FORM U-3A-2

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C.

Statement by Holding Company Claiming
Exemption Under Rule 2 from the
Provisions of the Public Utility Holding
Company Act of 1935

Western Resources, Inc.

Western Resources, Inc. ("WRI") hereby files with the Securities and Exchange Commission, pursuant to Rule 2, its statement claiming exemption as a holding company from the provisions of the Public Utility Holding Company Act of 1935 (the "Act") and submits the following information:

1. WRI is a Kansas corporation whose principal executive offices are located at 818 Kansas Ave., Topeka, Kansas, 66612. WRI's mailing address is P.O. Box 889, Topeka, Kansas 66601.

WRI's principal business consists of the generation, transmission, distribution and sale of electricity and the transportation and sale of natural gas. Currently, WRI provides retail electric service to approximately 322,000 industrial, commercial, and residential customers in 323 Kansas communities. WRI also provides wholesale electric generation and transmission services to numerous municipal customers located in Kansas and, through interchange agreements, to surrounding integrated systems. As a natural gas utility, WRI distributes gas in Kansas and northeastern Oklahoma. WRI provides natural gas service to approximately 643,000 retail customers.

WRI's subsidiaries are as follows:

Kansas Gas and Electric Company ("KGE") is a Kansas corporation with its principal offices at 120 East First Street, Wichita, Kansas, 67201. KGE provides electric services to customers in the southeastern portion of Kansas, including the Wichita metropolitan area. At December 31, 1994, it rendered electric services at retail to approximately 272,000 residential, commercial and industrial customers and provides wholesale electric generation and transmission services to numerous municipal customers located in Kansas, and through interchange agreements, to surrounding integrated systems. KG&E does not own or operate any gas properties.

Astra Resources, Inc. ("Astra") is a Kansas corporation with principal offices at 1021 Main, Houston, Texas, 77002. Astra is a holding company for non-utility activities, concentrating in the areas of natural gas gathering, processing, compression and marketing.

KPL Funding, Inc. is a Kansas corporation established in connection with the acquisition of KG&E.

The Kansas Power and Light Company is a Kansas corporation established for the purpose of preserving the former corporate name of WRI in the state of Kansas.

2(a). The principal electric generating stations of WRI, all of which are located in Kansas, are as follows:

Name and Location	Accredited Capacity - MW (WRI's Share)	
Coal		
JEC Unit 1, near St. Marys.....	447	
JEC Unit 2, near St. Marys.....	457	
JEC Unit 3, near St. Marys.....	448	
Lawrence Energy Center, near Lawrence.....	539	
Tecumseh Energy Center, near Tecumseh.....	236	
Subtotal.....		2,127
Gas/Oil		
Hutchinson Energy Center, near Hutchinson....	502	
Abilene Energy Center, near Abilene.....	65	
Tecumseh Energy Center, near Tecumseh.....	38	
Subtotal.....		605
Total Accredited Capacity		2,732 MW

WRI maintains 19 interconnections with other public utilities to permit direct extra-high voltage interchange. It is a member of the MOKAN Power Pool consisting of eleven utilities in Kansas and western Missouri. WRI is also a member of the Southwest Power Pool, the regional coordinating council for electric utilities throughout the south-central United States.

WRI owns a transmission and distribution system which enables it to supply its service area. Transmission and distribution lines, in general, are located by permit or easement on public roads and streets or the lands of others. All such transmission and distribution systems are located within the State of Kansas. In addition, WRI owns and operates transmission, distribution and other facilities related to supplying natural gas service to its customers in Kansas and Oklahoma.

2(b). The principal electric generating stations of KG&E, all of which are located in Kansas, are as follows:

Name and Location	Accredited Capacity - MW (KG&E's Share)	
Nuclear		
Wolf Creek, near Burlington		545
Coal		
LaCygne Unit 1, near LaCygne	343	
LaCygne Unit 2, near LaCygne	335	
JEC Unit 1, near St. Mary's	140	
JEC Unit 2, near St. Mary's	143	
JEC Unit 3, near St. Mary's	140	
Subtotal		1,101
Gas/Oil		
Gordon Evans, Wichita	517	
Murray Gill, Wichita	332	
Subtotal		849
Diesel		
Wichita, Wichita		3
Total Accredited Capacity		2,498 MW

KG&E maintains 17 interconnections with other public utilities to permit direct extra-high voltage interchange. It is a member of the MOKAN Power Pool consisting of eleven utilities in Kansas and western Missouri. KG&E is also a member of the Southwest Power Pool, the regional coordinating council for electric utilities throughout the south-central United States.

KG&E owns a transmission and distribution system which enables it to supplyits service area. Transmission and distribution lines, in general, are located
by permit or easement on public roads and streets or the lands of others. All such transmission and distribution systems are located within the State of Kansas. In addition KG&E owns 47% interest in Wolf Creek Nuclear Operating Corporation (WCNOC) a Delaware corporation. WCNOC operates the Wolf Creek Generating Station on behalf of and as agent for its owners. KG&E has reserved the right to assert that WCNOC is not a Public Utility for purposes of the Act, and that KG&E is not, by virtue of its ownership interest in WCNOC, required to seek or file an exemption under the Act as a public utility holding company.

3(a). For the year ended December 31, 1994, WRI sold 8,018,990,000 Kwh of electric energy at retail, 2,309,303,000 Kwh of electric energy at wholesale, and 91,978,000 Mcf of natural gas at retail. In early 1994, WRI sold its Missouri natural gas operations which accounted for 14,020,000 Mcf of such retail sales. For the year ended December 31, 1994, KG&E sold 7,867,868,000 Kwh of electric energy at retail and 1,589,974,000 Kwh of electric energy at wholesale. All of KG&E's sales were within the State of Kansas.

(b). During 1994, neither WRI nor its subsidiaries distributed or sold electric energy at retail outside the State of Kansas. During 1994, WRI distributed or sold at retail 4,113,000 Mcf of natural gas in the state of Oklahoma, representing 4.5% of the retail natural gas sales of WRI.

(c). During 1994, WRI sold, at wholesale, 284,798,000 Kwh of electric energy to adjoining public utilities through interconnections at the Kansas state line. During 1994, KG&E sold, at wholesale, 802,195,000 Kwh of electric energy to adjoining public utilities through interconnections at the Kansas state line. During 1994, neither WRI or KG&E sold natural or manufactured gas at wholesale outside the state of Kansas or at the Kansas state line.

(d). During 1994, WRI purchased 289,503,000 Kwh of electric energy from outside the State of Kansas or at the Kansas state line. During 1994, WRI purchased 12,328,906 Mcf of natural gas outside the state of Kansas or at the state line. During 1994, KG&E purchased 302,079,000 Kwh of electric energy from outside the State of Kansas or at the Kansas State line.

4. Neither WRI nor its subsidiaries hold, directly or indirectly, any interest in an EWG or a foreign company.

The above-named claimant has caused this statement to be duly executed on its behalf by its authorized officer on this 24th day of February, 1995.

Western Resources, Inc.

By: Richard D. Terrill
Richard D. Terrill
Secretary and Associate
General Counsel

Corporate Seal

Name, title and address of officer to whom notices and correspondence concerning this statement should be addressed:

Richard D. Terrill
Secretary and Associate General Counsel
Western Resources, Inc.
P.O. Box 889
818 Kansas Avenue
Topeka, Kansas 66601

EXHIBIT A

A consolidating statement of income and surplus of the claimant and its subsidiary companies for the last calendar year, together with a consolidating balance sheet of claimant and its subsidiary companies as of the close of such calendar year:

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Exhibit A

WESTERN RESOURCES, INC.
CONSOLIDATING BALANCE SHEET
December 31, 1994
(Dollars in Thousands)

	Western Resources	Kansas Gas and Electric	GSEC and KPL Funding	Astra Resources	Consolidating Adjustments	Western Resources Consolidated
ASSETS						
UTILITY PLANT:						
Electric plant in service	$1,835,769	$3,390,406	$ -	$ -	$ -	$5,226,175
Natural gas plant in service	737,191	-	-	-	-	737,191
	2,572,960	3,390,406	-	-	-	5,963,366
Less - Accumulated depreciation	956,313	833,953	-	-	-	1,790,266
	1,616,647	2,556,453	-	-	-	4,173,100
Construction work in progress	52,416	32,874	-	-	-	85,290
Nuclear fuel (net)	-	39,890	-	-	-	39,890
Net utility plant	1,669,063	2,629,217	-	-	-	4,298,280
OTHER PROPERTY AND INVESTMENTS:						
Net non-utility investments	1,264,909	506	-	73,502	(1,264,900)	74,017
Decommissioning trust	-	16,944	-	-	-	16,944
Other	212	11,055	-	2,289	-	13,556
	1,265,121	28,505	-	75,791	(1,264,900)	104,517
CURRENT ASSETS:						
Cash and cash equivalents	671	47	-	1,997	-	2,715
Accounts receivable and unbilled revenues (net)	132,885	67,833	-	19,042	-	219,760
Accounts receivable - associated companies	846	64,393	11	-	(65,250)	-
Notes receivable - associated companies	38,155	-	-	-	(38,155)	-
Fossil fuel, at average cost	25,010	13,752	-	-	-	38,762
Gas stored underground (average cost)	45,222	-	-	-	-	45,222
Materials and supplies (average cost)	25,224	30,921	-	-	-	56,145
Prepayments and other current assets	5,156	16,662	-	6,114	-	27,932
	273,169	193,608	11	27,153	(103,405)	390,536
DEFERRED CHARGES AND OTHER ASSETS:						
Deferred future income taxes	(903)	102,789	-	-	-	101,886
Deferred coal contract settlement costs	15,662	17,944	-	-	-	33,606
Phase-in revenues	-	61,406	-	-	-	61,406
Corporate-owned life insurance (net)	7,617	9,350	-	-	-	16,967
Other deferred plant costs	-	31,784	-	-	-	31,784
Unamortized debt expense	30,460	27,777	-	-	-	58,237
Other	51,969	40,430	-	-	-	92,399
	104,805	291,480	-	-	-	396,285
TOTAL ASSETS	$3,312,158	$3,142,810	$ 11	$ 102,944	($1,368,305)	$5,189,618
CAPITALIZATION AND LIABILITIES						
CAPITALIZATION (see statement)	$2,306,348	$1,925,196	$ 11	$ 39,686	($1,264,900)	$3,006,341
CURRENT LIABILITIES:						
Short-term debt	258,200	50,000	-	-	-	308,200
Long-term debt due within one year	80	-	-	-	-	80
Notes payable - associated companies	-	-	-	38,155	(38,155)	-
Accounts payable	68,735	49,093	-	12,788	-	130,616
Accounts payable - associated companies	64,404	-	-	127	(64,531)	-
Accrued taxes	70,154	15,737	-	1,075	-	86,966
Accrued interest and dividends	52,732	8,337	-	864	(864)	61,069
Other	56,774	11,160	-	946	145	69,025
	571,079	134,327	-	53,955	(103,405)	655,956
DEFERRED CREDITS AND OTHER LIABILITIES:						
Deferred income taxes	278,400	689,169	-	3,445	-	971,014
Deferred investment tax credits	62,810	74,841	-	-	-	137,651
Deferred gain from sale-leaseback	-	252,341	-	-	-	252,341
Other	93,521	66,936	-	5,858	-	166,315
	434,731	1,083,287	-	9,303	-	1,527,321
COMMITMENTS AND CONTINGENCIES						
TOTAL CAPITALIZATION AND LIABILITIES	$3,312,158	$3,142,810	$ 11	$ 102,944	($1,368,305)	$5,189,618

Exhibit A

WESTERN RESOURCES, INC.
CONSOLIDATING STATEMENT OF INCOME
Year Ended December 31, 1994
(Dollars in Thousands,
except Per Share Amounts)

	Western Resources	Kansas Gas and Electric	GSEC and KPL Funding	Astra Resources	Consolidating Adjustments	Western Resources Consolidated
OPERATING REVENUES:						
Electric	$ 501,901	$ 619,880	$ -	$ -	$ -	$1,121,781
Natural gas	496,162	-	-	-	-	496,162
Total operating revenues	998,063	619,880	-	-	-	1,617,943
OPERATING EXPENSES:						
Fuel used for generation:						
Fossil fuel	130,383	90,383	-	-	-	220,766
Nuclear fuel	-	13,562	-	-	-	13,562
Power purchased	8,294	7,144	-	-	-	15,438
Natural gas purchases	312,576	-	-	-	-	312,576
Other operations	188,331	115,060	-	-	-	303,391
Maintenance	65,198	47,988	-	-	-	113,186
Depreciation and amortization	80,173	71,457	-	-	-	151,630
Amortization of phase-in revenues	-	17,544	-	-	-	17,544
Taxes:						
Federal income	26,265	50,212	-	-	-	76,477
State income	6,718	12,427	-	-	-	19,145
General	59,590	45,092	-	-	-	104,682
Total operating expenses	877,528	470,869	-	-	-	1,348,397
OPERATING INCOME	120,535	149,011	-	-	-	269,546
OTHER INCOME AND DEDUCTIONS:						
Corporate-owned life insurance (net)	-	(5,354)	-	-	-	(5,354)
Gain on sales of Missouri Properties	30,701	-	-	-	-	30,701
Miscellaneous (net)	4,676	5,079	-	3,083	-	12,838
Equity earnings of subsidiary companies	107,609	-	-	-	(107,609)	-
Income taxes (net)	(11,619)	7,290	-	-	-	(4,329)
Total other income and deductions	131,367	7,015	-	3,083	(107,609)	33,856
INCOME BEFORE INTEREST CHARGES	251,902	156,026	-	3,083	(107,609)	303,402
INTEREST CHARGES:						
Long-term debt	50,656	47,827	-	-	-	98,483
Other	14,956	5,183	-	-	-	20,139
Allowance for borrowed funds used during construction (credit)	(1,157)	(1,510)	-	-	-	(2,667)
Total interest charges	64,455	51,500	-	-	-	115,955
NET INCOME	187,447	104,526	-	3,083	(107,609)	187,447
PREFERRED AND PREFERENCE DIVIDENDS	13,418	-	-	-	-	13,418
EARNINGS APPLICABLE TO COMMON STOCK	$ 174,029	$ 104,526	$ -	$ 3,083	$ (107,609)	$ 174,029
AVERAGE COMMON SHARES OUTSTANDING	61,617,873					61,617,873
EARNINGS PER AVERAGE COMMON SHARE OUTSTANDING	$ 2.82					$ 2.82

Exhibit A

WESTERN RESOURCES, INC.
CONSOLIDATING STATEMENT OF RETAINED EARNINGS
December 31, 1994
(Dollars in Thousands)

	Western Resources	Kansas Gas and Electric	GSEC and KPL Funding	Astra Resources	Consolidating Adjustments	Western Resources Consolidated
BALANCE AT BEGINNING OF PERIOD.	$ 446,348	$ 180,044	$ 2,410	$ 461	$(182,915)	$ 446,348
ADD:						
Net income.	187,447	104,526	-	3,083	(107,609)	187,447
Total	633,795	284,570	2,410	3,544	(290,524)	633,795
DEDUCT:						
Cash dividends:						
Preferred and preference stock.	13,418	-	-	-	-	13,418
Common stock.	122,003	125,000	-	-	(125,000)	122,003
Total	135,421	125,000	-	-	(125,000)	135,421
BALANCE AT END OF PERIOD.	$ 498,374	$ 159,570	$ 2,410	$ 3,544	$(165,524)	$ 498,374

WESTERN RESOURCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General: The Consolidated Financial Statements of Western Resources, Inc. (the Company, Western Resources), include the accounts of its wholly-owned subsidiaries, Astra Resources, Inc. (Astra), Kansas Gas and Electric Company (KG&E) since March 31, 1992 (see Note 3), KPL Funding Corporation (KFC), and Mid Continent Market Center, Inc. (Market Center). KG&E owns 47 percent of Wolf Creek Nuclear Operating Corporation (WCNOC), the operating company for Wolf Creek Generating Station (Wolf Creek). The Company records its proportionate share of all transactions of WCNOC as it does other jointly-owned facilities. All significant intercompany transactions have been eliminated. The operations of Astra, KFC, and Market Center were not material to the Company's results of operations. The Company is conducting its utility business as KPL, Gas Service, and through its wholly-owned subsidiary, KG&E. The Company is conducting its non-utility business through Astra.

The accounting policies of the Company are in accordance with generally accepted accounting principles as applied to regulated public utilities. The accounting and rates of the Company are subject to requirements of the Kansas Corporation Commission (KCC), the Oklahoma Corporation Commission (OCC), and the Federal Energy Regulatory Commission (FERC).

Utility Plant: Utility plant is stated at cost. For constructed plant, cost includes contracted services, direct labor and materials, indirect charges for engineering, supervision, general and administrative costs, and an allowance for funds used during construction (AFUDC). The AFUDC rate was 4.08% in 1994, 4.10% in 1993, and 5.99% in 1992. The cost of additions to utility plant and replacement units of property is capitalized. Maintenance costs and replacement of minor items of property are charged to expense as incurred. When units of depreciable property are retired, they are removed from the plant accounts and the original cost plus removal charges less salvage are charged to accumulated depreciation.

Depreciation: Depreciation is provided on the straight-line method based on estimated useful lives of property. Composite provisions for book depreciation approximated 2.87% during 1994, 3.02% during 1993, and 3.03% during 1992 of the average original cost of depreciable property.

Consolidated Statements of Cash Flows: For purposes of the Consolidated Statements of Cash Flows, the Company considers highly liquid collateralized debt instruments purchased with a maturity of three months or less to be cash equivalents.

Cash paid for interest and income taxes for each of the three years ended December 31, are as follows:

	1994	1993	1992
	(Dollars in Thousands)		
Interest on financing activities (net of amount capitalized).	$134,785	$171,734	$128,505
Income taxes	90,229	49,108	24,966

Income Taxes: Income tax expense includes provisions for income taxes currently payable and deferred income taxes calculated in conformance with income tax laws, regulatory orders, and Statement of Financial Accounting Standards No. 109 (SFAS 109) (see Note 13).

Investment tax credits previously deferred are being amortized to income over the life of the property which gave rise to the credits.

Revenues: The Company accrues estimated unbilled electric and natural gas revenues. This method of recognizing revenues best matches revenues with costs of services provided to customers and also conforms the Company's accounting treatment of unbilled revenues with the tax treatment of such revenues. Unbilled revenues represent the estimated amount customers will be billed for service provided from the time meters were last read to the end of the accounting period. Unbilled revenues of $61 million and $99 million are recorded as a component of accounts receivable and unbilled revenues (net) on the Consolidated Balance Sheets as of December 31, 1994 and 1993, respectively.

The Company had reserves for doubtful accounts receivable of $3.4 million and $4.3 million at December 31, 1994 and 1993, respectively.

Fuel Costs: The cost of nuclear fuel in process of refinement, conversion, enrichment, and fabrication is recorded as an asset at original cost and is amortized to expense based upon the quantity of heat produced for the generation of electricity. The accumulated amortization of nuclear fuel in the reactor at December 31, 1994 and 1993, was $13.6 million and $17.4 million, respectively.

Cash Surrender Value of Life Insurance Contracts: The following amounts related to corporate-owned life insurance contracts (COLI), primarily with one

highly rated major insurance company, are recorded in Corporate-owned Life Insurance (net) on the Consolidated Balance Sheets:

	1994	1993
	(Dollars in Millions)	
Cash surrender value of contracts. . .	$ 408.9	$ 326.3
Borrowings against contracts	(391.9)	(321.6)
COLI (net).	$ 17.0	$ 4.7

The COLI borrowings will be repaid upon receipt of proceeds from death benefits under contracts. The Company recognizes increases in the cash surrender value of contracts, resulting from premiums and investment earnings on a tax free basis, and the tax deductible interest on the COLI borrowings in Corporate-owned Life Insurance (net) on the Consolidated Statements of Income. Interest expense related to KG&E's COLI for 1994, 1993, and the nine months ended December 31, 1992, was $21.0 million, $11.9 million, and $5.3 million, respectively.

As approved by the KCC, the Company is using a portion of the net income stream generated by COLI policies purchased in 1993 and 1992 by the Company (see Note 8) to offset Statement of Financial Accounting Standards No. 106 (SFAS 106) and Statement of Financial Accounting Standards No. 112 (SFAS 112) expenses.

Reclassifications: Certain amounts in prior years have been reclassified to conform with classifications used in the current year presentation.

2. SALES OF MISSOURI NATURAL GAS DISTRIBUTION PROPERTIES

On January 31, 1994, the Company sold substantially all of its Missouri natural gas distribution properties and operations to Southern Union Company (Southern Union). The Company sold the remaining Missouri properties to United Cities Gas Company (United Cities) on February 28, 1994. The properties sold to Southern Union and United Cities are referred to herein as the "Missouri Properties." With the sales the Company is no longer operating as a utility in the State of Missouri.

The portion of the Missouri Properties purchased by Southern Union was sold for an estimated sale price of $400 million, in cash, based on a calculation as of December 31, 1993. The sale agreement provided for estimated amounts in the sale price calculation to be adjusted to actual as of January 31, 1994, within 120 days of closing. Disputes with respect to proposed adjustments based upon differences between estimates and actuals were to be resolved within 60 days of submission of the disputes by Southern Union or submitted to arbitration by an accounting firm to be agreed to by both parties. Southern Union proposed a number of adjustments to the purchase price, some of which the Company has disputed. The Company maintains the disputed adjustments are not permitted under the sale agreement. In the opinion of the Company's management, the resolution of these purchase price adjustments will not have a material impact on the Company's financial position or results of operations. For information regarding litigation in connection with the sale of the Missouri Properties to Southern Union, see Note 4.

United Cities purchased the Company's natural gas distribution system in and around the City of Palmyra, Missouri for $665,000 in cash.

During the first quarter of 1994, the Company recognized a gain of approximately $19.3 million, net of tax, on the sales of the Missouri Properties. As of the respective dates of the sales of the Missouri Properties, the Company ceased recording the results of operations, and removed the assets and liabilities from the Consolidated Balance Sheet related to the Missouri Properties. The gain is reflected in Other Income and Deductions, on the Consolidated Statements of Income.

The following table reflects the approximate operating revenues and operating income for the years ended December 31, 1994, 1993, and 1992, and net utility plant at December 31, 1993 and 1992, related to the Missouri Properties:

	1994		1993		1992	
	Amount	Percent of Total Company	Amount	Percent of Total Company	Amount	Percent of Total Company
	(Dollars in Thousands, Unaudited)					
Operating revenues. .	$ 77,008	4.8%	$349,749	18.3%	$299,202	19.2%
Operating Income. . .	4,997	1.9%	20,748	7.1%	11,177	4.7%
Net utility plant . .	-	-	296,039	6.6%	272,126	6.1%

Separate audited financial information was not kept by the Company for the Missouri Properties. This unaudited financial information is based on assumptions and allocations of expenses of the Company as a whole.

3. ACQUISITION AND MERGER

On March 31, 1992, the Company, through its wholly-owned subsidiary KCA Corporation (KCA), acquired all of the outstanding common and preferred stock of Kansas Gas and Electric Company for $454 million in cash and 23,479,380 shares of common stock (the Merger). The Company also paid $20 million in costs to complete the Merger. Simultaneously, KCA and Kansas Gas and Electric Company merged and adopted the name of Kansas Gas and Electric Company (KG&E). The Merger was accounted for as a purchase. For income tax purposes the tax basis of the KG&E assets was not changed by the Merger.

As the Company acquired 100 percent of the common and preferred stock of KG&E, the Company recorded an acquisition premium of $490 million on the Consolidated Balance Sheet for the difference in purchase price and book value. This acquisition premium and related income tax requirement of $311 million under SFAS 109 have been classified as plant acquisition adjustment in Electric Plant in Service on the Consolidated Balance Sheet. Under the provisions of orders of the KCC, the acquisition premium is recorded as an acquisition adjustment and not allocated to the other assets and liabilities of KG&E.

In the November 1991 KCC order approving the Merger, a mechanism was approved to share equally between the shareholders and ratepayers the cost savings generated by the Merger in excess of the revenue requirement needed to allow recovery of the amortization of a portion of the acquisition adjustment, including income tax, calculated on the basis of a purchase price of KG&E's common stock at $29.50 per share. The order provides an amortization period for the acquisition adjustment of 40 years commencing in August 1995, at which time the full amount of cost savings is expected to have been implemented. Merger savings will be measured by application of an inflation index to certain pre-merger operating and maintenance costs at the time of the next Kansas rate case. While the Company has achieved savings from the Merger, there is no assurance that the savings achieved will be sufficient to, or the cost savings sharing mechanism will operate as to, fully offset the amortization of the acquisition adjustment. The order further provides a moratorium on increases, with certain exceptions, in the Company's Kansas electric and natural gas rates until August 1995. The KCC ordered refunds totalling $32 million to the combined companies' customers to share with customers the Merger-related cost savings achieved during the moratorium period. Refunds of $8.5 million were made in April 1992 and December 1993 and the remaining refund of $15 million was made in September 1994.

The KCC order approving the Merger required the legal reorganization of KG&E so that it was no longer held as a separate subsidiary after January 1, 1995, unless good cause was shown why such separate existence should be maintained. The Securities and Exchange Commission (SEC) order relating to the Merger granted the Company an exemption under the Public Utility Holding Company Act (PUHCA) until January 1, 1995. The Company has been granted regulatory approval from the KCC which eliminates the requirement for a combination. As a result of the sales of the Missouri Properties, the Company is now exempt from regulation as a holding company under Section 3(a)(1) of the PUHCA.

As the Merger did not occur until March 31, 1992, the twelve months ended December 31, 1992, results of operations for the Company reported in its statements of income, cash flows, and common stock equity reflect KG&E's results of operations for only the nine months ended December 31, 1992. Pro forma revenues of $1.7 billion, operating income of $269 million, net income of $132 million and earnings per share of $2.03 for the year ended December 31, 1992 give effect to the Merger as if it had occurred at January 1, 1992. This pro forma information is not necessarily indicative of the results of operations that would have occurred had the Merger been consummated on January 1, 1992, nor is it necessarily indicative of future operating results.

4. LEGAL PROCEEDINGS

On June 1, 1994, Southern Union filed an action against the Company, The Bishop Group, Ltd., and other entities affiliated with The Bishop Group, in the Federal District Court for the Western District of Missouri (the Court) (Southern Union Company v. Western Resources, Inc. et al., Case No. 94-509-CV-W-1) alleging, among other things, breach of the Missouri Properties sale agreement relating to certain gas supply contracts between the Company and various Bishop entities that Southern Union assumed, and requesting unspecified monetary damages as well as declaratory relief. On August 1, 1994, the Company filed its answer and counterclaim denying all claims asserted against it by Southern Union and requesting declaratory judgment with respect to certain adjustments in the purchase price for the Missouri Properties proposed by Southern Union and disputed by the Company. On August 24, 1994, Southern Union filed claims against the Company for alleged purchase price adjustments totalling $19 million. The Company subsequently agreed that approximately $4 million of the purchase price adjustments were subject to arbitration. On January 18, 1995, the Court held the remaining $15 million of proposed adjustments to the purchase price were subject to arbitration under the sale agreement. In the opinion of the Company's management, the disputed adjustments are not proper adjustments to the purchase price. For additional information regarding the sales of the Missouri Properties see Note 2.

On August 15, 1994, the Bishop entities filed an answer and claims against Southern Union and the Company alleging, among other things, breach of those

certain gas supply contracts. The Bishop entities claimed damages up to $270 million against the Company and Southern Union. The Company's management believes that through the sale agreement, Southern Union assumed all liabilities arising out of or related to gas supply contracts associated with the Missouri Properties. The Company's management also believes it is not liable for any claims asserted against it by the Bishop entities and will vigorously defend such claims.

The Company received a civil investigative demand from the U.S. Department of Justice seeking certain information in connection with the department's investigation "to determine whether there is, has been, or may be a violation of the Sherman Act Sec. 1-2" with respect to the natural gas business in Kansas and Missouri. The Company is cooperating with the Department of Justice, but is not aware of any violation of the antitrust laws in connection with its business operations.

The Company and its subsidiaries are involved in various other legal and environmental proceedings. Management believes that adequate provision has been made within the Consolidated Financial Statements for these other matters and accordingly believes their ultimate dispositions will not have a material adverse effect upon the business, financial position, or results of operations of the Company.

5. RATE MATTERS AND REGULATION

The Company, under rate orders from the KCC, OCC and the FERC, recovers increases in fuel and natural gas costs through fuel adjustment clauses for wholesale and certain retail electric customers and various purchased gas adjustment clauses (PGA) for natural gas customers. The KCC and the OCC require the annual difference between actual gas cost incurred and cost recovered through the application of the PGA be deferred and amortized through rates in subsequent periods.

Elimination of the Energy Cost Adjustment Clause (ECA): On March 26, 1992, in connection with the Merger, the KCC approved the elimination of the ECA for most Kansas retail electric customers of both the Company and KG&E effective April 1, 1992. The provisions for fuel costs included in base rates were established at a level intended by the KCC to equal the projected average cost of fuel through August 1995, and to include recovery of costs provided by previously issued orders relating to coal contract settlements. Any variance in fuel costs from the projected average will impact the Company's earnings.

FERC Proceedings: On August 19, 1994, Williams Natural Gas Company (WNG) filed a revised application with the FERC to direct bill approximately $14.7 million of FERC Order No. 636 (FERC 636) transition costs to the Company related to natural gas sales service in Kansas and Oklahoma. These costs are currently being recovered from the Company's current Kansas and Oklahoma customers. The Company believes any future transition costs ultimately will be recovered through charges to its customers, and any unrecovered transition costs will not be material to the Company's financial position or results of operations. For additional information with respect to FERC 636 see Management's Discussion and Analysis.

On October 5, 1994, WNG filed an application with the FERC to direct bill to the Company up to $30.4 million of settlement costs paid to Amoco Production Company (Amoco) related to litigation between WNG and Amoco regarding the proper price to be paid for gas purchased by WNG from Amoco. The proposed direct bill is related to natural gas service rendered by the Company in Kansas and Oklahoma. At December 31, 1994, $14.2 million of these costs have been billed to the Company. The Company believes substantially all of these costs and any future settlement costs ultimately will be recovered through charges to its Kansas and Oklahoma customers, and any unrecovered settlement costs will not be material to the Company's financial position or results of operations.

KCC Proceedings: On December 22, 1994, the Company, in conjunction with the Market Center, filed an application with the KCC to form a natural gas market center in Kansas. The Market Center will provide natural gas transportation, storage, and gathering services, as well as balancing, and title transfer capability. Upon approval from the KCC, the Company intends to transfer certain natural gas transmission assets having a value of approximately $52.1 million to the Market Center. In addition, the Company intends to extend credit to the Market Center enabling the Market Center to borrow up to an aggregate principal amount of $25 million on a term basis to construct new facilities and $5 million on a revolving credit basis for working capital. The Market Center will provide no notice natural gas transportation and storage services to the Company under a long-term contract. The Company will continue to operate and maintain the Market Center's assets under a separate contract.

On January 24, 1992, the KCC issued an order allowing the Company to continue the deferral of service line replacement program costs incurred since January 1, 1992, including depreciation, property taxes, and carrying costs for recovery in the next general rate case. At December 31, 1994, approximately $7.2 million of these deferrals have been included in Deferred Charges and Other Assets, Other on the Consolidated Balance Sheet.

On December 30, 1991, the KCC approved a permanent natural gas rate

increase of $39 million annually and the Company discontinued the deferral of accelerated line survey costs on January 1, 1992. Approximately $3.1 million of these deferred costs remain in Deferred Charges and Other Assets, Other on the Consolidated Balance Sheet at December 31, 1994, with the balance being included in rates and amortized to expense during a 43-month period, commencing January 1, 1992.

Tight Sands: In December 1991 the KCC, and the OCC approved agreements authorizing the Company to refund to customers approximately $40 million of the proceeds of the Tight Sands antitrust litigation settlement to be collected on behalf of Western Resources' natural gas customers. To secure the refund of settlement proceeds, the Commissions authorized the establishment of an independently administered trust to collect and maintain cash receipts received under Tight Sands settlement agreements and provide for the refunds made. The trust has a term of ten years.

Rate Stabilization Plan: In 1988, the KCC issued an order requiring the accrual of phase-in revenues be discontinued by KG&E effective December 31, 1988. Effective January 1, 1989, KG&E began amortizing the phase-in revenue asset on a straight-line basis over 9 1/2 years. At December 31, 1994, approximately $61 million of deferred phase-in revenues remained on the Consolidated Balance Sheet.

Coal Contract Settlements: In March 1990, the KCC issued an order allowing KG&E to defer its share of a 1989 coal contract settlement with the Pittsburg and Midway Coal Mining Company amounting to $22.5 million. This amount was recorded as a deferred charge and is included in Deferred Charges and Other Assets on the Consolidated Balance Sheet. The settlement resulted in the termination of a long-term coal contract. The KCC permitted KG&E to recover this settlement as follows: 76 percent of the settlement plus a return over the remaining term of the terminated contract (through 2002) and 24 percent to be amortized to expense with a deferred return equivalent to the carrying cost of the asset.

In February 1991, KG&E paid $8.5 million to settle a coal contract lawsuit with AMAX Coal Company and recorded the payment as a deferred charge in Deferred Charges and Other Assets on the Consolidated Balance Sheet. The KCC approved the recovery of the settlement plus a return, equivalent to the carrying cost of the asset, over the remaining term of the terminated contract (through 1996).

FERC Order No. 528: In 1990, the FERC issued Order No. 528 which authorized new methods for the allocation and recovery of take-or-pay settlement costs by natural gas pipelines from their customers. Settlements were reached between the Company's two largest gas pipelines and their customers in FERC proceedings related to take-or-pay issues. The settlements address the allocation of take-or-pay settlement costs between the pipelines and their customers. However, the amount which one of the pipelines will be allowed to recover is yet to be determined. Litigation continues between the Company and a former upstream pipeline supplier to one of the Company's pipeline suppliers concerning the amount of such costs which may ultimately be allocated to the Company's pipeline supplier. The Company's share of any costs allocated to the Company's pipeline supplier will be charged to the Company. Due to the uncertainty concerning the amount to be recovered by the Company's current suppliers and of the outcome of the litigation between the Company and its current pipeline's upstream supplier, the Company is unable to estimate its future liability for take-or-pay settlement costs. However, the KCC has approved mechanisms which are designed to allow the Company to recover these take-or-pay costs from its customers.

6. SHORT-TERM DEBT

The Company's short-term financing requirements are satisfied, through the sale of commercial paper, short-term bank loans and borrowings under unsecured lines of credit maintained with banks. Information concerning these arrangements for the years ended December 31, 1994, 1993, and 1992, is set forth below:

Year Ended December 31,	1994	1993	1992
	(Dollars in Thousands)		
Lines of credit at year end. . . .	$145,000(1)	$145,000	$250,000(2)
Short-term debt outstanding at year end	308,200	440,895	222,225
Weighted average interest rate on debt outstanding at year end (including fees)	6.25%	3.67%	4.70%
Maximum amount of short-term debt outstanding during the period.	$485,395	$443,895	$263,900
Monthly average short-term debt. .	214,180	347,278	179,577
Weighted daily average interest rates during the year (including fees)	4.63%	3.44%	4.90%

(1) Decreased to $121 million in January 1995.
(2) Decreased to $155 million in January 1993.

In connection with the commitments, the Company has agreed to pay certain fees to the banks. Available lines of credit and the unused portion of the revolving credit facility are utilized to support the Company's outstanding short-term debt.

7. COMMITMENTS AND CONTINGENCIES

As part of its ongoing operations and construction program, the Company has commitments under purchase orders and contracts which have an unexpended balance of approximately $77 million at December 31, 1994. Approximately $32 million is attributable to modifications to upgrade the three turbines at Jeffrey Energy Center to be completed by December 31, 1998. Plans for future construction of utility plant are discussed in the Management's Discussion and Analysis section.

In January 1994, the Company entered into an agreement with Oklahoma Municipal Power Authority (OMPA). Under the agreement, the Company received a prepayment of approximately $41 million for which the Company will provide capacity and transmission services to OMPA through the year 2013.

Manufactured Gas Sites: The Company was previously associated with 20 former manufactured gas sites located in Kansas which may contain coal tar and other potentially harmful materials. These sites were operated decades ago by predecessor companies, and were owned by the Company for a period of time after operations had ceased. The Company and the Kansas Department of Health and Environment (KDHE) conducted preliminary assessments of the sites at a cost of approximately $500,000. The results of the preliminary investigations determined the Company does not have a connection to four of the sites. Of the remaining 16 sites, the site investigation and risk assessment field work of the highest priority site was completed in 1994 at a total cost of approximately $450,000. The Company has not received the final report so as to determine the extent of contamination and the amount of any possible remediation.

The Company and KDHE entered into a consent agreement governing all future work at these sites. The terms of the consent agreement will allow the Company to investigate the 16 sites and set remediation priorities based upon the results of the investigations and risk analysis. The prioritized sites will be investigated over a 10 year period. The agreement will allow the Company to set mutual objectives with the KDHE in order to expedite effective response activities and to control costs and environmental impact. The Company is aware of other utilities in Region VII of the EPA (Kansas, Missouri, Nebraska, and Iowa) which have incurred remediation costs for manufactured gas sites ranging between $500,000 and $10 million, depending on the site, and that the KCC has issued an accounting order which will permit another Kansas utility to recover its remediation costs through rates. To the extent that such remediation costs are not recovered through rates, the costs could be material to the Company's financial position or results of operations depending on the degree of remediation required and number of years over which the remediation must be completed.

Superfund Sites: The Company has been identified as one of numerous potentially responsible parties in four hazardous waste sites listed by the EPA as Superfund sites. One site is a groundwater contamination site in Wichita, Kansas (Wichita site), two are soil contamination sites in Missouri (Missouri sites), and one site is a solid waste land-fill located in Edwardsville, Kansas (Edwardsville site). Settlement agreements releasing the Company from liability for future response or costs have been entered into at the Edwardsville site and one of the Missouri sites. The Company's obligation at the remaining Missouri site and the Wichita site appears to be limited based on the Company's experience at similar sites given its limited exposure and settlement costs. In the opinion of the Company's management, the resolution of these matters will not have a material impact on the Company's financial position or results of operations.

Clean Air Act: The Clean Air Act Amendments of 1990 (the Act) require a two-phase reduction in sulfur dioxide and oxides of nitrogen (NOx) emissions effective in 1995 and 2000 and a probable reduction in toxic emissions. To meet the monitoring and reporting requirements under the acid rain program, the Company installed continuous monitoring and reporting equipment at a total cost of approximately $10 million. The Company does not expect additional equipment to reduce sulfur emissions to be necessary under Phase II. Although the Company currently has no Phase I affected units, the Company applied for an early substitution permit to bring the co-owned La Cygne Station under the Phase I guidelines.

The NOx and air toxic limits, which were not set in the law, will be specified in future EPA regulations. The EPA's proposed NOx regulations were ruled invalid by the Court and until such time as the EPA resubmits new proposed regulations, the Company will be unable to determine its compliance options or related compliance costs.

Other Environmental Matters: As part of the sale of the Company's Missouri Properties to Southern Union, Southern Union assumed responsibility under an agreement for any environmental matters related to the Missouri Properties purchased by Southern Union pending at the date of the sale or that may arise after closing. For any environmental matters pending or discovered

within two years of the date of the agreement, and after pursuing several other potential recovery options, the Company may be liable for up to a maximum of $7.5 million under a sharing arrangement with Southern Union provided for in the agreement.

Spent Nuclear Fuel Disposal: Under the Nuclear Waste Policy Act of 1982, the U.S. Department of Energy (DOE) is responsible for the ultimate storage and disposal of spent nuclear fuel removed from nuclear reactors. Under a contract with the DOE for disposal of spent nuclear fuel, the Company pays a quarterly fee to DOE of one mill per kilowatthour on net nuclear generation. These fees are included as part of nuclear fuel expense and amounted to $3.8 million for 1994, $3.5 million for 1993, and $1.6 million for 1992.

The Company along with the other co-owners of Wolf Creek are among 14 companies that filed a lawsuit on June 20, 1994, seeking an interpretation of the DOE's obligation to begin accepting spent nuclear fuel for disposal in 1998. The Federal Nuclear Waste Policy Act requires DOE ultimately to accept and dispose of nuclear utilities' spent fuel. The DOE has filed a motion to have this case dismissed. The issue to be decided in this case is whether DOE must begin accepting spent fuel in 1998 or at a future date. Wolf Creek contains an on-site spent fuel storage facility which, under current regulatory guidelines, provides space for the storage of spent fuel through the year 2006 while still maintaining full core off-load capability. The Company believes adequate additional storage space can be obtained as necessary.

Decommissioning: On June 9, 1994, the KCC issued an order approving the decommissioning cost of the 1993 Wolf Creek Decommissioning Cost Study which estimates the Company's share of Wolf Creek decommissioning costs, under the immediate dismantlement method, to be approximately $595 million primarily during the period 2025 through 2033, or approximately $174 million in 1993 dollars. These costs were calculated using an assumed inflation rate of 3.45% over the remaining service life, in 1993, of 32 years.

Decommissioning costs are being charged to operating expenses in accordance with the KCC order. Electric rates charged to customers provide for recovery of these decommissioning costs over the life of Wolf Creek. Amounts so expensed ($3.5 million in 1994 increasing annually to $5.5 million in 2024) and earnings on trust fund assets are deposited in an external trust fund. The assumed return on trust assets is 5.9%.

The Company's investment in the decommissioning fund, including reinvested earnings was $16.9 million and $13.2 million at December 31, 1994 and December 31, 1993, respectively. These amounts are reflected in Decommissioning Trust, and the related liability is included in Deferred Credits and Other Liabilities, Other on the Consolidated Balance Sheets.

The Company carries $118 million in premature decommissioning insurance. The insurance coverage has several restrictions. One of these is that it can only be used if Wolf Creek incurs an accident exceeding $500 million in expenses to safely stabilize the reactor, to decontaminate the reactor and reactor station site in accordance with a plan approved by the Nuclear Regulatory Commission (NRC), and to pay for on-site property damages. If the amount designated as decommissioning insurance is needed to implement the NRC-approved plan for stabilization and decontamination, it would not be available for decommissioning purposes.

Nuclear Insurance: The Price-Anderson Act limits the combined public liability of the owners of nuclear power plants to $8.9 billion for a single nuclear incident. The Wolf Creek owners (Owners) have purchased the maximum available private insurance of $200 million and the balance is provided by an assessment plan mandated by the NRC. Under this plan, the Owners are jointly and severally subject to a retrospective assessment of up to $79.3 million ($37.3 million, Company's share) in the event there is a major nuclear incident involving any of the nation's licensed reactors. This assessment is subject to an inflation adjustment based on the Consumer Price Index and applicable premium taxes. There is a limitation of $10 million ($4.7 million, Company's share) in retrospective assessments per incident per year.

The Owners carry decontamination liability, premature decommissioning liability, and property damage insurance for Wolf Creek totalling approximately $2.8 billion ($1.3 billion, Company's share). This insurance is provided by a combination of "nuclear insurance pools" ($500 million) and Nuclear Electric Insurance Limited (NEIL) ($2.3 billion). In the event of an accident, insurance proceeds must first be used for reactor stabilization and site decontamination. The Company's share of any remaining proceeds can be used for property damage up to $1.2 billion (Company's share) and premature decommissioning costs up to $118 million (Company's share) in excess of funds previously collected for decommissioning (as discussed under "Decommissioning").

The Owners also carry additional insurance with NEIL to cover costs of replacement power and other extra expenses incurred during a prolonged outage resulting from accidental property damage at Wolf Creek. If losses incurred at any of the nuclear plants insured under the NEIL policies exceed premiums, reserves, and other NEIL resources, the Company may be subject to retrospective assessments of approximately $13 million per year.

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

Federal Income Taxes: During 1991, the Internal Revenue Service (IRS) completed an examination of KG&E's federal income tax returns for the years 1984 through 1988. In April 1992, KG&E received the examination report and upon review filed a written protest in August 1992. In October 1993, KG&E received another examination report for the years 1989 and 1990 covering the same issues identified in the previous examination report. Upon review of this report, KG&E filed a written protest in November 1993. The most significant proposed adjustments reduce the depreciable basis of certain assets and investment tax credits generated. Management believes there are significant questions regarding the theory, computations, and sampling techniques used by the IRS to arrive at its proposed adjustments, and also believes any additional tax expense incurred or loss of investment tax credits will not be material to the Company's financial position and results of operations. Additional income tax payments, if any, are expected to be offset by investment tax credit carryforwards, alternative minimum tax credit carryforwards, or deferred tax provisions.

Fuel Commitments: To supply a portion of the fuel requirements for its generating plants, the Company has entered into various commitments to obtain nuclear fuel, coal, and natural gas. Some of these contracts contain provisions for price escalation and minimum purchase commitments. At December 31, 1994, WCNOC's nuclear fuel commitments (Company's share) were approximately $12.6 million for uranium concentrates expiring at various times through 1997, $122.9 million for enrichment expiring at various times through 2014, and $56.5 million for fabrication through 2012. At December 31, 1994, the Company's coal and natural gas contract commitments in 1994 dollars under the remaining terms of the contracts were approximately $3 billion and $9 million, respectively. The largest coal contract expires in 2020, with the remaining coal contracts expiring at various times through 2013. The majority of natural gas contracts continue through 1995 with automatic one-year extension provisions. In the normal course of business, additional commitments and spot market purchases will be made to obtain adequate fuel supplies.

Energy Act: As part of the 1992 Energy Policy Act, a special assessment is being collected from utilities for a uranium enrichment, decontamination, and decommissioning fund. The Company's portion of the assessment for Wolf Creek is approximately $7 million, payable over 15 years. Management expects such costs to be recovered through the ratemaking process.

8. EMPLOYEE BENEFIT PLANS

Pension: The Company maintains noncontributory defined benefit pension plans covering substantially all employees. Pension benefits are based on years of service and the employee's compensation during the five highest paid consecutive years out of ten before retirement. The Company's policy is to fund pension costs accrued, subject to limitations set by the Employee Retirement Income Security Act of 1974 and the Internal Revenue Code.

The following tables provide information on the components of pension cost, funded status, and actuarial assumptions for the Company's pension plans:

Year Ended December 31,	1994	1993	1992
	(Dollars in Thousands)		
Pension Cost:			
Service cost.	$ 10,197	$ 9,778	$ 9,847
Interest cost on projected benefit obligation.	29,734	35,688	29,457
(Gain) loss on plan assets. . .	7,351	(64,113)	(38,967)
Deferred investment gain (loss)	(38,457)	29,190	7,705
Net amortization.	245	(669)	(948)
Net pension cost.	$ 9,070	$ 9,874	$ 7,094

December 31,	1994	1993	1992
	(Dollars in Thousands)		
Reconciliation of Funded Status:			
Actuarial present value of benefit obligations:			
Vested	$278,545	$353,023	$316,100
Non-vested	19,132	26,983	19,331
Total.	$297,677	$380,006	$335,431
Plan assets (principally debt and equity securities) at fair value	$375,521	$490,339	$452,372
Projected benefit obligation . . .	378,146	468,996	424,232
Funded status.	(2,625)	21,343	28,140
Unrecognized transition asset. . .	(2,205)	(2,756)	(3,092)

Unrecognized prior service costs .	47,796	64,217	55,886
Unrecognized net gain.	(56,079)	(108,783)	(106,486)
Accrued pension costs.	$(13,113)	$(25,979)	$(25,552)

Year Ended December 31,	1994	1993	1992
Actuarial Assumptions:			
Discount rate.	8.0-8.5%	7.0-7.75%	8.0-8.5%
Annual salary increase rate. . .	5.0%	5.0%	6.0%
Long-term rate of return	8.0-8.5%	8.0-8.5%	8.0-8.5%

Retirement and Voluntary Separation Plans: In January 1992, the Board of Directors approved early retirement plans and voluntary separation programs. The voluntary early retirement plans were offered to all vested participants in the Company's defined pension plan who reached the age of 55 with 10 or more years of service on or before May 1, 1992. Certain pension plan improvements were made, including a waiver of the actuarial reduction factors for early retirement and a cash incentive payable as a monthly supplement up to 60 months or as a lump sum payment. Of the 738 employees eligible for the early retirement option, 531, representing ten percent of the combined Company's work force, elected to retire on or before the May 1, 1992, deadline. Seventy-one of those electing to retire were employees of KG&E acquired March 31, 1992 (see Note 3). Another 67 employees, with 10 or more years of service, elected to participate in the voluntary separation program. Of those, 29 were employees of KG&E. In addition, 68 employees received Merger-related severance benefits, including 61 employees of KG&E. The actuarial cost, based on plan provisions for early retirement and voluntary separation programs, and Merger-related severance benefits for the KG&E employees were considered in purchase accounting for the Merger. The actuarial cost of the former Kansas Power and Light Company employees, of approximately $11 million, was expensed in 1992.

Postretirement: The Company adopted the provisions of Statement of Financial Accounting Standards No. 106 (SFAS 106) in the first quarter of 1993. This statement requires the accrual of postretirement benefits other than pensions, primarily medical benefit costs, during the years an employee provides service.

Based on actuarial projections and adoption of the transition method of implementation which allows a 20-year amortization of the accumulated benefit obligation, SFAS 106 expense was approximately $12.4 million and $26.5 million for 1994 and 1993, respectively. The Company's total SFAS 106 obligation was approximately $114.6 million and $166.5 million at December 31, 1994 and 1993 respectively. The reduction in both the 1994 obligation and expense is primarily the result of the sales of the Missouri Properties. To mitigate the impact of SFAS 106 expense, the Company has implemented programs to reduce health care costs. In addition, the Company received an order from the KCC permitting the initial deferral of SFAS 106 expense. To mitigate the impact SFAS 106 expense will have on rate increases, the Company will include in the future computation of cost of service the actual SFAS 106 expense and an income stream generated from COLI. To the extent SFAS 106 expense exceeds income from the COLI program, this excess is being deferred (in accordance with the provisions of the FASB Emerging Issues Task Force Issue No. 92-12) and will be offset by income generated through the deferral period by the COLI program. Should the income stream generated by the COLI program not be sufficient to offset the deferred SFAS 106 expense, the KCC order allows recovery of such deficit through the ratemaking process.

Prior to the adoption of SFAS 106, the Company's policy was to recognize the cost of retiree health care and life insurance benefits as expense when claims and premiums for life insurance policies were paid. The cost of providing health care and life insurance benefits to 2,928 retirees was $8.1 million in 1992.

The following table summarizes the status of the Company's postretirement plans for financial statement purposes and the related amounts included in the Consolidated Balance Sheets:

December 31,	1994	1993
	(Dollars in Thousands)	
Reconciliation of Funded Status:		
Actuarial present value of postretirement benefit obligations:		
Retirees.	$ 68,570	$ 111,499
Active employees fully eligible	13,549	11,848
Active employees not fully eligible	32,484	43,109
Unrecognized prior service cost	9,391	18,195
Unrecognized transition obligation.	(117,967)	(160,731)
Unrecognized net gain (loss).	14,489	(7,100)
Balance sheet liability	$ 20,516	$ 16,820

Year Ended December 31,	1994	1993
Assumptions:		
Discount rate	8.0-8.5 %	7.75%
Annual compensation increase rate	5.0 %	5.0 %
Expected rate of return	8.5 %	8.5 %

For measurement purposes, an annual health care cost growth rate of 12% was assumed for 1994, decreasing 1% per year to 5% in 2001 and thereafter. The health care cost trend rate has a significant effect on the projected benefit obligation. Increasing the trend rate by 1% each year would increase the present value of the accumulated projected benefit obligation by $4.7 million and the aggregate of the service and interest cost components by $0.3 million.

Postemployment: The Company adopted Statement of Financial Accounting Standards No. 112 (SFAS 112) in the first quarter of 1994, which established accounting and reporting standards for postemployment benefits. The statement requires the Company to recognize the liability to provide postemployment benefits when the liability has been incurred. The Company received an order from the KCC permitting the initial deferral of SFAS 112 expense. To mitigate the impact SFAS 112 expense will have on rate increases, the Company will include in the future computation of cost of service the actual SFAS 112 transition costs and expenses and an income stream generated from COLI. The 1994 expense under SFAS 112 was approximately $2.7 million. At December 31, 1994, the Company's SFAS 112 liability recorded on the Consolidated Balance Sheet was approximately $8.4 million.

Savings: The Company maintains savings plans in which substantially all employees participate. The Company matches employees' contributions up to specified maximum limits. The funds of the plans are deposited with a trustee and invested at each employee's option in one or more investment funds, including a Company stock fund. The Company's contributions were $5.1 million, $5.8 million, and $5.4 million for 1994, 1993, and 1992, respectively.

Missouri Property Sale: Effective January 31, 1994, the Company transferred a portion of the assets and liabilities of the Company's pension plan to a pension plan established by Southern Union. The amount of assets transferred equal the projected benefit obligation for employees and retirees associated with Southern Union's portion of the Missouri Properties plus an additional $9 million.

9. JOINT OWNERSHIP OF UTILITY PLANTS

	Company's Ownership at December 31, 1994				
	In-Service Dates	Investment	Accumulated Depreciation	Net (MW)	Percent
		(Dollars in Thousands)			
La Cygne 1 (a)	Jun 1973	$ 152,816	$ 98,124	343	50
Jeffrey 1 (b)	Jul 1978	276,689	122,721	587	84
Jeffrey 2 (b)	May 1980	285,579	109,743	600	84
Jeffrey 3 (b)	May 1983	387,646	134,199	588	84
Wolf Creek (c)	Sep 1985	1,376,335	317,311	545	47

(a) Jointly owned with Kansas City Power & Light Company (KCPL)
(b) Jointly owned with UtiliCorp United Inc.
(c) Jointly owned with KCPL and Kansas Electric Power Cooperative, Inc.

Amounts and capacity represent the Company's share. The Company's share of operating expenses of the plants in service above, as well as such expenses for a 50 percent undivided interest in La Cygne 2 (representing 335 MW capacity) sold and leased back to the Company in 1987, are included in operating expenses on the Consolidated Statements of Income. The Company's share of other transactions associated with the plants is included in the appropriate classification in the Company's Consolidated Financial Statements.

10. LEASES

At December 31, 1994, the Company had leases covering various property and equipment. Certain lease agreements meet the criteria, as set forth in Statement of Financial Accounting Standards No. 13, for classification as capital leases.

Rental payments for capital and operating leases and estimated rental commitments are as follows:

Year Ended December 31,	Capital Leases	Operating Leases
	(Dollars in Thousands)	
1992	$ 2,426	$ 52,701
1993	3,272	55,011
1994	2,987	55,076
Future Commitments:		
1995	3,783	48,524
1996	3,627	46,211
1997	1,511	42,851
1998	-	41,464
1999	-	39,955
Thereafter	-	753,062
Total	$ 8,921	$972,067
Less Interest	784	
Net obligation	$ 8,137	

In 1987, KG&E sold and leased back its 50 percent undivided interest in

the La Cygne 2 generating unit. The La Cygne 2 lease has an initial term of 29 years, with various options to renew the lease or repurchase the 50 percent undivided interest. KG&E remains responsible for its share of operation and maintenance costs and other related operating costs of La Cygne 2. The lease is an operating lease for financial reporting purposes.

As permitted under the La Cygne 2 lease agreement, the Company in 1992 requested the Trustee Lessor to refinance $341.1 million of secured facility bonds of the Trustee and owner of La Cygne 2. The transaction was requested to reduce recurring future net lease expense. In connection with the refinancing on September 29, 1992, a one-time payment of approximately $27 million was made by the Company which has been deferred and is being amortized over the remaining life of the lease and included in operating expense as part of the future lease expense. At December 31, 1994, approximately $24.8 million of this deferral remained on the Consolidated Balance Sheet.

Future minimum annual lease payments, included in the table above, required under the La Cygne 2 lease agreement are approximately $34.6 million for each year through 1999 and $680 million over the remainder of the lease.

The gain of approximately $322 million realized at the date of the sale of La Cygne 2 has been deferred for financial reporting purposes, and is being amortized ($9.6 million per year) over the initial lease term in proportion to the related lease expense. KG&E's lease expense, net of amortization of the deferred gain and a one-time payment, was approximately $22.5 million for 1994 and 1993, and $20.6 million for the nine months ended December 31, 1992.

11. LONG-TERM DEBT

The amount of first mortgage bonds authorized by the Western Resources Mortgage and Deed of Trust, dated July 1, 1939, as supplemented, is unlimited. The amount of first mortgage bonds authorized by the KG&E Mortgage and Deed of Trust, dated April 1, 1940, as supplemented, is limited to a maximum of $2 billion. Amounts of additional bonds which may be issued are subject to property, earnings, and certain restrictive provisions of each Mortgage.

On January 20, 1994, KG&E issued $100 million of First Mortgage Bonds, 6.20% Series due January 15, 2006.

On January 31, 1994, the Company redeemed the remaining $2,466,000 principal amount of Gas Service Company (GSC) 8 1/2% Series First Mortgage Bonds due 1997. In addition, the Company had the GSC Mortgage and Deed of Trust discharged.

Debt discount and expenses are being amortized over the remaining lives of each issue. The Western Resources and KG&E improvement and maintenance fund requirements for certain first mortgage bond series can be met by bonding additional property. With the retirement of certain Western Resources and KG&E pollution control series bonds, there are no longer any bond sinking fund requirements. During 1995, $80 thousand of bonds will be redeemed, during 1996, $16 million of bonds will mature and $125 million of bonds will mature in 1999.

On November 1, 1994, the Company terminated a long-term agreement which contained provisions for the sale of accounts receivable and unbilled revenues (receivables) and phase-in revenues up to a total of $180 million. Amounts related to receivables were accounted for as sales while those related to phase-in revenues were accounted for as collateralized borrowings. At December 31, 1993, outstanding receivables amounting to $56.8 million were considered sold under the agreement. The weighted average interest rate, including fees, on this agreement was 4.6% for 1994, 3.7% for 1993, and 6.6% for the nine months ended December 31, 1992.

In January 1993, the Company renegotiated its $600 million bank term loan and revolving credit facility used to finance the Merger into a $350 million revolving credit facility, secured by KG&E common stock. On October 5, 1994, the Company extended the term of this facility to expire on October 5, 1999. The unused portion of the revolving credit facility may be used to provide support for outstanding short-term debt. At December 31, 1994, there was no outstanding balance under the facility.

Long-term debt outstanding at December 31, 1994 and 1993, was as follows:

	1994	1993
	(Dollars in Thousands)	
Western Resources		
First mortgage bond series:		
7 1/4% due 1999.	125,000	125,000
7 5/8% due 1999.	-	19,000
8 7/8% due 2000.	75,000	75,000
7 1/4% due 2002.	100,000	100,000
8 1/8% due 2007.	-	30,000
8 5/8% due 2017.	-	50,000
8 1/2% due 2022.	125,000	125,000
7.65% due 2023.	100,000	100,000
	525,000	624,000
Pollution control bond series:		

5.90 % due 2007.	-	31,000
6 3/4% due 2009.	-	45,000
Variable due 2032 (1).	45,000	-
Variable due 2032 (2).	30,500	-
6% due 2033.	58,500	58,500
	134,000	134,500
KG&E		
First mortgage bond series:		
5 5/8% due 1996.	16,000	16,000
7.60 % due 2003.	135,000	135,000
6 1/2% due 2005.	65,000	65,000
6.20 % due 2006.	100,000	-
	316,000	216,000
Pollution control bond series:		
6.80 % due 2004.	-	14,500
5 7/8% due 2007.	-	21,940
6% due 2007.	-	10,000
5.10 % due 2023.	13,982	-
Variable due 2027 (3).	21,940	-
7.0 % due 2031.	327,500	327,500
Variable due 2032 (4).	14,500	-
Variable due 2032 (5).	10,000	-
	387,922	373,940
GSC		
First mortgage bond series:		
8 1/2 % due 1997.	-	2,466
	-	2,466
Other pollution control obligations. . . .	-	13,980
Revolving credit agreement	-	115,000
Other long-term agreement.	-	53,913
Less:		
Unamortized debt discount.	5,814	6,607
Long-term debt due within one year . . .	80	3,204
	$1,357,028	$1,523,988

Rates at December 31, 1994: (1) 3.94%, (2) 4.05%, (3) 4.10%, (4) 4.10% and (5) 4.10%

12. COMMON STOCK AND CUMULATIVE PREFERRED AND PREFERENCE STOCK

The Company's Restated Articles of Incorporation, as amended, provides for 85,000,000 authorized shares of common stock. At December 31, 1994, 61,617,873 shares were outstanding.

The Company has a Customer Stock Purchase Plan (CSPP) and a Dividend Reinvestment and Stock Purchase Plan (DRIP). Shares issued under the CSPP and DRIP may be either original issue shares or shares purchased on the open market. At December 31, 1994, 2,031,794 shares were available under the CSPP registration statement and 1,183,323 shares were available under the DRIP registration statement.

Not subject to mandatory redemption: The cumulative preferred stock is redeemable in whole or in part on 30 to 60 days notice at the option of the Company.

Subject to mandatory redemption: The mandatory sinking fund provisions of the 8.50% Series preference stock require the Company to redeem 50,000 shares annually beginning on July 1, 1997, at $100 per share. The Company may, at its option, redeem up to an additional 50,000 shares on each July 1, at $100 per share. The 8.50% Series also is redeemable in whole or in part, at the option of the Company, subject to certain restrictions on refunding, at a redemption price of $106.80, $106.23 and $105.67 per share beginning July 1, 1994, 1995 and 1996, respectively.

The mandatory sinking fund provisions of the 7.58% Series preference stock require the Company to redeem 25,000 shares annually beginning on April 1, 2002, and each April 1 through 2006 and the remaining shares on April 1, 2007, all at $100 per share. The Company may, at its option, redeem up to an additional 25,000 shares on each April 1 at $100 per share. The 7.58% Series also is redeemable in whole or in part, at the option of the Company, subject to certain restrictions on refunding, at a redemption price of $106.06, $105.31, and $104.55 per share beginning April 1, 1994, 1995, and 1996, respectively.

13. INCOME TAXES

The Company adopted the provisions of SFAS 109 in the first quarter of 1992. KG&E adopted the provisions of SFAS 96 in 1987 and SFAS 109 in 1992. These statements require the Company to establish deferred tax assets and liabilities, as appropriate, for all temporary differences, and to adjust deferred tax balances to reflect changes in tax rates expected to be in effect during the periods the temporary differences reverse.

In accordance with various rate orders received from the KCC and the OCC, the Company has not yet collected through rates the amounts necessary to pay a

significant portion of the net deferred income tax liabilities. As management believes it is probable that the net future increases in income taxes payable will be recovered from customers through future rates, it has recorded a deferred asset for these amounts. These assets are also a temporary difference for which deferred income tax liabilities have been provided. Accordingly, the adoption of SFAS 109 did not have a material impact on the Company's results of operations.

At December 31, 1994, the Company has alternative minimum tax credits generated prior to April 1, 1992, which carryforward without expiration, of $41.2 million which may be used to offset future regular tax to the extent the regular tax exceeds the alternative minimum tax. These credits have been applied in determining the Company's net deferred income tax liability and corresponding deferred future income taxes at December 31, 1994.

Deferred income taxes result from temporary differences between the financial statement and tax basis of the Company's assets and liabilities. The sources of these differences and their cumulative tax effects are as follows:

December 31,	1994		
	Debits	Credits	Total
	(Dollars in Thousands)		
Sources of Deferred Income Taxes:			
Accelerated depreciation and other property items	$ -	$ (661,433)	$ (661,433)
Energy and purchased gas adjustment clauses	-	(1,441)	(1,441)
Phase-in revenues	-	(27,677)	(27,677)
Natural gas line survey and replacement program	-	(4,083)	(4,083)
Deferred gain on sale-leaseback	110,556	-	110,556
Alternative minimum tax credits	41,163	-	41,163
Deferred coal contract settlements	-	(12,966)	(12,966)
Deferred compensation/pension liability	12,284	-	12,284
Acquisition premium	-	(318,190)	(318,190)
Deferred future income taxes	-	(101,886)	(101,886)
Loss on reacquisition of debt	-	(10,792)	(10,792)
Prepaid power sale	16,878	-	16,878
Other	-	(13,427)	(13,427)
Total Deferred Income Taxes	$ 180,881	$(1,151,895)	$ (971,014)

December 31,	1993		
	Debits	Credits	Total
	(Dollars in Thousands)		
Sources of Deferred Income Taxes:			
Accelerated depreciation and other property items	$ -	$ (653,592)	$ (653,592)
Energy and purchased gas adjustment clauses	2,452	-	2,452
Phase-in revenues	-	(35,573)	(35,573)
Natural gas line survey and replacement program	-	(7,721)	(7,721)
Deferred gain on sale-leaseback	116,186	-	116,186
Alternative minimum tax credits	39,882	-	39,882
Deferred coal contract settlements	-	(14,980)	(14,980)
Deferred compensation/pension liability	11,301	-	11,301
Acquisition premium	-	(301,394)	(301,394)
Deferred future income taxes	-	(111,159)	(111,159)
Loss on reacquisition of debt	-	(9,298)	(9,298)
Other	-	(4,741)	(4,741)
Total Deferred Income Taxes	$ 169,821	$(1,138,458)	$ (968,637)

14. SEGMENTS OF BUSINESS

The Company is a public utility engaged in the generation, transmission, distribution, and sale of electricity in Kansas and the transportation, distribution, and sale of natural gas in Kansas and Oklahoma.

Year Ended December 31,	1994(1)	1993	1992(2)
	(Dollars in Thousands)		
Operating revenues:			
Electric	$1,121,781	$1,104,537	$ 882,885
Natural gas	496,162	804,822	673,363
	1,617,943	1,909,359	1,556,248
Operating expenses excluding income taxes:			
Electric	768,317	791,563	632,169
Natural gas	484,458	747,755	642,910
	1,252,775	1,539,318	1,275,079
Income taxes:			
Electric	100,078	73,425	41,184
Natural gas	(4,456)	4,553	816
	95,622	77,978	42,000

Operating income:			
Electric.	253,386	239,549	209,532
Natural gas	16,160	52,514	29,637
	$ 269,546	$ 292,063	$ 239,169
Identifiable assets at December 31:			
Electric.	$4,346,312	$4,231,277	$4,390,117
Natural gas	654,483	1,040,513	918,729
Other corporate assets(3) . .	188,823	140,258	130,060
	$5,189,618	$5,412,048	$5,438,906
Other Information--			
Depreciation and amortization:			
Electric.	$ 123,696	$ 126,034	$ 105,842
Natural gas	27,934	38,330	38,171
	$ 151,630	$ 164,364	$ 144,013
Maintenance:			
Electric.	$ 88,162	$ 87,696	$ 73,104
Natural gas	25,024	30,147	28,507
	$ 113,186	$ 117,843	$ 101,611
Capital expenditures:			
Electric.	$ 152,384	$ 137,874	$ 95,465
Nuclear fuel.	20,590	5,702	15,839
Natural gas	64,722	94,055	91,189
	$ 237,696	$ 237,631	$ 202,493

(1)Information reflects the sales of the Missouri Properties (Note 2).
(2)Information reflects the merger with KG&E on March 31, 1992 (Note 3).
(3)Principally cash, temporary cash investments, non-utility assets, and deferred charges.

The portion of the table above related to the Missouri Properties is as follows:

	1994	1993	1992
	(Dollars in Thousands, Unaudited)		
Natural gas revenues.	$ 77,008	$349,749	$299,202
Operating expenses excluding income taxes.	69,114	326,329	288,558
Income taxes.	2,897	2,672	(533)
Operating income.	4,997	20,748	11,177
Identifiable assets	-	398,464	361,612
Depreciation and amortization	1,274	12,668	13,172
Maintenance	1,099	10,504	9,640
Capital expenditures.	3,682	38,821	36,669

15. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value as set forth in Statement of Financial Accounting Standards No. 107:

Cash and Cash Equivalents-
The carrying amount approximates the fair value because of the short-term maturity of these investments.

Decommissioning Trust-
The fair value of the decommissioning trust is based on quoted market prices at December 31, 1994 and 1993.

Variable-rate Debt-
The carrying amount approximates the fair value because of the short-term variable rates of these debt instruments.

Fixed-rate Debt-
The fair value of the fixed-rate debt is based on the sum of the estimated value of each issue taking into consideration the interest rate, maturity, and redemption provisions of each issue.

Redeemable Preference Stock-
The fair value of the redeemable preference stock is based on the sum of the estimated value of each issue taking into consideration the dividend rate, maturity, and redemption provisions of each issue.

The estimated fair values of the Company's financial instruments are as follows:

	Carrying Value		Fair Value	
December 31,	1994	1993	1994	1993
	(Dollars in Thousands)			
Cash and cash equivalents.	$ 2,715	$ 1,217	$ 2,715	$ 1,217
Decommissioning trust. . .	16,944	13,204	16,633	13,929
Variable-rate debt	822,045	931,352	822,045	931,352
Fixed-rate debt.	1,240,982	1,364,886	1,171,866	1,473,569
Redeemable preference stock.	150,000	150,000	155,375	160,780

The fair value estimates presented herein are based on information available as of December 31, 1994 and 1993. These fair value estimates have

not been comprehensively revalued for the purpose of these financial statements since that date, and current estimates of fair value may differ significantly from the amounts presented herein.

16. QUARTERLY RESULTS (UNAUDITED)

The amounts in the table are unaudited but, in the opinion of management, contain all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the results of such periods. The business of the Company is seasonal in nature and, in the opinion of management, comparisons between the quarters of a year do not give a true indication of overall trends and changes in operations.

	First	Second	Third	Fourth
	(Dollars in Thousands, except Per Share Amounts)			
1994(1)				
Operating revenues.	$538,372	$341,132	$379,213	$359,226
Operating income.	73,782	53,899	83,884	57,981
Net income.	66,133	30,247	57,679	33,388
Earnings applicable to common stock.	62,779	26,892	54,324	30,034
Earnings per share.	$ 1.02	$ 0.44	$ 0.88	$ 0.48
Dividends per share	$ 0.495	$ 0.495	$ 0.495	$ 0.495
Average common shares outstanding	61,618	61,618	61,618	61,618
Common stock price:				
High.	$ 34 7/8	$ 29 3/4	$ 29 5/8	$ 29 1/4
Low	$ 28 1/4	$ 26 1/8	$ 26 3/4	$ 27 3/8
1993				
Operating revenues.	$579,581	$400,411	$419,018	$510,349
Operating income.	85,950	60,282	81,225	64,606
Net income.	54,814	30,723	56,807	35,026
Earnings applicable to common stock.	51,468	27,320	53,405	31,671
Earnings per share.	$ 0.89	$ 0.47	$ 0.90	$ 0.51
Dividends per share	$ 0.485	$ 0.485	$ 0.485	$ 0.485
Average common shares outstanding	58,046	58,046	59,441	61,603
Common stock price:				
High.	$ 35 3/4	$ 36 1/8	$ 37 1/4	$ 37
Low	$ 30 3/8	$ 32 3/4	$ 35	$ 32 3/4

(1) Information reflects the sales of the Missouri Properties (Note 2).

Exhibit B

Financial Data Schedule

[ARTICLE] OPUR3
[MULTIPLIER] 1,000

[PERIOD-TYPE]	YEAR
[FISCAL-YEAR-END]	DEC-31-1994
[PERIOD-END]	DEC-31-1994
[BOOK-VALUE]	PER-BOOK
[TOTAL-ASSETS]	5,189,618
[TOTAL-OPERATING-REVENUES]	1,617,943
[NET-INCOME]	187,447