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

FORM 10-Q

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

For the quarterly period ended March 31, 2014

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	**48-0290150**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

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

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

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

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

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

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

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

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	128,897,344 shares
(Class)	(Outstanding at April 29, 2014)

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GLOSSARY OF TERMS

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

Abbreviation or Acronym	Definition
2013 Form 10-K	Annual Report on Form 10-K for the year ended December 31, 2013
AFUDC	Allowance for funds used during construction
BACT	Best Available Control Technology
CCB	Coal combustion byproduct
CO	Carbon monoxide
CO_2	Carbon dioxide
COLI	Corporate-owned life insurance
CSAPR	Cross-State Air Pollution Rule
ECRR	Environmental Cost Recovery Rider
EPA	Environmental Protection Agency
EPS	Earnings per share
FERC	Federal Energy Regulatory Commission
Fitch	Fitch Ratings
GAAP	Generally Accepted Accounting Principles
GHG	Greenhouse gas
IRS	Internal Revenue Service
JEC	Jeffrey Energy Center
KCC	Kansas Corporation Commission
KDHE	Kansas Department of Health and Environment
KGE	Kansas Gas and Electric Company
La Cygne	La Cygne Generating Station
Moody’s	Moody’s Investors Service
MW	Megawatt(s)
MWh	Megawatt hour(s)
NAAQS	National Ambient Air Quality Standards
NDT	Nuclear Decommissioning Trust
NOx	Nitrogen oxides
NSPS	New Source Performance Standard
PM	Particulate matter
RECA	Retail energy cost adjustment
RSU	Restricted share unit
RTO	Regional transmission organization
S&P	Standard & Poor’s Ratings Services
SCR	Selective catalytic reduction
SO_2	Sulfur dioxide
SPP	Southwest Power Pool
VIE	Variable interest entity
Wolf Creek	Wolf Creek Generating Station

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," "estimate," "intend" and words of similar meaning. Forward-looking statements describe our future plans, objectives, expectations or goals. Such statements address future events and conditions concerning matters such as, but not limited to:

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

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

- the risk of operating in a heavily regulated industry subject to frequent and uncertain political, legislative, judicial and regulatory developments at any level of government that can affect our revenues and costs,
- the difficulty of predicting the amount and timing of changes in demand for electricity, including with respect to emerging competing services and technologies,
- weather conditions and their effect on sales of electricity as well as on prices of energy commodities,
- equipment damage from storms and extreme weather,
- economic and capital market conditions, including the impact of inflation or deflation, changes in interest rates, the cost and availability of capital and the market for trading wholesale energy,
- the impact of changes in market conditions on employee benefit liability calculations, as well as actual and assumed investment returns on invested plan assets,
- the impact of changes in estimates regarding our Wolf Creek Generating Station (Wolf Creek) decommissioning obligation,
- the existence or introduction of competition into markets in which we operate,
- the impact of frequently changing laws and regulations relating to air and greenhouse gas emissions, water emissions, waste management and other environmental matters,
- risks associated with execution of our planned capital expenditure program, including timing and receipt of regulatory approvals necessary for planned construction and expansion projects as well as the ability to complete planned construction projects within the terms and time frames anticipated,
- cost, availability and timely provision of equipment, supplies, labor and fuel we need to operate our business,
- availability of generating capacity and the performance of our generating plants,
- changes in regulation of nuclear generating facilities and nuclear materials and fuel, including possible shutdown or required modification of nuclear generating facilities,
- additional regulation due to Nuclear Regulatory Commission oversight to ensure the safe operation of Wolf Creek, either related to Wolf Creek's performance, or potentially relating to events or performance at a nuclear plant anywhere in the world,
- uncertainty regarding the establishment of interim or permanent sites for spent nuclear fuel storage and disposal,
- homeland and information and operating systems security considerations,
- changes in accounting requirements and other accounting matters,
- changes in the energy markets in which we participate resulting from the development and implementation of real time and next day trading markets, and the effect of the retroactive repricing of transactions in such markets following execution because of changes or adjustments in market pricing mechanisms by regional transmission organizations and independent system operators,
- reduced demand for coal-based energy because of potential climate impacts and development of alternate energy sources,

- current and future litigation, regulatory investigations, proceedings or inquiries,
- other circumstances affecting anticipated operations, electricity sales and costs, and
- other factors discussed elsewhere in this report and in our Annual Report on Form 10-K for the year ended December 31, 2013 (2013 Form 10-K), including in "Item 1A. Risk Factors" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," and in other reports we file from time to time with the Securities and Exchange Commission.

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 2013 Form 10-K. No one section of this report deals with all aspects of the subject matter and additional information on some matters that could impact our consolidated financial results may be included in our 2013 Form 10-K. The reader should not place undue reliance on any forward-looking statement, as forward-looking statements speak only as of the date such statements were made. We undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement was made.

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

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

	As of March 31, 2014	As of December 31, 2013
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 9,065	$ 4,487
Accounts receivable, net of allowance for doubtful accounts of $7,233 and $4,596, respectively	231,782	250,036
Fuel inventory and supplies	249,687	239,511
Deferred tax assets	38,618	37,954
Prepaid expenses	19,934	15,821
Regulatory assets	134,458	135,408
Other	23,280	23,608
Total Current Assets	706,824	706,825
PROPERTY, PLANT AND EQUIPMENT, NET	7,669,016	7,551,916
PROPERTY, PLANT AND EQUIPMENT OF VARIABLE INTEREST ENTITIES, NET	293,939	296,626
OTHER ASSETS:		
Regulatory assets	606,840	620,006
Nuclear decommissioning trust	178,591	175,625
Other	255,249	246,140
Total Other Assets	1,040,680	1,041,771
TOTAL ASSETS	$ 9,710,459	$ 9,597,138
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt	$ 250,000	$ 250,000
Current maturities of long-term debt of variable interest entities	28,256	27,479
Short-term debt	178,900	134,600
Accounts payable	191,216	233,351
Accrued dividends	45,075	43,604
Accrued taxes	101,832	69,769
Accrued interest	91,958	80,457
Regulatory liabilities	46,235	35,982
Other	78,435	80,184
Total Current Liabilities	1,011,907	955,426
LONG-TERM LIABILITIES:		
Long-term debt, net	2,969,118	2,968,958
Long-term debt of variable interest entities, net	166,791	194,802
Deferred income taxes	1,397,197	1,363,148
Unamortized investment tax credits	191,484	192,265
Regulatory liabilities	297,544	293,574
Accrued employee benefits	327,558	331,558
Asset retirement obligations	171,432	160,682
Other	71,924	68,194
Total Long-Term Liabilities	5,593,048	5,573,181
COMMITMENTS AND CONTINGENCIES (See Notes 10 and 11)		
EQUITY:		
Westar Energy, Inc. Shareholders' Equity:		
Common stock, par value $5 per share; authorized 275,000,000 shares; issued and outstanding 128,813,670 shares and 128,254,229 shares, respective to each date	644,068	641,271
Paid-in capital	1,705,254	1,696,727
Retained earnings	748,411	724,776
Total Westar Energy, Inc. Shareholders' Equity	3,097,733	3,062,774
Noncontrolling Interests	7,771	5,757
Total Equity	3,105,504	3,068,531
TOTAL LIABILITIES AND EQUITY	$ 9,710,459	$ 9,597,138

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

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

	Three Months Ended March 31,	
	2014	2013
REVENUES	$ 628,556	$ 546,212
OPERATING EXPENSES:		
Fuel and purchased power	173,839	151,752
SPP network transmission costs	51,958	43,796
Operating and maintenance	91,790	84,155
Depreciation and amortization	70,110	66,846
Selling, general and administrative	56,486	48,945
Taxes other than income tax	34,832	30,778
Total Operating Expenses	479,015	426,272
INCOME FROM OPERATIONS	149,541	119,940
OTHER INCOME (EXPENSE):		
Investment earnings	2,378	4,059
Other income	5,917	3,715
Other expense	(5,664)	(5,361)
Total Other Income	2,631	2,413
Interest expense	46,241	44,284
INCOME BEFORE INCOME TAXES	105,931	78,069
Income tax expense	34,961	24,813
NET INCOME	70,970	53,256
Less: Net income attributable to noncontrolling interests	2,015	2,112
NET INCOME ATTRIBUTABLE TO WESTAR ENERGY, INC.	$ 68,955	$ 51,144
BASIC AND DILUTED EARNINGS PER AVERAGE COMMON SHARE OUTSTANDING ATTRIBUTABLE TO WESTAR ENERGY, INC. (See Note 2):		
Basic earnings per common share	$ 0.53	$ 0.40
Diluted earnings per common share	$ 0.52	$ 0.40
AVERAGE EQUIVALENT COMMON SHARES OUTSTANDING:		
Basic	129,004,112	127,196,454
Diluted	131,269,363	127,619,268
DIVIDENDS DECLARED PER COMMON SHARE	$ 0.35	$ 0.34

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

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

	Three Months Ended March 31,	
	2014	2013
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:		
Net income	$ 70,970	$ 53,256
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	70,110	66,846
Amortization of nuclear fuel	5,966	2,857
Amortization of deferred regulatory gain from sale leaseback	(1,374)	(1,374)
Amortization of corporate-owned life insurance	5,884	3,522
Non-cash compensation	1,796	2,221
Net deferred income taxes and credits	34,787	22,387
Stock-based compensation excess tax benefits	636	(202)
Allowance for equity funds used during construction	(5,006)	(2,746)
Changes in working capital items:		
Accounts receivable	16,892	(2,313)
Fuel inventory and supplies	(9,956)	12,180
Prepaid expenses and other	(2,255)	7,641
Accounts payable	1,422	28,214
Accrued taxes	33,428	31,431
Other current liabilities	2,838	(7,251)
Changes in other assets	3,650	(31,259)
Changes in other liabilities	8,524	8,224
Cash Flows from Operating Activities	238,312	193,634
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:		
Additions to property, plant and equipment	(218,329)	(181,987)
Purchase of securities - trusts	(2,707)	(32,582)
Sale of securities - trusts	3,745	33,305
Proceeds from investment in corporate-owned life insurance	1,121	79,508
Proceeds from federal grant	—	876
Investment in affiliated company	1,362	—
Other investing activities	(1,230)	240
Cash Flows used in Investing Activities	(216,038)	(100,640)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:		
Short-term debt, net	44,139	(196,318)
Proceeds from long-term debt	—	246,179
Retirements of long-term debt of variable interest entities	(27,148)	(25,368)
Repayment of capital leases	(755)	(802)
Borrowings against cash surrender value of corporate-owned life insurance	861	—
Repayment of borrowings against cash surrender value of corporate-owned life insurance	(1,040)	(78,655)
Stock-based compensation excess tax benefits	(636)	202
Issuance of common stock	10,317	1,546
Cash dividends paid	(41,591)	(39,964)
Other financing activities	(1,843)	—
Cash Flows used in Financing Activities	(17,696)	(93,180)
NET CHANGE IN CASH AND CASH EQUIVALENTS	4,578	(186)
CASH AND CASH EQUIVALENTS:		
Beginning of period	4,487	5,829
End of period	$ 9,065	$ 5,643

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

WESTAR ENERGY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Dollars in Thousands)
(Unaudited)

	Westar Energy, Inc. Shareholders					
	Common stock shares	Common stock	Paid-in capital	Retained earnings	Non-controlling interests	Total equity
Balance as of December 31, 2012	126,503,748	$ 632,519	$ 1,656,972	$ 606,649	$ 14,115	$ 2,910,255
Net income	—	—	—	51,144	2,112	53,256
Issuance of stock	51,222	256	1,290	—	—	1,546
Issuance of stock for compensation and reinvested dividends	246,488	1,232	1,121	—	—	2,353
Tax withholding related to stock compensation	—	—	(2,515)	—	—	(2,515)
Dividends on common stock ($0.34 per share)	—	—	—	(43,675)	—	(43,675)
Stock compensation expense	—	—	2,201	—	—	2,201
Tax benefit on stock compensation	—	—	202	—	—	202
Other	—	—	—	—	(1)	(1)
Balance as of March 31, 2013	126,801,458	$ 634,007	$ 1,659,271	$ 614,118	$ 16,226	$ 2,923,622
Balance as of December 31, 2013	128,254,229	$ 641,271	$ 1,696,727	$ 724,776	$ 5,757	$ 3,068,531
Net income	—	—	—	68,955	2,015	70,970
Issuance of stock	369,159	1,846	8,471	—	—	10,317
Issuance of stock for compensation and reinvested dividends	190,282	951	759	—	—	1,710
Tax withholding related to stock compensation	—	—	(1,843)	—	—	(1,843)
Dividends on common stock ($0.35 per share)	—	—	—	(45,320)	—	(45,320)
Stock compensation expense	—	—	1,776	—	—	1,776
Tax benefit on stock compensation	—	—	(636)	—	—	(636)
Distributions to shareholders of noncontrolling interests	—	—	—	—	(1)	(1)
Balance as of March 31, 2014	128,813,670	$ 644,068	$ 1,705,254	$ 748,411	$ 7,771	$ 3,105,504

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

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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 693,000 customers in Kansas. Westar Energy provides these services in central and northeastern Kansas, including the cities of Topeka, Lawrence, Manhattan, Salina and Hutchinson. Kansas Gas and Electric Company (KGE), Westar Energy's wholly owned subsidiary, provides these services in south-central and southeastern Kansas, including the city of Wichita. Both Westar Energy and KGE conduct business using the name Westar Energy. Our corporate headquarters is located at 818 South Kansas Avenue, Topeka, Kansas 66612.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

We prepare our unaudited condensed consolidated financial statements 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 generally accepted accounting principles (GAAP) have been condensed or omitted. Our condensed consolidated financial statements include all operating divisions, majority owned subsidiaries and variable interest entities (VIEs) of which we maintain a controlling interest or are the primary beneficiary reported as a single reportable segment. Undivided interests in jointly-owned generation facilities are included on a proportionate basis. Intercompany accounts and transactions have been eliminated in consolidation. In our opinion, all adjustments, consisting only of normal recurring adjustments considered necessary for a fair presentation of the consolidated 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 2013 Form 10-K.

Use of Management's Estimates

When we prepare our condensed consolidated financial statements, we are required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of our condensed 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 depreciation, unbilled revenue, valuation of investments, forecasted fuel costs included in our retail energy cost adjustment billed to customers, income taxes, pension and post-retirement benefits, our asset retirement obligations including the decommissioning of Wolf Creek, environmental issues, VIEs, contingencies and litigation. Actual results may differ from those estimates under different assumptions or conditions. The results of operations for the three months ended March 31, 2014, are not necessarily indicative of the results to be expected for the full year.

Fuel Inventory and Supplies

We state fuel inventory and supplies at average cost. Following are the balances for fuel inventory and supplies stated separately.

	As of March 31, 2014	As of December 31, 2013
	(In Thousands)	
Fuel inventory	$ 80,790	$ 78,368
Supplies	168,897	161,143
Fuel inventory and supplies	$ 249,687	$ 239,511

Allowance for Funds Used During Construction

Allowance for funds used during construction (AFUDC) represents the allowed cost of capital used to finance utility construction activity. We compute AFUDC by applying a composite rate to qualified construction work in progress. We credit other income (for equity funds) and interest expense (for borrowed funds) for the amount of AFUDC capitalized as construction cost on the accompanying consolidated statements of income as follows:

	Three Months Ended March 31,	
	2014	2013
	(Dollars In Thousands)	
Borrowed funds	$ 3,731	$ 2,585
Equity funds	5,006	2,746
Total	$ 8,737	$ 5,331
Average AFUDC Rates	7.3%	4.4%

Earnings Per Share

We have participating securities in the form of unvested restricted share units (RSUs) with nonforfeitable rights to dividend equivalents that receive dividends on an equal basis with dividends declared on common shares. As a result, we apply the two-class method of computing basic and diluted earnings per share (EPS).

Under the two-class method, we reduce net income attributable to common stock by the amount of dividends declared in the current period. We allocate the remaining earnings to common stock and RSUs to the extent that each security may share in earnings as if all of the earnings for the period had been distributed. We determine the total earnings allocated to each security by adding together the amount allocated for dividends and the amount allocated for a participation feature. To compute basic EPS, we divide the earnings allocated to common stock by the weighted average number of common shares outstanding. Diluted EPS includes the effect of potential issuances of common shares resulting from our forward sale agreements and RSUs with forfeitable rights to dividend equivalents. We compute the dilutive effect of potential issuances of common shares using the treasury stock method.

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

	Three Months Ended March 31,	
	2014	2013
	(Dollars In Thousands, Except Per Share Amounts)	
Net income	$ 70,970	$ 53,256
Less: Net income attributable to noncontrolling interests	2,015	2,112
Net income attributable to Westar Energy, Inc.	68,955	51,144
Less: Net income allocated to RSUs	183	148
Net income allocated to common stock	$ 68,772	$ 50,996
Weighted average equivalent common shares outstanding – basic	129,004,112	127,196,454
Effect of dilutive securities:		
RSUs	66,427	90,086
Forward sale agreements	2,198,824	332,728
Weighted average equivalent common shares outstanding – diluted (a)	131,269,363	127,619,268
Earnings per common share, basic	$ 0.53	$ 0.40
Earnings per common share, diluted	$ 0.52	$ 0.40

(a) We had no antidilutive shares for the three months ended March 31, 2014 and 2013.

Supplemental Cash Flow Information

	Three Months Ended March 31,	
	2014	2013
	(In Thousands)	
CASH PAID FOR (RECEIVED FROM):		
Interest on financing activities, net of amount capitalized	$ 39,028	$ 34,058
Interest on financing activities of VIEs	6,515	7,319
NON-CASH INVESTING TRANSACTIONS:		
Property, plant and equipment additions	79,844	60,149
NON-CASH FINANCING TRANSACTIONS:		
Issuance of stock for compensation and reinvested dividends	1,710	2,353
Assets acquired through capital leases	446	295

3. RATE MATTERS AND REGULATION

KCC Proceedings

In March 2014, the Kansas Corporation Commission (KCC) issued an order allowing us to adjust our prices, subject to final KCC review, to include updated transmission costs as reflected in the transmission formula rate discussed below. The new prices were effective in April 2014 and are expected to increase our annual retail revenues by approximately $41.0 million. We expect the KCC to issue a final order on our request later in 2014.

In March 2014, we filed an application with the KCC to adjust our prices to include costs associated with investments in environmental projects during 2013. We expect to implement the new prices in June 2014 and estimate that this will increase our annual retail revenues by approximately $11.0 million.

In December 2013, the KCC approved an order allowing us to adjust our prices to include costs incurred for property taxes. The new prices were effective in January 2014 and are expected to increase our annual retail revenues by approximately $12.7 million.

FERC Proceedings

Our transmission formula rate that includes projected 2014 transmission capital expenditures and operating costs was effective in January 2014 and is expected to increase our annual transmission revenues by approximately $44.3 million. This updated rate provided the basis for our request with the KCC to adjust our retail prices to include updated transmission costs as discussed above.

4. FINANCIAL INSTRUMENTS AND TRADING SECURITIES

Values of Financial Instruments

GAAP establishes a hierarchical framework for disclosing the transparency of the inputs utilized in measuring assets and liabilities at fair value. Our assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the classification of assets and liabilities within the fair value hierarchy levels. The three levels of the hierarchy and examples are as follows:

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities. The types of assets and liabilities included in level 1 are highly liquid and actively traded instruments with quoted prices, such as equities listed on public exchanges.

- Level 2 - Pricing inputs are not quoted prices in active markets, but are either directly or indirectly observable. The types of assets and liabilities included in level 2 are typically measured at net asset value, comparable to actively traded securities or contracts, such as treasury securities with pricing interpolated from recent trades of similar securities, or priced with models using highly observable inputs.

- Level 3 - Significant inputs to pricing have little or no transparency. The types of assets and liabilities included in level 3 are those with inputs requiring significant management judgment or estimation. Level 3 includes investments in private equity, real estate securities and other alternative investments, which are measured at net asset value.

We record cash and cash equivalents, short-term borrowings and variable rate debt on our consolidated balance sheets at cost, which approximates fair value. We measure the fair value of fixed rate debt, a level 2 measurement, based on quoted market prices for the same or similar issues or on the current rates offered for instruments of the same remaining maturities and redemption provisions. The recorded amount of accounts receivable and other current financial instruments approximates fair value.

All of our level 2 investments are held in investment funds that are measured at fair value using daily net asset values. In addition, we maintain certain level 3 investments in private equity, alternative investments and real estate securities that are also measured at fair value using net asset value, but require significant unobservable market information to measure the fair value of the underlying investments. The underlying investments in private equity are measured at fair value utilizing both market- and income-based models, public company comparables, investment cost or the value derived from subsequent financings. Adjustments are made when actual performance differs from expected performance; when market, economic or company-specific conditions change; and when other news or events have a material impact on the security. The underlying alternative investments include collateralized debt obligations, mezzanine debt and a variety of other investments. The fair value of these investments is measured using a variety of primarily market-based models utilizing inputs such as security prices, maturity, call features, ratings and other developments related to specific securities. The underlying real estate investments are measured at fair value using a combination of market- and income-based models utilizing market discount rates, projected cash flows and the estimated value into perpetuity.

We measure fair value based on information available as of the measurement date. The following table provides the carrying values and measured fair values of our fixed-rate debt.

	As of March 31, 2014		As of December 31, 2013	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In Thousands)			
Fixed-rate debt	$ 3,102,500	$ 3,359,279	$ 3,102,500	$ 3,294,209
Fixed-rate debt of VIEs	194,535	211,993	221,682	241,241

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Recurring Fair Value Measurements

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

As of March 31, 2014	Level 1	Level 2	Level 3	Total
	(In Thousands)			
Nuclear Decommissioning Trust:				
Domestic equity	$ —	$ 50,522	$ 5,984	$ 56,506
International equity	—	32,167	—	32,167
Core bonds	—	18,409	—	18,409
High-yield bonds	—	13,226	—	13,226
Emerging market bonds	—	11,414	—	11,414
Other fixed income	—	4,725	—	4,725
Combination debt/equity/other funds	—	17,176	—	17,176
Alternative investments	—	—	16,102	16,102
Real estate securities	—	—	8,812	8,812
Cash equivalents	54	—	—	54
Total Nuclear Decommissioning Trust	54	147,639	30,898	178,591
Trading Securities:				
Domestic equity	—	18,081	—	18,081
International equity	—	4,513	—	4,513
Core bonds	—	12,150	—	12,150
Total Trading Securities	—	34,744	—	34,744
Total Assets Measured at Fair Value	$ 54	$ 182,383	$ 30,898	$ 213,335

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

The following table provides reconciliations of assets and liabilities measured at fair value using significant level 3 inputs for the three months ended March 31, 2014 and 2013.

	Domestic Equity	Alternative Investments	Real Estate Securities	Net Balance
	(In Thousands)			
Balance as of December 31, 2013	$ 5,817	$ 15,675	$ 8,511	$ 30,003
Total realized and unrealized gains (losses) included in:				
Regulatory liabilities	162	427	301	890
Purchases	50	—	76	126
Sales	(45)	—	(76)	(121)
Balance as of March 31, 2014	$ 5,984	$ 16,102	$ 8,812	$ 30,898
Balance as of December 31, 2012	$ 4,899	$ —	$ 7,865	$ 12,764
Total realized and unrealized gains (losses) included in:				
Regulatory liabilities	(32)	—	162	130
Purchases	63	15,000	69	15,132
Sales	(145)	—	(69)	(214)
Balance as of March 31, 2013	$ 4,785	$ 15,000	$ 8,027	$ 27,812

Portions of the gains and losses contributing to changes in net assets in the above tables are unrealized. The following tables summarize the unrealized gains and losses we recorded on our consolidated financial statements during the three months ended March 31, 2014 and 2013, attributed to level 3 assets and liabilities.

	Three Months Ended March 31, 2014			
	Domestic Equity	Alternative Investments	Real Estate Securities	Net Balance
	(In Thousands)			
Total unrealized gains included in:				
Regulatory liabilities	$ 117	$ 427	$ 224	$ 768

	Three Months Ended March 31, 2013			
	Domestic Equity	Alternative Investments	Real Estate Securities	Net Balance
	(In Thousands)			
Total unrealized gains (losses) included in:				
Regulatory liabilities	$ (176)	$ —	$ 93	$ (83)

Some of our investments in the nuclear decommissioning trust (NDT) and our trading securities portfolio are measured at net asset value and do not have readily determinable fair values. These investments are either with investment companies or companies that follow accounting guidance consistent with investment companies. In certain situations these investments may have redemption restrictions. The following table provides additional information on these investments.

	As of March 31, 2014		As of December 31, 2013		As of March 31, 2014	
	Fair Value	Unfunded Commitments	Fair Value	Unfunded Commitments	Redemption Frequency	Length of Settlement
	(In Thousands)					
Nuclear Decommissioning Trust:						
Domestic equity	$ 5,984	$ 2,633	$ 5,817	$ 2,683	(a)	(a)
Alternative investments	16,102	—	15,675	—	(b)	(b)
Real estate securities	8,812	—	8,511	—	Quarterly	80 days
Total Nuclear Decommissioning Trust	30,898	2,633	30,003	2,683		
Trading Securities:						
Domestic equity	18,081	—	18,075	—	Upon Notice	1 day
International equity	4,513	—	4,519	—	Upon Notice	1 day
Core bonds	12,150	—	12,166	—	Upon Notice	1 day
Total Trading Securities	34,744	—	34,760	—		
Total	$ 65,642	$ 2,633	$ 64,763	$ 2,683		

(a) This investment is in three long-term private equity funds that do not permit early withdrawal. Our investments in these funds cannot be distributed until the underlying investments have been liquidated which may take years from the date of initial liquidation. One fund has begun to make distributions and we expect the other to begin in 2014. Our initial investment in the third fund occurred in the third quarter of 2013. This fund's term will be 15 years, subject to the General Partner's right to extend the term for up to three additional one-year periods.

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

Price Risk

We use various types of fuel, including coal, natural gas, uranium and diesel to operate our plants and also purchase power to meet customer demand. Our prices and consolidated financial results are exposed to market risks from commodity price changes for electricity and other energy-related products as well as interest rates. Volatility in these markets impacts our costs of purchased power and costs of fuel for our generating plants. We strive to manage our customers' and our exposure to market risks through regulatory, operating and financing activities.

Interest Rate Risk

We have entered into numerous fixed and variable rate debt obligations. We manage our interest rate risk related to these debt obligations by limiting our exposure to variable interest rate debt, diversifying maturity dates and entering into treasury yield hedge transactions. We may also use other financial derivative instruments such as interest rate swaps.

5. FINANCIAL INVESTMENTS

We report some of our investments in equity and debt securities at fair value and use the specific identification method to determine their realized gains and losses. We classify these investments as either trading securities or available-for-sale securities as described below.

Trading Securities

We hold equity and debt investments which we classify as trading securities in a trust used to fund certain retirement benefit obligations. As of March 31, 2014, and December 31, 2013, we measured the fair value of trust assets at $34.7 million and $34.9 million, respectively. We include unrealized gains or losses on these securities in investment earnings on our consolidated statements of income. For the three months ended March 31, 2014 and 2013, we recorded unrealized gains of $0.5 million and $2.5 million, respectively, on the assets still held.

Available-for-Sale Securities

We hold investments in a trust for the purpose of funding the decommissioning of Wolf Creek. We have classified these investments as available-for-sale and have recorded all such investments at their fair market value as of March 31, 2014, and December 31, 2013. As of March 31, 2014, the fair value of available-for-sale bond funds was $47.8 million. The NDT did not have investments in debt securities outside of investment funds as of March 31, 2014.

Using the specific identification method to determine cost, we realized gains on our available-for-sale securities of $0.1 million and $1.3 million during the three months ended March 31, 2014 and 2013, respectively. We record net realized and unrealized gains and losses in regulatory liabilities on our consolidated balance sheets. This reporting is consistent with the method we use to account for the decommissioning costs we recover in our prices. Gains or losses on assets in the trust fund are recorded as increases or decreases to regulatory liabilities and could result in lower or higher funding requirements for decommissioning costs, which we believe would be reflected in the prices paid by our customers.

The following table presents the cost, gross unrealized gains and losses, fair value and allocation of investments in the NDT fund as of March 31, 2014, and December 31, 2013.

Security Type	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value	Allocation
	(Dollars In Thousands)				
As of March 31, 2014					
Domestic equity	$ 41,085	$ 15,425	$ (4)	$ 56,506	32%
International equity	27,063	5,238	(134)	32,167	18%
Core bonds	18,332	77	—	18,409	10%
High-yield bonds	12,426	800	—	13,226	7%
Emerging market bonds	12,245	—	(831)	11,414	6%
Other fixed income	4,702	23	—	4,725	3%
Combination debt/equity/other fund	14,928	2,441	(193)	17,176	10%
Alternative investments	15,000	1,102	—	16,102	9%
Real estate securities	10,344	—	(1,532)	8,812	5%
Cash equivalents	54	—	—	54	<1%
Total	$ 156,179	$ 25,106	$ (2,694)	$ 178,591	100%
As of December 31, 2013					
Domestic equity	$ 40,976	$ 14,799	$ (1)	$ 55,774	32%
International equity	26,581	5,266	(31)	31,816	18%
Core bonds	18,287	—	(180)	18,107	10%
High-yield bonds	12,275	627	—	12,902	7%
Emerging market bonds	12,207	—	(1,152)	11,055	6%
Other fixed income	4,684	6	—	4,690	3%
Combination debt/equity/other funds	14,964	2,380	(251)	17,093	10%
Alternative investments	15,000	675	—	15,675	9%
Real estate securities	10,268	—	(1,757)	8,511	5%
Cash equivalents	2	—	—	2	<1%
Total	$ 155,244	$ 23,753	$ (3,372)	$ 175,625	100%

The following table presents the fair value and the gross unrealized losses of the available-for-sale securities held in the NDT fund aggregated by investment category and the length of time that individual securities have been in a continuous unrealized loss position as of March 31, 2014, and December 31, 2013.

	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(In Thousands)					
As of March 31, 2014						
Domestic equity	$ 106	$ (4)	$ —	$ —	$ 106	$ (4)
International equity	6,108	(134)	—	—	6,108	(134)
Emerging market bonds	11,414	(831)	—	—	11,414	(831)
Combination debt/equity/other funds	6,311	(193)	—	—	6,311	(193)
Real estate securities	—	—	8,812	(1,532)	8,812	(1,532)
Total	$ 23,939	$ (1,162)	$ 8,812	$ (1,532)	$ 32,751	$ (2,694)
As of December 31, 2013						
Domestic equity	$ 59	$ (1)	$ —	$ —	$ 59	$ (1)
International equity	6,244	(31)	—	—	6,244	(31)
Core bonds	18,107	(180)	—	—	18,107	(180)
Emerging market bonds	11,055	(1,152)	—	—	11,055	(1,152)
Combination debt/equity/other funds	6,283	(251)	—	—	6,283	(251)
Real estate securities	—	—	8,511	(1,757)	8,511	(1,757)
Total	$ 41,748	$ (1,615)	$ 8,511	$ (1,757)	$ 50,259	$ (3,372)

6. DEBT FINANCING

In February 2014, Westar Energy extended the term of the $270.0 million revolving credit facility to February 2017, provided that $20.0 million of this facility will terminate in February 2016. As long as there is no default under the facility, Westar Energy may increase the aggregate amount of borrowings under the facility to $400.0 million, subject to lender participation. All borrowings under the facility are secured by KGE first mortgage bonds. As of March 31, 2014, and December 31, 2013, Westar Energy had no borrowed amounts or letters of credit outstanding under this revolving credit facility.

7. TAXES

We recorded income tax expense of $35.0 million with an effective income tax rate of 33% for the three months ended March 31, 2014, and income tax expense of $24.8 million with an effective income tax rate of 32% for the same period of 2013.

As of March 31, 2014, and December 31, 2013, unrecognized income tax benefits totaled $2.5 million and $1.7 million, respectively. We do not expect significant changes in our unrecognized income tax benefits in the next 12 months.

As of March 31, 2014, and December 31, 2013, we had $0.2 million accrued for interest related to our unrecognized income tax benefits. We accrued no penalties at either March 31, 2014, or December 31, 2013.

As of March 31, 2014, and December 31, 2013, we had recorded $1.5 million for probable assessments of taxes other than income taxes.

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

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

8. PENSION AND POST-RETIREMENT BENEFIT PLANS

The following table summarizes the net periodic costs for our pension and post-retirement benefit plans prior to the effects of capitalization.

	Pension Benefits		Post-retirement Benefits	
Three Months Ended March 31,	2014	2013	2014	2013
	(In Thousands)			
Components of Net Periodic Cost (Benefit):				
Service cost	$ 4,055	$ 5,355	$ 345	$ 507
Interest cost	10,400	9,630	1,588	1,502
Expected return on plan assets	(9,109)	(8,351)	(1,644)	(1,673)
Amortization of unrecognized:				
Transition obligation, net	—	—	—	81
Prior service costs	131	150	631	631
Actuarial loss, net	4,840	8,478	(185)	281
Net periodic cost before regulatory adjustment	10,317	15,262	735	1,329
Regulatory adjustment (a)	4,002	784	1,124	717
Net periodic cost	$ 14,319	$ 16,046	$ 1,859	$ 2,046

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

During the three months ended March 31, 2014 and 2013, we contributed $10.4 million and $9.1 million, respectively, to the Westar Energy pension trust.

9. WOLF CREEK PENSION AND POST-RETIREMENT BENEFIT PLANS

As a co-owner of Wolf Creek, KGE is indirectly responsible for 47% of the liabilities and expenses associated with the Wolf Creek pension and post-retirement benefit plans. The following table summarizes the net periodic costs for KGE's 47% share of the Wolf Creek pension and post-retirement benefit plans prior to the effects of capitalization.

	Pension Benefits		Post-retirement Benefits	
Three Months Ended March 31,	2014	2013	2014	2013
	(In Thousands)			
Components of Net Periodic Cost (Benefit):				
Service cost	$ 1,424	$ 1,709	$ 43	$ 52
Interest cost	2,117	1,891	116	103
Expected return on plan assets	(2,021)	(1,843)	—	—
Amortization of unrecognized:				
Prior service costs	14	14	—	—
Actuarial loss, net	747	1,355	41	66
Net periodic cost before regulatory adjustment	2,281	3,126	200	221
Regulatory adjustment (a)	501	(203)	—	—
Net periodic cost	$ 2,782	$ 2,923	$ 200	$ 221

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

During the three months ended March 31, 2014, we did not fund the Wolf Creek pension plan, and during the three months ended March 31, 2013, we funded $2.7 million of Wolf Creek's pension plan contributions.

10. COMMITMENTS AND CONTINGENCIES

Federal Clean Air Act

We must comply with the federal Clean Air Act, state laws and implementing federal and state regulations that impose, among other things, limitations on emissions generated from our operations, including sulfur dioxide (SO_2), particulate matter (PM), nitrogen oxides (NOx), carbon monoxide (CO), mercury and acid gases.

Emissions from our generating facilities, including PM, SO_2 and NOx, have been determined by regulation to reduce visibility by causing or contributing to regional haze. Under federal laws, such as the Clean Air Visibility Rule, and pursuant to an agreement with the Kansas Department of Health and Environment (KDHE) and Environmental Protection Agency (EPA), we are required to install, operate and maintain controls to reduce emissions found to cause or contribute to regional haze.

Under the federal Clean Air Act, the EPA sets National Ambient Air Quality Standards (NAAQS) for certain emissions considered harmful to public health and the environment, including two classes of PM, NOx (a precursor to ozone), CO and SO_2, which result from fossil fuel combustion. Areas meeting the NAAQS are designated attainment areas while those that do not meet the NAAQS are considered nonattainment areas. Each state must develop a plan to bring nonattainment areas into compliance with the NAAQS. NAAQS must be reviewed by the EPA at five-year intervals. KDHE proposed to designate portions of the Kansas City area nonattainment for the eight-hour ozone standard, which has the potential to impact our operations. The EPA has not acted on KDHE's proposed designation of the Kansas City area and it is uncertain when, or if, such a designation might occur. The Wichita area also exceeded the eight-hour ozone standard and could be designated nonattainment in the future potentially impacting our operations.

In December 2012, the EPA strengthened an existing NAAQS for one class of PM. By the end of 2014, the EPA anticipates making final attainment/nonattainment designations under this rule and expects to issue a final implementation rule. We are currently evaluating the rule and the impact it may have on our operations or consolidated financial results.

In 2010 the EPA strengthened the NAAQS for both NOx and SO_2. We continue to communicate with our regulators regarding these standards and are currently evaluating what impact this could have on our operations. If we are required to install additional equipment to control emissions at our facilities, the revised NAAQS could have a material impact on our operations and consolidated financial results.

Cross-State Air Pollution Rule

In 2011, the EPA finalized the Cross-State Air Pollution Rule (CSAPR) requiring 28 states, including Kansas, Missouri and Oklahoma, to further reduce emissions of SO_2, NOx and fine particles. Under CSAPR, reductions in annual SO_2 and NOx emissions were required to begin January 2012, with further reductions required beginning January 2014. In April 2014, the U.S. Supreme Court reversed a 2012 decision by the U.S. Court of Appeals for the District of Columbia Circuit that had vacated CSAPR and remanded CSAPR back to them for further proceedings consistent with the U.S. Supreme Court decision. The timeline for further proceedings related to CSAPR in the U.S. Court of Appeals for the District of Columbia is unknown at this time. The original effective dates under CSAPR presented compliance challenges for us, but since adoption we have installed various emission controls at our generation facilities and have projects for additional controls in progress or planned. With CSAPR reinstated, the EPA is expected to establish new effective dates for compliance with the reduced emission levels required by the rule. We are unable to determine the full impact of reinstatement of CSAPR until the U.S. Court of Appeals for the District of Columbia and EPA takes further action for which the timing is unknown.

Environmental Projects

We will continue to make significant capital and operating expenditures at our power plants to reduce regulated emissions. The amount of these expenditures could change materially depending on the timing and nature of required investments, the specific outcomes resulting from existing regulations, new regulations, legislation and the manner in which we operate the plants. In addition to the capital investment, in the event we install new equipment, such equipment may cause us to incur significant increases in annual operating and maintenance expense and may reduce the net production, reliability and availability of the plants. The degree to which we will need to reduce emissions and the timing of when such emissions controls may be required is uncertain. Additionally, our ability to access capital markets and the availability of materials, equipment and contractors may affect the timing and ultimate amount of such capital investments.

In comparison to a general rate review, the environmental cost recovery rider (ECRR) reduces the amount of time it takes to begin collecting in retail prices the costs associated with capital expenditures for qualifying environmental improvements. We are not allowed to use the ECRR to collect approximately $610.0 million of the projected capital investment associated with the environmental upgrades at La Cygne Generating Station (La Cygne). In November 2013, the KCC issued an order allowing us to adjust our prices to include the additional investment in the La Cygne environmental upgrades and to reflect cost reductions elsewhere. The new prices are expected to increase our annual retail revenues by approximately $30.7 million. To change our prices to collect increased operating and maintenance costs, we must file a general rate review with the KCC.

Greenhouse Gases

Under regulations known as the Tailoring Rule, the EPA regulates greenhouse gas (GHG) emissions from certain stationary sources. The regulations are being implemented pursuant to two federal Clean Air Act programs which impose recordkeeping and monitoring requirements and also mandate the implementation of best available control technology (BACT) for projects that cause a significant increase in GHG emissions (defined to be more than 75,000 tons or more per year or 100,000 tons or more per year, depending on various factors). The EPA has issued guidance on what BACT entails for the control of GHGs and individual states are now required to determine what controls are required for facilities within their jurisdiction on a case-by-case basis. We cannot at this time determine the impact of these regulations on our future operations and consolidated financial results as the rule has not been finalized, but we believe the cost of compliance with the regulations could be material.

Renewable Energy Standard

Kansas law mandates that we maintain a minimum amount of renewable energy sources. Through 2015 net renewable generation capacity must be 10% of the average peak retail demand for the three prior years, subject to limited exceptions. This requirement increases to 15% for years 2016 through 2019 and 20% for 2020 and thereafter. With our existing wind generation facilities, supply contracts and renewable energy credits, we are able to satisfy the net renewable generation requirement through 2015. With our agreement to purchase an additional 200 megawatts (MW) of installed design capacity from a wind generation facility beginning in late 2016, we expect to meet the increased requirements through 2020. If we are unable to meet future requirements, our operations and consolidated financial results could be adversely impacted.

EPA Consent Decree

As part of a 2010 settlement of a lawsuit filed by the Department of Justice on behalf of the EPA, we are installing selective catalytic reduction (SCR) equipment on one of three Jeffrey Energy Center (JEC) coal units to be completed by the end of 2014, which we estimate will cost approximately $230.0 million. We are installing less expensive NOx reduction equipment on the other two units to satisfy other terms of the settlement. We plan to complete these projects in 2014 and recover the costs to install these systems through our ECRR, but such recovery remains subject to the approval of our regulators.

Storage of Spent Nuclear Fuel

Wolf Creek is currently evaluating alternatives for expanding its existing on-site spent nuclear fuel storage to provide additional capacity prior to 2025. We cannot predict when, or if, an off-site storage site or alternative disposal site will be available to receive Wolf Creek's spent nuclear fuel and will continue to monitor this activity.

11. LEGAL PROCEEDINGS

We and our subsidiaries are involved in various legal, environmental and regulatory proceedings. We believe that adequate provisions have been made and accordingly believe that the ultimate disposition of such matters will not have a material effect on our consolidated financial results. See Note 3, "Rate Matters and Regulation," and Note 10, "Commitments and Contingencies," for additional information.

12. COMMON STOCK

During the three months ended March 31, 2014, Westar Energy issued 0.3 million shares of common stock to settle certain forward sale transactions pursuant to a master forward sale confirmation entered into in 2010. Under that agreement Westar Energy must settle any forward transaction within 18 months of the date of the transaction. Assuming physical share settlement of the approximately 11.7 million shares associated with all outstanding forward sale transactions as of March 31, 2014, Westar Energy would have received aggregate proceeds of approximately $344.6 million based on a weighted-average forward price of $29.40 per share.

13. VARIABLE INTEREST ENTITIES

In determining the primary beneficiary of a VIE, we assess the entity's purpose and design, including the nature of the entity's activities and the risks that the entity was designed to create and pass through to its variable interest holders. A reporting enterprise is deemed to be the primary beneficiary of a VIE if it has (a) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and (b) the obligation to absorb losses or right to receive benefits from the VIE that could potentially be significant to the VIE. The primary beneficiary of a VIE is required to consolidate the VIE. The trusts holding our 8% interest in JEC, our 50% interest in La Cygne unit 2 and railcars we use to transport coal to some of our power plants are VIEs of which we are the primary beneficiary.

We assess all entities with which we become involved to determine whether such entities are VIEs and, if so, whether or not we are the primary beneficiary of the entities. We also continuously assess whether we are the primary beneficiary of the VIEs with which we are involved. Prospective changes in facts and circumstances may cause us to reconsider our determination as it relates to the identification of the primary beneficiary.

8% Interest in Jeffrey Energy Center

Under an agreement that expires in January 2019, we lease an 8% interest in JEC from a trust. The trust was financed with an equity contribution from an owner participant and debt issued by the trust. The trust was created specifically to purchase the 8% interest in JEC and lease it to a third party, and does not hold any other assets. We meet the requirements to be considered the primary beneficiary of the trust. In determining the primary beneficiary of the trust, we concluded that the activities of the trust that most significantly impact its economic performance and that we have the power to direct include (1) the operation and maintenance of the 8% interest in JEC, (2) our ability to exercise a purchase option at the end of the agreement at the lesser of fair value or a fixed amount and (3) our option to require refinancing of the trust's debt. We have the potential to receive benefits from the trust that could potentially be significant if the fair value of the 8% interest in JEC at the end of the agreement is greater than the fixed amount. The possibility of lower interest rates upon refinancing the debt also creates the potential for us to receive significant benefits.

50% Interest in La Cygne Unit 2

Under an agreement that expires in September 2029, KGE entered into a sale-leaseback transaction with a trust under which the trust purchased KGE's 50% interest in La Cygne unit 2 and subsequently leased it back to KGE. The trust was financed with an equity contribution from an owner participant and debt issued by the trust. The trust was created specifically to purchase the 50% interest in La Cygne unit 2 and lease it back to KGE, and does not hold any other assets. We meet the requirements to be considered the primary beneficiary of the trust. In determining the primary beneficiary of the trust, we concluded that the activities of the trust that most significantly impact its economic performance and that we have the power to direct include (1) the operation and maintenance of the 50% interest in La Cygne unit 2, (2) our ability to exercise a purchase option at the end of the agreement at the lesser of fair value or a fixed amount and (3) our option to require refinancing of the trust's debt. We have the potential to receive benefits from the trust that could potentially be significant if the fair value of the 50% interest in La Cygne unit 2 at the end of the agreement is greater than the fixed amount. The possibility of lower interest rates upon refinancing the debt also creates the potential for us to receive significant benefits.

Railcars

We lease railcars from a trust under an agreement that expires in November 2014. The trust was financed with an equity contribution from an owner participant and debt issued by the trust. The trust was created specifically to purchase the railcars and lease them to us, and does not hold any other assets. We meet the requirements to be considered the primary beneficiary of this trust. In determining the primary beneficiary of the trust, we concluded that the activities of the trust that most significantly impact its economic performance and that we have the power to direct include the operation, maintenance and repair of the railcars and our ability to exercise a purchase option at the end of the agreement at the lesser of fair value or a fixed amount. We have the potential to receive benefits from the trust that could potentially be significant if the fair value of the railcars at the end of the agreement is greater than the fixed amount. Our agreement with this trust also includes renewal options during which time we would pay a fixed amount of rent. We have the potential to receive benefits from the trust during the renewal period if the fixed amount of rent is less than the amount we would be required to pay under a new agreement. We are currently evaluating whether to exercise our option to purchase the railcars or to renew this lease and the impact it will have on our consolidated financial results.

Financial Statement Impact

We have recorded the following assets and liabilities on our consolidated balance sheets related to the VIEs described above.

	As of March 31, 2014	As of December 31, 2013
	(In Thousands)	
Assets:		
Property, plant and equipment of variable interest entities, net	$ 293,939	$ 296,626
Regulatory assets (a)	7,093	6,792
Liabilities:		
Current maturities of long-term debt of variable interest entities	$ 28,256	$ 27,479
Accrued interest (b)	143	3,472
Long-term debt of variable interest entities, net	166,791	194,802

(a) Included in long-term regulatory assets on our consolidated balance sheets.
(b) Included in accrued interest on our consolidated balance sheets.

All of the liabilities noted in the table above relate to the purchase of the property, plant and equipment. The assets of the VIEs can be used only to settle obligations of the VIEs and the VIEs' debt holders have no recourse to our general credit. We have not provided financial or other support to the VIEs and are not required to provide such support. We recorded no gain or loss upon initial consolidation of the VIEs.

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

Certain matters discussed in Management's Discussion and Analysis 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," "estimate," "intend" and words of similar meaning. Forward-looking statements describe our future plans, objectives, expectations or goals.

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 Federal Energy Regulatory Commission (FERC).

In Management's Discussion and Analysis, we discuss our operating results for the three months ended March 31, 2014, compared to the same period of 2013, our general financial condition and significant changes that occurred during 2014. 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

Earnings Per Share

Following is a summary of our net income and basic EPS.

	Three Months Ended March 31,		
	2014	2013	Change
	(Dollars In Thousands, Except Per Share Amounts)		
Net income attributable to Westar Energy, Inc.	$ 68,955	$ 51,144	$ 17,811
Earnings per common share, basic	0.53	0.40	0.13

Net income attributable to common stock and basic EPS for the three months ended March 31, 2014, increased due primarily to higher retail prices resulting from investments we made in our transmission infrastructure and air quality controls at our power plants, higher electricity sales, and increased energy marketing margins. Retail sales increased principally due to colder weather in our service territory. Energy marketing margins increased due to volatility of power prices in some of the wholesale markets in which we buy and sell power.

Current Trends

The following is an update to and is to be read in conjunction with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2013 Form 10-K.

Environmental Regulation

Environmental laws and regulations affecting our operations, which relate primarily to air quality, water quality, the use of water, and the handling, disposal and clean-up of hazardous and non-hazardous substances and wastes, continue to evolve and have become more stringent and costly over time. We have incurred and will continue to incur significant capital and other expenditures, and may potentially need to limit the use of some of our power plants, to comply with existing and new environmental laws and regulations. While certain of these costs are recoverable through the ECRR and ultimately we expect all such costs to be reflected in the prices we are allowed to charge, we cannot assure that all such costs will be recovered or that they will be recovered in a timely manner. See Note 10 of the Notes to Condensed Consolidated Financial Statements, "Commitments and Contingencies," for additional information regarding environmental laws and regulations.

Greenhouse Gases

In January 2014, the EPA re-proposed a New Source Performance Standard (NSPS) that would limit CO_2 emissions for new coal and natural gas fueled generating units. The re-proposal would limit CO_2 emissions to 1,000 lbs per MWh generated for larger natural gas units and 1,100 lbs per MWh generated for smaller natural gas units and coal units. Final regulations are expected later in 2014. The EPA was also directed to issue proposed standards addressing CO_2 emissions for modified, reconstructed and existing power plants by June 2014, issue final rules by June 2015, and require that states submit their implementation plans to the EPA no later than June 2016. We cannot at this time determine the impact of such proposals on our operations and consolidated financial results, but we believe the costs to comply could be material.

Under regulations known as the Tailoring Rule, the EPA regulates GHG emissions from certain stationary sources. The regulations are being implemented pursuant to two federal Clean Air Act programs which impose recordkeeping and monitoring requirements and also mandate the implementation of BACT for projects that cause a significant increase in GHG emissions (defined to be more than 75,000 tons or more per year or 100,000 tons or more per year, depending on various factors). The EPA has issued guidance on what BACT entails for the control of GHGs and individual states are now required to determine what controls are required for facilities within their jurisdiction on a case-by-case basis. We cannot at this time determine the impact of these regulations on our future operations and consolidated financial results as the rule has not been finalized, but we believe the cost of compliance with the regulations could be material.

Regulation of Coal Combustion Byproducts

In the course of operating our coal generation plants, we produce coal combustion byproducts (CCBs), including fly ash, gypsum and bottom ash. We recycle some of our ash production, principally by selling to the aggregate industry. In 2010, the EPA proposed a rule to regulate CCBs, which we believe might impair our ability to recycle ash or require additional CCB handling, processing and storage equipment, or both. The EPA has agreed, subject to court approval, to issue a final rule by December 2014. While we cannot at this time estimate the impact and costs associated with future regulations of CCBs, we believe the impact on our operations and consolidated financial results could be material.

National Ambient Air Quality Standards

Under the federal Clean Air Act, the EPA sets NAAQS for certain emissions considered harmful to public health and the environment, including two classes of PM, NOx (a precursor to ozone), CO and SO_2, which result from fossil fuel combustion. Areas meeting the NAAQS are designated attainment areas while those that do not meet the NAAQS are considered nonattainment areas. Each state must develop a plan to bring nonattainment areas into compliance with the NAAQS. NAAQS must be reviewed by EPA at five-year intervals. KDHE proposed to designate portions of the Kansas City area nonattainment for the eight-hour ozone standard. The EPA has not acted on KDHE's proposed designation of the Kansas City area and it is uncertain when, or if, such a designation might occur. The Wichita area also exceeded the eight-hour ozone standard and could be designated nonattainment in the future potentially impacting our operations.

In September 2011, the President instructed the EPA not to implement the 2008 Ozone Standard. We are waiting on a new standard and cannot at this time predict the impact it may have on our operations, but it could be material.

In December 2012, the EPA strengthened an existing NAAQS for one class of PM. By the end of 2014, the EPA anticipates making final attainment/nonattainment designations under this rule and expects to issue a final implementation rule. We are currently evaluating the rule, therefore, we cannot at this time predict the impact it may have on our operations or consolidated financial results, but it could be material.

In 2010, the EPA strengthened the NAAQS for both NOx and SO_2. We continue to communicate with our regulators regarding these standards and are currently evaluating what impact this could have on our operations. If we are required to install additional equipment to control emissions at our facilities, the revised NAAQS could have a material impact on our operations and consolidated financial results.

Cross-State Air Pollution Rule

In 2011, the EPA finalized the Cross-State Air Pollution Rule (CSAPR) requiring 28 states, including Kansas, Missouri and Oklahoma, to further reduce emissions of SO_2, NOx and fine particles. Under CSAPR, reductions in annual SO_2 and NOx emissions were required to begin January 2012, with further reductions required beginning January 2014. In April 2014, the U.S. Supreme Court reversed a 2012 decision by the U.S. Court of Appeals for the District of Columbia Circuit that had vacated CSAPR and remanded CSAPR back to them for further proceedings consistent with the U.S. Supreme Court decision. The timeline for further proceedings related to CSAPR in the U.S. Court of Appeals for the District of Columbia is unknown at this time. The original effective dates under CSAPR presented compliance challenges for us, but since adoption we have installed various emission controls at our generation facilities and have projects for additional controls in progress or planned. With CSAPR reinstated, the EPA is expected to establish new effective dates for compliance with the reduced emission levels required by the rule. We are unable to determine the full impact of reinstatement of CSAPR until the U.S. Court of Appeals for the District of Columbia and EPA takes further action for which the timing is unknown.

Water

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

In 2011, the EPA issued a proposed rule that would increase the requirements for cooling water intake structures at power plants over concerns about impacts to aquatic life. We are currently evaluating the proposed rule as well as recent nationally-issued information requests from the EPA. The EPA is required to finalize the rule by May 2014; however, because the rule has yet to be finalized, we cannot predict the impact it may have on our operations or consolidated financial results, but it could be material.

Renewable Energy Standard

Kansas law mandates that we maintain a minimum amount of renewable energy sources. Through 2015, net renewable generation capacity must be 10% of the average peak retail demand for the three prior years, subject to limited exceptions. This requirement increases to 15% for years 2016 through 2019 and 20% for 2020 and thereafter. With our existing wind generation facilities, supply contracts and renewable energy credits, we are able to satisfy the net renewable generation requirement through 2015. With our agreement to purchase an additional 200 MW of installed design capacity from a wind generation facility beginning in late 2016, we expect to meet the increased requirements through 2020. If we are unable to meet future requirements, our operations and consolidated financial results could be adversely impacted.

CRITICAL ACCOUNTING ESTIMATES

Our discussion and analysis of financial condition and results of operations are based on our condensed consolidated financial statements, which have been prepared in conformity with the instructions to Form 10-Q and Article 10 of Regulation S-X. 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 estimates and assumptions by management. The policies highlighted in our 2013 Form 10-K have an impact on our reported results that may be material due to the levels of judgment and subjectivity necessary to account for uncertain matters or their susceptibility to change.

From December 31, 2013, through March 31, 2014, we did not experience any significant changes in our critical accounting estimates. For additional information, see our 2013 Form 10-K.

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OPERATING RESULTS

We evaluate operating results based on EPS. We have various classifications of revenues, defined as follows:

Retail: Sales of electricity to residential, commercial and industrial customers. Classification of customers as residential, commercial or industrial requires judgment and our classifications may be different from other companies. Assignment of tariffs is not dependent on classification.

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

Wholesale: Sales of electricity to electric cooperatives, municipalities and other electric utilities, the prices for which are either based on cost or prevailing market prices as prescribed by FERC authority. Revenues from these sales are either included in the retail energy cost adjustment or used in the determination of base rates at the time of our next general rate case.

Transmission: Reflects transmission revenues, including those based on tariffs with the Southwest Power Pool (SPP).

Other: Miscellaneous electric revenues including ancillary service revenues and rent from electric property leased to others. This category also includes transactions unrelated to the production of our generating assets and fees we earn for services that we provide for third parties.

Electric utility revenues are impacted by things such as rate regulation, fuel costs, technology, customer behavior, the economy and competitive forces. Changing weather also affects the amount of electricity our customers use as electricity sales are seasonal. As a summer peaking utility, the third quarter typically accounts for our greatest electricity sales. Hot summer temperatures and cold winter temperatures prompt more demand, especially among residential and commercial customers, and to a lesser extent industrial customers. Mild weather reduces customer demand. Our wholesale revenues are impacted by, among other factors, demand, cost and availability of fuel and purchased power, price volatility, available generation capacity, transmission availability and weather.

Three Months Ended March 31, 2014, Compared to Three Months Ended March 31, 2013

Below we discuss our operating results for the three months ended March 31, 2014, compared to the results for the three months ended March 31, 2013. Significant changes in results of operations shown in the table immediately below are further explained in the descriptions that follow.

	Three Months Ended March 31,			
	2014	2013	Change	% Change
	(Dollars In Thousands, Except Per Share Amounts)			
REVENUES:				
Residential	$ 192,287	$ 165,375	$ 26,912	16.3
Commercial	161,100	147,956	13,144	8.9
Industrial	94,495	90,925	3,570	3.9
Other retail	(8,523)	(3,171)	(5,352)	(168.8)
Total Retail Revenues	439,359	401,085	38,274	9.5
Wholesale	110,613	86,469	24,144	27.9
Transmission (a)	61,466	51,510	9,956	19.3
Other	17,118	7,148	9,970	139.5
Total Revenues	628,556	546,212	82,344	15.1
OPERATING EXPENSES:				
Fuel and purchased power	173,839	151,752	22,087	14.6
SPP network transmission costs	51,958	43,796	8,162	18.6
Operating and maintenance	91,790	84,155	7,635	9.1
Depreciation and amortization	70,110	66,846	3,264	4.9
Selling, general and administrative	56,486	48,945	7,541	15.4
Taxes other than income tax	34,832	30,778	4,054	13.2
Total Operating Expenses	479,015	426,272	52,743	12.4
INCOME FROM OPERATIONS	149,541	119,940	29,601	24.7
OTHER INCOME (EXPENSE):				
Investment earnings	2,378	4,059	(1,681)	(41.4)
Other income	5,917	3,715	2,202	59.3
Other expense	(5,664)	(5,361)	(303)	(5.7)
Total Other Income	2,631	2,413	218	9.0
Interest expense	46,241	44,284	1,957	4.4
INCOME BEFORE INCOME TAXES	105,931	78,069	27,862	35.7
Income tax expense	34,961	24,813	10,148	40.9
NET INCOME	70,970	53,256	17,714	33.3
Less: Net income attributable to noncontrolling interests	2,015	2,112	(97)	(4.6)
NET INCOME ATTRIBUTABLE TO WESTAR ENERGY, INC.	$ 68,955	$ 51,144	$ 17,811	34.8
BASIC EARNINGS PER AVERAGE COMMON SHARE OUTSTANDING ATTRIBUTABLE TO WESTAR ENERGY, INC.	$ 0.53	$ 0.40	$ 0.13	32.5
DILUTED EARNINGS PER AVERAGE COMMON SHARE OUTSTANDING ATTRIBUTABLE TO WESTAR ENERGY, INC.	$ 0.52	$ 0.40	$ 0.12	30.0

(a) Includes revenue from an SPP network transmission tariff corresponding to our SPP network transmission costs. These costs, less administration fees of $12.0 million and $8.8 million, respectively, were returned to us as revenue.

Gross Margin

Fuel and purchased power costs fluctuate with electricity sales and unit costs. As permitted by regulators, we adjust our retail prices to reflect changes in the costs of fuel and purchased power. Fuel and purchased power costs for wholesale customers are recovered at prevailing market prices or based on a predetermined formula with a price adjustment approved by FERC. As a result, changes in fuel and purchased power costs are offset in revenues with minimal impact on net income. In addition, SPP network transmission costs fluctuate due primarily to investments by us and other members of the SPP for upgrades to the transmission grid within the SPP regional transmission organization (RTO). As with fuel and purchased power costs, changes in SPP network transmission costs are mostly reflected in the prices we charge customers with minimal impact on net income. For these reasons, we believe gross margin is useful for understanding and analyzing changes in our operating performance from one period to the next. We calculate gross margin as total revenues, including transmission revenues, less the sum of fuel and purchased power costs and amounts billed by the SPP for network transmission costs. Accordingly, gross margin reflects transmission revenues and costs on a net basis. The following table summarizes our gross margin for the three months ended March 31, 2014 and 2013.

	Three Months Ended March 31,			
	2014	2013	Change	% Change
	(Dollars In Thousands)			
Revenues	$ 628,556	$ 546,212	$ 82,344	15.1
Less: Fuel and purchased power expense	173,839	151,752	22,087	14.6
SPP network transmission costs	51,958	43,796	8,162	18.6
Gross Margin	$ 402,759	$ 350,664	$ 52,095	14.9

The following table reflects changes in electricity sales for the three months ended March 31, 2014 and 2013. No electricity sales are shown for transmission or other as they are not directly related to the amount of electricity we sell.

	Three Months Ended March 31,			
	2014	2013	Change	% Change
	(Thousands of MWh)			
ELECTRICITY SALES:				
Residential	1,709	1,543	166	10.8
Commercial	1,760	1,703	57	3.3
Industrial	1,339	1,312	27	2.1
Other retail	21	21	—	—
Total Retail	4,829	4,579	250	5.5
Wholesale	2,476	2,045	431	21.1
Total	7,305	6,624	681	10.3

Gross margin increased for the three months ended March 31, 2014, compared to the same period in 2013 due primarily to higher retail revenues, 57% of which was attributable to more electricity sales and 43% due to higher prices resulting from investments we made in our transmission infrastructure and air quality controls at our power plants. The higher retail electricity sales were attributable principally to cooler weather, which particularly impacts residential and commercial electricity sales. As measured by heating degree days, the weather during the three months ended March 31, 2014, was 12% cooler than the same period of 2013. Also contributing to the increase in gross margin was increased energy marketing margins of $10.4 million due to volatility of power prices in some of the wholesale markets in which we buy and sell power.

Income from operations is the most directly comparable measure to our presentation of gross margin that is calculated and presented in accordance with GAAP in our consolidated statements of income. Our presentation of gross margin should not be considered in isolation or as a substitute for income from operations. Additionally, our presentation of gross margin may not be comparable to similarly titled measures reported by other companies. The following table reconciles income from operations with gross margin for the three months ended March 31, 2014 and 2013.

	Three Months Ended March 31,			
	2014	2013	Change	% Change
	(Dollars In Thousands)			
Gross margin	$ 402,759	$ 350,664	$ 52,095	14.9
Less: Operating and maintenance expense	91,790	84,155	7,635	9.1
Depreciation and amortization expense	70,110	66,846	3,264	4.9
Selling, general and administrative expense	56,486	48,945	7,541	15.4
Taxes other than income tax	34,832	30,778	4,054	13.2
Income from operations	$ 149,541	$ 119,940	$ 29,601	24.7

Operating Expenses and Other Income and Expense Items

	Three Months Ended March 31,			
	2014	2013	Change	% Change
	(Dollars in Thousands)			
Operating and maintenance expense	$ 91,790	$ 84,155	$ 7,635	9.1

Operating and maintenance expense increased due principally to higher costs at Wolf Creek, which were the result principally of $5.6 million of higher operating and maintenance costs incurred during a scheduled outage during the period and $1.6 million of higher amortization of refueling outage costs.

	Three Months Ended March 31,			
	2014	2013	Change	% Change
	(Dollars in Thousands)			
Depreciation and amortization expense	$ 70,110	$ 66,846	$ 3,264	4.9

Depreciation and amortization expense increased during the three months ended March 31, 2014, compared to the same period of 2013 due to additions at our power plants, including air quality controls, and the addition of transmission facilities.

	Three Months Ended March 31,			
	2014	2013	Change	% Change
	(Dollars in Thousands)			
Selling, general and administrative expense	$ 56,486	$ 48,945	$ 7,541	15.4

Selling, general and administrative expense for the three months ended March 31, 2014, increased due primarily to:

- higher post-retirement and other employee benefit costs due to the restructuring of insurance contracts in 2013 resulting in a $3.5 million increase; and
- an increase in the allowance for uncollectible accounts of $1.5 million due primarily to higher prices and cooler weather.

	Three Months Ended March 31,			
	2014	2013	Change	% Change
	(Dollars in Thousands)			
Taxes other than income tax	$ 34,832	$ 30,778	$ 4,054	13.2

Taxes other than income tax increased due primarily to a $3.3 million increase in property tax expense, which is offset in retail revenues.

	Three Months Ended March 31,			
	2014	2013	Change	% Change
	(Dollars in Thousands)			
Income tax expense	$ 34,961	$ 24,813	$ 10,148	40.9

Income tax expense increased for the three month period due principally to higher income before income taxes.

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FINANCIAL CONDITION

A number of factors affected amounts recorded on our balance sheet as of March 31, 2014, compared to December 31, 2013.

	As of March 31, 2014	As of December 31, 2013	Change	% Change
	(Dollars in Thousands)			
Fuel inventory and supplies	$ 249,687	$ 239,511	$ 10,176	4.2

Inventory increased due principally to a $7.8 million increase in materials and supplies due mostly to support environmental upgrades at Jeffrey Energy Center and La Cygne as well as increases in material for transmission and substation equipment and a $2.5 million increase in coal inventory.

	As of March 31, 2014	As of December 31, 2013	Change	% Change
	(Dollars in Thousands)			
Regulatory assets	$ 741,298	$ 755,414	$ (14,116)	(1.9)
Regulatory liabilities	343,779	329,556	14,223	4.3
Net regulatory assets	$ 397,519	$ 425,858	$ (28,339)	(6.7)

Total regulatory assets decreased due primarily to the following reasons:

- a $10.3 million decrease in deferred employee benefit costs;
- a $4.0 million decrease in amounts deferred for Wolf Creek refueling outages;
- a $2.0 million decrease in amounts deferred for energy efficiency costs;
- a $1.7 million decrease in deferred debt reacquisition costs; and
- a $1.3 million decrease in amounts due from customers for future income taxes; however,
- partially offsetting these decreases was a $5.8 million increase in amounts previously deferred for fuel expense.

Regulatory liabilities increased due primarily to a $10.5 million increase in our refund obligation related to retail energy cost adjustment (RECA) and a $6.5 million increase in jurisdictional AFUDC. Partially offsetting these increases was a $3.5 million decrease in amounts collected but not yet spent to dispose of plant assets.

	As of March 31, 2014	As of December 31, 2013	Change	% Change
	(Dollars in Thousands)			
Property, plant and equipment, net	$ 7,669,016	$ 7,551,916	$ 117,100	1.6

Property, plant and equipment, net of accumulated depreciation, increased due primarily to additions at our power plants, including air quality controls, and the addition of transmission facilities.

	As of March 31, 2014	As of December 31, 2013	Change	% Change
	(Dollars in Thousands)			
Short-term debt	$ 178,900	$ 134,600	$ 44,300	32.9

Short-term debt increased due to increases in issuances of commercial paper used primarily to purchase capital equipment and for working capital and general corporate purposes.

	As of March 31, 2014	As of December 31, 2013	Change	% Change
	(Dollars in Thousands)			
Current maturities of long-term debt of variable interest entities	$ 28,256	$ 27,479	$ 777	2.8
Long-term debt of variable interest entities	166,791	194,802	(28,011)	(14.4)
Total long-term debt of variable interest entities	$ 195,047	$ 222,281	$ (27,234)	(12.3)

Total long-term debt of variable interest entities decreased due to the VIEs that hold the JEC and La Cygne leasehold interests having made principal payments totaling $27.1 million.

	As of March 31, 2014	As of December 31, 2013	Change	% Change
	(Dollars in Thousands)			
Deferred income taxes	$ 1,397,197	$ 1,363,148	$ 34,049	2.5

Long-term deferred income tax liabilities increased due primarily to the use of bonus and accelerated depreciation methods during the period.

	As of March 31, 2014	As of December 31, 2013	Change	% Change
	(Dollars in Thousands)			
Accrued taxes	$ 101,832	$ 69,769	$ 32,063	46.0

Accrued taxes increased due mostly to an increase in accrued property taxes.

	As of March 31, 2014	As of December 31, 2013	Change	% Change
	(Dollars in Thousands)			
Asset retirement obligations	$ 171,432	$ 160,682	$ 10,750	6.7

Asset retirement obligations increased due primarily to an $8.5 million revision for remediation of disposal ponds.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Available sources of funds to operate our business include internally generated cash, short-term borrowings under Westar Energy's commercial paper program and revolving credit facilities, and access to capital markets. We expect to meet our day-to-day cash requirements including, among other items, fuel and purchased power, dividends, interest payments, income taxes and pension contributions, using primarily internally generated cash and short-term borrowings. To meet the cash requirements for our capital investments, we expect to use internally generated cash, short-term borrowings, and proceeds from the issuance of debt and equity securities in the capital markets. When such balances are of sufficient size and it makes economic sense to do so, we also use proceeds from the issuance of long-term debt and equity securities to repay short-term borrowings, which are principally related to investments in capital equipment and the redemption of bonds and for working capital and general corporate purposes. Uncertainties affecting our ability to meet cash requirements include, among others, factors affecting revenues described in "—Operating Results" above, economic conditions, regulatory actions, compliance with environmental regulations and conditions in the capital markets.

Short-Term Borrowings

Westar Energy has a commercial paper program pursuant to which it may issue up to a maximum aggregate amount outstanding at any one time of $1.0 billion. This program is supported by Westar Energy's revolving credit facilities described below. Maturities of commercial paper issuances may not exceed 365 days from the date of issuance and proceeds from such issuances will be used to temporarily fund capital expenditures, to repay borrowings under Westar Energy's revolving credit facilities, for working capital and/or for other general corporate purposes. As of April 29, 2014, Westar Energy had issued $212.4 million of commercial paper.

Westar Energy has two revolving credit facilities in the amounts of $730.0 million and $270.0 million. In July 2013, Westar Energy extended the term of the $730.0 million facility to September 2017, and in February 2014, Westar Energy extended the term of the $270.0 million credit facility to February 2017, provided that $20.0 million of this facility will terminate in February 2016. As long as there is no default under the facility, the $730.0 million facility may be extended an additional year and the aggregate amount of borrowings under the $730.0 million and $270.0 million facilities may be increased to $1.0 billion and $400.0 million, respectively, subject to lender participation. All borrowings under the facilities are secured by KGE first mortgage bonds. Total combined borrowings under the revolving credit facilities and the commercial paper program may not exceed $1.0 billion at any given time. As of April 29, 2014, no amounts were borrowed and $16.7 million in letters of credit had been issued under the $730.0 million facility. No amounts were borrowed and no letters of credit were issued under the $270.0 million facility as of the same date.

Long-term Debt Financing

We have $250.0 million in outstanding aggregate principal amount of first mortgage bonds that are due July 1, 2014. We expect to issue additional long-term debt to redeem those bonds before the maturity date thereof.

In June 2014, KGE plans to redeem three pollution control bond series with an aggregate principal amount of $177.5 million and stated interest rates of 5.30% and 5.00%.

Debt Covenants

We remain in compliance with our debt covenants.

Impact of Credit Ratings on Debt Financing

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

In general, more favorable credit ratings increase borrowing opportunities and reduce the cost of borrowing. Under Westar Energy's revolving credit facilities and commercial paper program, our cost of borrowings is determined in part by credit ratings. However, Westar Energy's ability to borrow under the credit facilities and commercial paper program are not conditioned on maintaining a particular credit rating. We may enter into new credit agreements that contain credit rating conditions, which could affect our liquidity and/or our borrowing costs.

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

In January 2014, Moody's upgraded its ratings for Westar Energy and KGE first mortgage bonds to A2 from A3. In April 2014, S&P upgraded its rating for Westar Energy and KGE first mortgage bonds to A from A-. As of April 29, 2014, our ratings with the agencies are as shown in the table below.

	Westar Energy First Mortgage Bond Rating	KGE First Mortgage Bond Rating	Westar Energy Commercial Paper	Rating Outlook
Moody's	A2	A2	P-2	Stable
S&P	A	A	A-2	Stable
Fitch	A-	A-	F2	Stable

Common Stock

During the three months ended March 31, 2014, Westar Energy issued 0.3 million shares of common stock to settle certain forward sale transactions pursuant to a master forward sale confirmation entered into in 2010. Under that agreement Westar Energy must settle any forward transaction within 18 months of the date of the transaction. Assuming physical share settlement of the approximately 11.7 million shares associated with all outstanding forward sale transactions as of March 31, 2014, Westar Energy would have received aggregate proceeds of approximately $344.6 million based on a weighted-average forward price of $29.40 per share.

Summary of Cash Flows

	Three Months Ended March 31,			
	2014	2013	Change	% Change
	(Dollars In Thousands)			
Cash flows from (used in):				
Operating activities	$ 238,312	$ 193,634	$ 44,678	23.1
Investing activities	(216,038)	(100,640)	(115,398)	(114.7)
Financing activities	(17,696)	(93,180)	75,484	81.0
Net increase (decrease) in cash and cash equivalents	$ 4,578	$ (186)	$ 4,764	(a)

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(a) Change greater than 1,000%.

Cash Flows from Operating Activities

Cash flows from operating activities increased due principally to our having received $70.2 million more from retail and wholesale customers, our having received $8.3 million more from energy marketing activities, our having received $2.7 million more from transmission activities and our having contributed $2.7 million less to pension and post-retirement benefit plans. Partially offsetting these increases was our having paid $43.1 million more for fuel and purchased power, including coal.

Cash Flows used in Investing Activities

Cash flows used in investing activities increased due primarily to our having received $78.4 million less in proceeds from our investment in corporate owned life insurance (COLI) and our having invested $36.3 million more in additions to property, plant and equipment.

Cash Flows used in Financing Activities

Cash flows used in financing activities decreased due principally to our having issued $44.1 million of commercial paper during the three months ended March 31, 2014, compared to having repaid $196.3 million of commercial paper during the same period in 2013. Also contributing to the decrease was our having repaid $77.6 million less for borrowings against the cash surrender value of COLI. Partially offsetting these decreases was our having issued $250.0 million in long-term debt in 2013.

Pension Contribution

During the three months ended March 31, 2014, we contributed $10.4 million to the Westar Energy pension trust. No payments were made to fund the Wolf Creek pension plan during the same period.

OFF-BALANCE SHEET ARRANGEMENTS

From December 31, 2013, through March 31, 2014, our off balance sheet arrangements did not change materially. For additional information, see our 2013 Form 10-K.

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

From December 31, 2013, through March 31, 2014, our contractual obligations and commercial commitments did not change materially outside the ordinary course of business. For additional information, see our 2013 Form 10-K.

OTHER INFORMATION

Changes in Prices

KCC Proceedings

In March 2014, the KCC issued an order allowing us to adjust our prices, subject to final KCC review, to include updated transmission costs as reflected in the transmission formula rate discussed below. The new prices were effective in April 2014 and are expected to increase our annual retail revenues by approximately $41.0 million. We expect the KCC to issue a final order on our request later in 2014.

In March 2014, we filed an application with the KCC to adjust our prices to include costs associated with investments in environmental projects during 2013. We expect to implement the new prices in June 2014 and estimate that this will increase our annual retail revenues by approximately $11.0 million.

In December 2013, the KCC approved an order allowing us to adjust our prices to include costs incurred for property taxes. The new prices were effective in January 2014 and are expected to increase our annual retail revenues by approximately $12.7 million.

FERC Proceedings

Our transmission formula rate that includes projected 2014 transmission capital expenditures and operating costs was effective in January 2014 and is expected to increase our annual transmission revenues by approximately $44.3 million. This updated rate provided the basis for our request with the KCC to adjust our retail prices to include updated transmission costs as discussed above.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk, including changes in commodity prices, counterparty credit, interest rates, and debt and equity instrument values. From December 31, 2013, to March 31, 2014, no significant changes occurred in our market risk exposure. See "Item 7A. Quantitative and Qualitative Disclosures About Market Risk" in our 2013 Form 10-K for additional information.

ITEM 4. CONTROLS AND PROCEDURES

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

There were no changes in our internal control over financial reporting during the three months ended March 31, 2014, that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Information on legal proceedings is set forth in Notes 3, 10 and 11 of the Notes to Condensed Consolidated Financial Statements, "Rate Matters and Regulation," "Commitments and Contingencies" and "Legal Proceedings," respectively, which are incorporated herein by reference.

ITEM 1A. RISK FACTORS

There were no material changes in our risk factors from December 31, 2013, through March 31, 2014. For additional information, see our 2013 Form 10-K.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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ITEM 5. OTHER INFORMATION

Investors should note that we announce material financial information in SEC filings, press releases and public conference calls. Based on new guidance from the SEC, we may also use the Investor Relations section of our website (http://www.WestarEnergy.com, under “Investors”) to communicate with investors about our company. It is possible that the financial and other information we post there could be deemed to be material information. The information on our website is not part of this document.

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 March 31, 2014
31(b)	Certification of Principal Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 certifying the quarterly report provided for the period ended March 31, 2014
32	Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 certifying the quarterly report provided for the quarter ended March 31, 2014 (furnished and not to be considered filed as part of the Form 10-Q)
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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:	May 7, 2014	By:	/s/ Anthony D. Somma
			Anthony D. Somma
			Senior Vice President, Chief Financial Officer and Treasurer

Exhibit 31(a)

WESTAR ENERGY, INC.
CHIEF EXECUTIVE 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 March 31, 2014, 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 registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. 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 registrant'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 registrant's internal control over financial reporting that occurred during the registrant'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 registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    a. 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:	May 7, 2014	By:	/s/ Mark A. Ruelle
			Mark A. Ruelle
			Director, President and Chief Executive Officer
			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, Anthony D. Somma, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended March 31, 2014, 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 registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. 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 registrant'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 registrant's internal control over financial reporting that occurred during the registrant'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 registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2014

By: /s/ Anthony D. Somma

Anthony D. Somma
Senior Vice President, Chief Financial Officer and Treasurer
Westar Energy, Inc.
(Principal Financial 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 March 31, 2014 (the Report), which this certification accompanies, Mark A. Ruelle, in my capacity as Director, President and Chief Executive Officer of the Company, and Anthony D. Somma, in my capacity as Senior Vice President, Chief Financial Officer and Treasurer 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:	May 7, 2014	By:	/s/ Mark A. Ruelle
			Mark A. Ruelle
			Director, President and Chief Executive Officer
Date:	May 7, 2014	By:	/s/ Anthony D. Somma
			Anthony D. Somma
			Senior Vice President, Chief Financial Officer and Treasurer