The following table summarizes the items that changed significantly since December 31, 2004 in our projected future cash payments for our contractual obligations existing at September 30, 2005. For a comparison of amounts reported as of December 31, 2004, see our 2004 Form 10-K.

	Total	October 1, 2005 through December 31, 2005	2006 - 2007	2008 –2009	Thereafter
			(In Thousands)		
Long-term debt (a)	$1,662,920	$ —	$100,000	$145,078	$1,417,842
Interest payments on long-term debt (b)	1,433,864	6,149	165,338	159,138	1,103,239
Adjusted long-term debt	3,096,784	6,149	265,338	304,216	2,521,081
Operating leases (c)	582,996	4,608	77,235	80,434	420,719

(a) See Note 9 of the Notes to Condensed Consolidated Financial Statements, “Debt” for individual long-term debt maturities
(b) We calculate interest payments on our variable rate debt based on the effective interest rate at September 30, 2005
(c) Includes the La Cygne Unit No. 2 lease, office space, operating facilities, office equipment, operating equipment and other miscellaneous commitments.

Commercial Commitments

From December 31, 2004 through September 30, 2005, our outstanding letters of credit have increased approximately $12.5 million related to our energy marketing and trading activities. We anticipate additional increases in our outstanding letters of credit balance as we continue to increase our regional transmission organization involvement. For additional information on our outstanding letters of credit, see our 2004 Form 10-K.

OTHER INFORMATION

Payment of Rebates

On July 21, 2003, we entered into a Stipulation and Agreement (Stipulation) with the KCC staff and other intervenors in the docket considering the Debt Reduction Plan. The KCC issued an order approving the Stipulation on July 25, 2003. The principal terms of the Stipulation included a requirement for us to pay customer rebates of $10.5 million on May 1, 2005 and $10.0 million on January 1, 2006. The first rebate appeared as credits on customers’ billing statements in May and June of 2005.

Settlement of Radioactive Waste Disposal Lawsuit

In August 2005, we received $9.2 million in proceeds from the Central States Compact as a result of the settlement of a federal lawsuit. This lawsuit was filed against the state of Nebraska by the other member states that originally formed the Central States Compact. The states of Kansas, Nebraska, Arkansas, Louisiana and Oklahoma originally formed the Central States 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. However, in December 1998, the Nebraska agencies responsible for considering the developer’s license application denied the application and as a result, most of the utilities that had provided the project’s pre-construction financing (including WCNOC) filed a federal court lawsuit contending Nebraska officials acted in bad faith while handling the license application. In August 2004, Nebraska and the Compact Commission settled the case under terms whereby Nebraska would pay the Compact Commission $140.5 million in August 2005, of which the $9.2 million was our share.

Energy Policy Act of 2005

On August 8, 2005, the Energy Policy Act of 2005 (2005 Energy Act) was enacted. The 2005 Energy Act is comprehensive legislation that will substantially affect the regulation of energy companies. The Act amends federal energy laws and provides FERC with new oversight responsibilities.

The 2005 Energy Act includes numerous provisions that may affect us, some of which include:

- The Public Utility Holding Company Act of 1935, which significantly restricted mergers and acquisitions in the electric utility sector, was repealed.
- The FERC will appoint and oversee an electric reliability organization to establish and enforce mandatory reliability standards regarding the interstate electric transmission system.
- The FERC will establish incentives for transmission companies, such as performance-based rates, to provide for recovery of the costs to comply with reliability standards.
- The Price Anderson Amendments Act of 1988, which provides the framework for nuclear liability protection, will be extended by twenty years to 2025.
- Federal support will be available for certain clean coal power initiatives, nuclear power projects and renewable energy technologies.

The implementation of the 2005 Energy Act requires proceedings at the state level and the development of regulations by FERC and the Department of Energy, as well as other federal agencies. We cannot predict when these proceedings and regulations will commence or be finalized. We are in the process of assessing the potential impact this legislation may have on our financial condition, future capital expenditure plans and future results of operations.

Agreement to Purchase Electric Generation Facility

On October 21, 2005, we entered into an agreement to purchase a 300 megawatt (MW) electric generation facility from ONEOK Energy Services Company, L.P. for $53.0 million. The agreement also requires us to assume a capacity sale agreement with the Oklahoma Municipal Power Authority for 75 MW through 2015. The transaction is subject to a number of conditions, including FERC approval. We expect the transaction to close in 2006.

Fair Value of Energy Marketing Contracts

For the nine months ended September 30, 2005, we recognized a non-cash $71.1 million gain in the market value of fuel contracts, primarily associated with the coal supply contract for our Lawrence and Tecumseh Energy Centers. Given the volatility in the coal market and the length of the contract term, we anticipate that we will continue to experience volatility in the market value of this contract.

The tables below show the fair value of energy marketing and fuel contracts, including the coal contract described in the preceding paragraph, that were outstanding at September 30, 2005, their sources and maturity periods:

	Fair Value of Contracts (In Thousands)
Net fair value of contracts outstanding at December 31, 2004	$ 6,081
Contracts outstanding at the beginning of the period that were realized or otherwise settled during the period	(2,909)
Changes in fair value of contracts outstanding at the beginning and end of the period	64,675
Changes in fair value of new contracts entered into during the period	(6,544)
Fair value of contracts outstanding at September 30, 2005	$ 61,303

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 September 30, 2005 Total Fair Value	Maturity Less Than 1 Year	Maturity 1-3 Years	Maturity 4-5 Years
	(In Thousands)			
Prices actively quoted (futures)	$ 122	$ 122	$ —	$ —
Prices provided by other external sources (swaps and forwards)	25,665	(1,340)	19,666	7,339
Prices based on the Black Option Pricing model (options and other) (a)	35,516	7,937	17,115	10,464
Total fair value of contracts outstanding	$ 61,303	$ 6,719	$36,781	$17,803

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

New Accounting Pronouncements

Share-Based Payment: In December 2004, FASB issued SFAS No. 123R, which requires companies to recognize as compensation expense the grant-date fair value of stock options and other equity-based compensation issued to employees. We will implement the provisions of the statement effective January 1, 2006.

We currently use RSUs for stock-based awards granted to employees. Some of our outstanding RSU awards include provisions that allow RSUs to vest following an employee's retirement. For these awards, we currently recognize the expense over the vesting period and record any remaining expense when the employee retires. Upon adoption of SFAS No. 123R, the compensation expense of any new RSU awards with provisions allowing the RSU awards to vest following retirement will be recognized over the period from the grant date to the earlier of either the end of the vesting period or the date the employee becomes eligible for retirement. For employees who are eligible for retirement on the grant date, the compensation expense will be recognized on the grant date. Given the characteristics of our stock-based compensation program, we do not expect the adoption of SFAS No. 123R to materially impact our consolidated results of operations.

Accounting for Conditional Asset Retirement Obligations: In March 2005, FASB issued FIN 47, which clarifies that the term "conditional asset retirement obligation" as used in SFAS No. 143, refers to a legal obligation to perform an asset retirement activity in which the timing or method of settlement are conditional on a future event. An entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. Uncertainty about the timing or method of settlement of a conditional asset retirement obligation should be factored into the measurement of the liability when sufficient information exists. FIN 47 also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. FIN 47 is effective for the year ended December 31, 2005.

We currently have insulating materials at our power plants that contain asbestos. We have determined that the disposal of the asbestos represents a conditional asset retirement obligation that is within the scope of FIN 47. It is likely that we will record an asset retirement obligation pursuant to the requirements of FIN 47. We are currently in the process of determining the fair value of that disposal obligation. The amount of the retirement obligation will be recorded as of 1983, the date when the Occupational Safety and Health Administration published the Emergency Temporary Standard for asbestos. We will also capitalize the retirement obligation as an increase to the power plant's carrying value. The amount of depreciation and accretion expense accruing since 1983 will be recorded as a regulatory asset.

Employees

We negotiated a three-year labor agreement with Local 304 and Local 1523 of the International Brotherhood of Electrical Workers. It was ratified in July 2005 and will be effective for three years, from July 1, 2005 through June 30, 2008.

RISK FACTORS

Like other companies in our industry, our consolidated financial results will be impacted by weather, the economy of our service territory and the performance of our customers. Our common stock price and creditworthiness will be affected by national and international macroeconomic trends, general market conditions and the expectations of the investment community, all of which are largely beyond our control. In addition, the following statements highlight risk factors that may affect our consolidated financial condition and results of operations. These are not intended to be an exhaustive discussion of all such risks, and the statements below must be read together with factors discussed elsewhere in this document and in our other filings with the Securities and Exchange Commission.

Our Revenues Depend Upon Rates Determined by the KCC

The KCC regulates many aspects of our business and operations, including the retail rates that we charge customers for electric service. Our retail rates are set by the KCC using a cost-of-service approach that takes into account historical operating expenses, fixed obligations and recovery of capital investments, including potentially stranded obligations. Using this approach, the KCC sets rates at a level calculated to recover such costs, adjusted to reflect known and measurable changes, and a permitted return on investment. Other parties to a rate review or the KCC staff may contend that our current or proposed rates are excessive. In July 2003, the KCC approved a stipulation and agreement that required us to file for a review of our rates by May 2, 2005. Accordingly, on May 2, 2005, we filed a request for an increase in rates of $84.1 million annually. On September 9, 2005, the KCC staff and intervenors in our rate case filed testimony with the KCC that proposes adjustments that would significantly decrease our electric rates. The KCC staff's suggested adjustments would result in a decrease in our rates by approximately $66.2 million. On October 3, 2005, we filed with the KCC additional testimony to update our filing and rebut the KCC staff's and intervenors' findings, conclusions and proposed adjustments. The adoption of the KCC staff's or intervenors' proposed adjustments to our rates would have a material adverse effect on our financial condition and results of operations. The KCC is not bound by the recommendations of its staff or other intervenors. We anticipate that any changes in our rates as a result of the rate review will become effective in January 2006. We expect that the rates permitted by the KCC in the rate review will be a decisive factor in determining our revenues for the succeeding periods and may have a material impact on our consolidated earnings, cash flows and financial position, as well as our ability to maintain our common stock dividend at current levels or to increase our dividend in the future. We are unable to predict the outcome of the rate review.

Our Costs May not be Fully Recovered in Retail Rates

Once established by the KCC, our rates generally remain fixed until changed in a subsequent rate review, except to the extent the KCC permits us to modify our tariffs using interim adjustment clauses. We may elect to file a rate review to request a change in our rates or intervening parties may request that the KCC review our rates for possible adjustment, subject to any limitations that may have been ordered by the KCC. Earnings could be reduced to the extent that our operating costs increase more than our revenues during the period between rate reviews, which may occur because of maintenance and repair of plants, fuel and purchased power expenses, employee or labor costs, inflation or other factors.

Equipment Failures and Other External Factors Can Adversely Affect Our Results

The generation and transmission of electricity requires the use of expensive and complicated equipment. While we have a maintenance program in place, generating plants are subject to unplanned outages because of equipment failure. In these events, we must either produce replacement power from more expensive units or purchase power from others at unpredictable and potentially higher cost in order to supply our customers and perform our contractual agreements. This can increase our costs materially and prevent us from selling excess power at wholesale. Coal deliveries from the Powder River Basin region of Wyoming, which is the primary source for our coal, have been slower than expected due primarily to problems with the rail tracks used to deliver our coal and operational problems at the mines where the coal is obtained. If rail delivery cycle times do not improve, we may be required to increase our coal conservation efforts and take other compensating measures. These measures include, but are not limited to, further reducing coal consumption by revising normal dispatch of generation units, purchasing power or using more expensive power to serve customers and decreasing or, if necessary, eliminating market-based wholesale sales that could have a material adverse affect on our financial condition and results of operations. In addition, decisions or mistakes by other utilities may adversely affect our ability to use transmission lines to deliver or import power, thus subjecting us to unexpected expenses or to the cost and uncertainty of public policy initiatives. These factors, as well as weather, interest rates, economic conditions, fuel availability, deliverability and prices, price volatility of fuel and other commodities and transportation availability and costs are largely beyond our control, but may have a material adverse effect on our consolidated earnings, cash flows and financial position. We engage in energy marketing transactions to reduce risk from market fluctuations, enhance system reliability and increase profits. The events mentioned above could reduce our ability to participate in energy marketing opportunities, which could reduce our profits.

We May Have Material Financial Exposure Under the Clean Air Act and Other Environmental Regulations

On January 22, 2004, the EPA notified us that certain projects completed at Jeffrey Energy Center violated pre-construction permitting requirements of the Clean Air Act. This notification was delivered as part of an investigation by the EPA regarding maintenance activities that have been conducted since 1980 at Jeffrey Energy Center. The EPA has informed us that it has referred this matter to the DOJ for it to consider whether to pursue an enforcement action in federal district court. The remedy for a violation could include fines and penalties and an order to install new emission control systems, both at Jeffrey Energy Center and at certain of our other coal-fired power plants, the associated cost of which could be material.

Our activities are subject to environmental regulation by federal, state, and local governmental authorities. These regulations generally involve the use of water, discharges of effluents into the water, emissions into the air, the handling, storage and use of hazardous substances, and waste handling, remediation and disposal, among others. Congress or the State of Kansas may enact legislation, and the EPA or the State of Kansas may propose new regulations or change existing regulations, that could require us to reduce certain emissions at our plants. Such action could require us to install costly equipment, increase our operating expense and reduce production from our plants.

The degree to which we will need to reduce emissions and the timing of when such emissions control equipment may be required is uncertain. Both the timing and the nature of required investments depend on specific outcomes that result from interpretation of regulations, new regulations, legislation, and the resolution of the EPA investigation described above. Although we expect to recover such costs through our rates, we can provide no assurance that we would be able to fully and timely recover all or any increased costs relating to environmental compliance. Failure to recover these associated costs could have a material adverse effect on our consolidated financial condition or results of operations.

Competitive Pressures from Electric Industry Deregulation Could Adversely Affect Our Revenues and Reported Earnings

We currently apply the accounting principles of SFAS No. 71, “Accounting for the Effects of Certain Types of Regulation,” to our regulated business. At September 30, 2005 and December 31, 2004 we had recorded $510.6 million and $413.7 million, respectively, of regulatory assets, net of regulatory liabilities. In the event that we determined that we could no longer apply the principles of SFAS No. 71, either as a result of the establishment of retail competition in our service territory or an expectation that permitted rates would not allow us to recover these costs, we would be required to record a charge against income in the amount of the remaining unamortized net regulatory assets.

We Face Financial Risks From Our Nuclear Facility

Risks of substantial liability arise from the ownership and operation of nuclear facilities, including, among others, potential structural problems at a nuclear facility, the storage, handling and disposal of radioactive materials, limitations on the amounts and types of insurance coverage commercially available, uncertainties with respect to the cost and technological aspects of nuclear decommissioning at the end of their useful lives and costs or measures associated with public safety. In the event of an extended or unscheduled outage at Wolf Creek, we would be required to generate power from more expensive units or purchase power in the open market to replace the power normally produced at Wolf Creek, and we would have less power available for sale by us in the wholesale markets. Such purchases would subject us to the risk of increased energy prices and, depending on the length and cost of the outage and the level of market prices, could adversely affect our cash flow. If we were not permitted by the KCC to recover these costs, such events could have an adverse impact on our consolidated financial condition.

We May Face Liability In Ongoing Lawsuits and Investigations

We and certain of our former and present directors and officers are defendants in civil litigation alleging violations of the securities laws. In addition, we continue to cooperate in investigations by a federal grand jury, the Securities and Exchange Commission and the DOJ into events that occurred at our company during the years prior to 2003. Our former president, chief executive officer and chairman and our former executive vice president and chief strategic officer have asserted significant claims against us in connection with the termination of their employment and the publication of the report of the special committee of our board of directors. An adverse result in any of these matters could result in damages, fines or penalties in amounts that could be material and adversely affect our consolidated results and financial condition. Management believes that it is not currently possible to estimate the potential impact of the ultimate resolution of these matters.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk, including market changes, changes in commodity prices, equity instrument investment prices and interest rates. From December 31, 2004 to September 30, 2005, no significant changes have occurred in our exposure to market risk, except as related to fuel commodity price exposure as discussed below. For additional information, see our 2004 Form 10-K, "Item 7A. Quantitative and Qualitative Disclosures About Market Risk."

Commodity Price Exposure

Our exposure to commodity prices has increased due to circumstances experienced from December 31, 2004 through September 30, 2005, including increased commodity prices for purchased power, natural gas and oil, unit outages at generating stations that primarily burn fuels other than natural gas and oil, higher quantities of electricity purchased for utility operations and high customer demand for electricity.

During the nine months ended September 30, 2005, we purchased 29% more electricity for utility operations at a 17% higher cost than we did during the same period of 2004. A 10% increase in our price for purchased power would decrease net income on an annualized basis by approximately $7.8 million. This represents an increase in our exposure to commodity price risk on an annualized basis of approximately $3.1 million, from $4.7 million at December 31, 2004.

During the nine months ended September 30, 2005, we burned 22% more natural gas and oil at a 39% higher cost than we did during the same period of 2004. A 10% increase in our price for natural gas and oil would decrease net income on an annualized basis by approximately $10.7 million. This represents an increase in our exposure to commodity price risk on an annualized basis of approximately $4.0 million, from $6.7 million at December 31, 2004.

ITEM 4. CONTROLS AND PROCEDURES

Under the supervision and with the participation of management, including our chief executive officer and our chief financial 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 our subsidiaries is communicated to the chief executive officer and the chief financial officer. Based on that evaluation, our chief executive officer and our chief financial officer concluded that, as of September 30, 2005, 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 controls over financial reporting during the three months ended September 30, 2005 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

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Part II. Other Information

ITEM 1. LEGAL PROCEEDINGS

On September 21, 2004, a grand jury in Travis County, Texas, indicted us on charges that a $25,000 contribution by us in May 2002 to a Texas political action committee violated Texas election laws. We believe the indictment is without any merit, and we intend to vigorously defend against the charges. If convicted, the court could impose a fine of up to $20,000 or, in certain circumstances, in an amount not to exceed twice the amount caused to be lost by the commission of the felony. As a result of the indictment, the federal government could suspend our status as a government contractor. Upon a conviction, the federal government could bar us from acting as a government contractor. We are taking action to ensure that neither of these events occurs, but we do not know whether we will be successful. We are unable to predict the ultimate impact suspension or loss of our status as a government contractor would have on our consolidated results of operations.

Information on other legal proceedings is set forth in Notes 10, 11 and 12 of the Notes to Condensed Consolidated Financial Statements, “Legal Proceedings,” “Ongoing Investigations” and “Potential Liabilities to David C. Wittig and Douglas T. Lake,” respectively, which are incorporated herein by reference.

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

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

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

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

31(a)	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 certifying the quarterly report provided for the period ended September 30, 2005
31(b)	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 certifying the quarterly report provided for the period ended September 30, 2005
32	Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 certifying the quarterly report provided for the quarter ended September 30, 2005 (furnished and not to be considered filed as part of the Form 10-Q)

SIGNATURE

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

WESTAR ENERGY, INC.

Date:	November 4, 2005	By:	/s/ Mark A. Ruelle
			Mark A. Ruelle, Executive Vice President and Chief Financial Officer

Exhibit 31(a)

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

I, James S. Haines, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended September 30, 2005 of Westar Energy, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the company's internal control over financial reporting that occurred during the company's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect company's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:	November 4, 2005	By:	/s/ James S. Haines, Jr.

James S. Haines, Jr.,
Director, Chief Executive Officer and President
Westar Energy, Inc.
(Principal Executive Officer)

Exhibit 31(b)

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

I, Mark A. Ruelle, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended September 30, 2005 of Westar Energy, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the company's internal control over financial reporting that occurred during the company's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect company's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:	November 4, 2005	By:	/s/ Mark A. Ruelle

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

Exhibit 32

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

In connection with the Quarterly Report of Westar Energy, Inc. (the Company) on Form 10-Q for the quarter ended September 30, 2005 (the Report), which this certification accompanies, James S. Haines, Jr., in my capacity as Director, President and Chief Executive Officer of the Company, and Mark A. Ruelle, in my capacity as Executive Vice President and Chief Financial Officer of the Company, certify that the Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date:	November 4, 2005	By:	/s/ James S. Haines, Jr.
			James S. Haines, Jr., Director, President and Chief Executive Officer
Date:	November 4, 2005	By:	/s/ Mark A. Ruelle
			Mark A. Ruelle, Executive Vice President and Chief Financial Officer