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

Kansas Gas and Electric Company

Kansas Gas and Electric Company ("KG&E") 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") by reason of the provisions of Section 3(a)(2) of the Act. In support of such claim for exemption the following information is submitted:

1. KG&E is a Kansas corporation whose principal executive offices are located at 120 East First, Wichita, Kansas 67202. KG&E's mailing address is P.O. Box 208, Wichita, Kansas 67201. KG&E's principal business consists of the generation, transmission, distribution and sale of electricity. KG&E is a wholly-owned subsidiary of Western Resources, Inc., formerly The Kansas Power and Light Company. KG&E's subsidiaries are as follows: Wolf Creek Nuclear Operating Corporation ("WCNOC"), a Delaware corporation, was incorporated on April 14, 1986, to operate and maintain Unit No. 1 of the Wolf Creek Generating Station ("Wolf Creek"). WCNOC does not own, and is not expected to own, any utility assets as defined in the Act. Wolf Creek and WCNOC are each owned by KG&E and two non-affiliated electric utilities, Kansas City Power & Light Company ("KCPL") and Kansas Electric Power Cooperative, Inc. ("KEPCo") (collectively, the "Wolf Creek Owners"), in the following percentages: KG&E, 47%; KCPL, 47%; and KEPCo, 6%.

KG&E 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. Neither KG&E nor any subsidiary of KG&E owns or operates any gas properties.

2. 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 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.

3(a). 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 Sate of Kansas. WCNOC operates and maintains Wolf Creek on behalf of the Wolf Creek Owners and does not engage in the sale of electricity. During 1994 neither KG&E or its subsidiaries distributed or sold any natural or manufactured gas at retail.

(b) and (c). 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 KG&E or its subsidiaries distributed or sold electric energy at retail outside the State of Kansas. During 1994, neither KG&E or its subsidiaries distributed or sold natural gas outside the State of Kansas or at the Kansas state line.

(d) During 1994, KG&E purchased 302,079,000 Kwh of electric energy from outside the State of Kansas or at the Kansas state line. During 1994, neither KG&E or any of its subsidiaries engaged in the purchase for resale of natural or manufactured gas inside or outside the State of Kansas.

4. Neither KG&E nor WCNOC hold, directly or indirectly, any interest in an EWG or a foreign company.

KG&E hereby reserves 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. KG&E makes this filing at this time in order to preserve all rights it may have under the Act.

The above-named claimant has caused this statement to be duly executed on its behalf by its authorized officer on this 27th day of February, 1995.

KANSAS GAS AND ELECTRIC COMPANY

By: Richard. D Terrill
Richard D. Terrill
Secretary, Treasurer and
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, Treasurer and General Counsel
Kansas Gas and Electric Company
c/o 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:

Statements of income and surplus and balance sheets of KG&E are attached.

In conformance with prior discussions with the Commission's staff these financial statements are not consolidating financial statements and financial statements of WCNOC are omitted because:

WCNOC is the operating agent for the Wolf Creek Generating Station and is owned 47% by KG&E. KG&E's $47 investment in WCNOC is carried in Other Property and Investment - Other on the balance sheet. All assets of the Wolf Creek Generating Station are owned by KG&E, KCPL and KEPCo, the "Owners". WCNOC operates solely as an agent of the Owners, and therefore, KG&E classifies, in its financial statements, the payables, expenses and receipts (if any) incurred by WCNOC as if such items had been incurred by KG&E. WCNOC has no revenue or income. Payment for expenses are made from checking accounts owned and funded by the Owners.

Exhibit A

KANSAS GAS AND ELECTRIC COMPANY
CONSOLIDATING BALANCE SHEET
(Dollars in Thousands)

	December 31, 1994
ASSETS	
UTILITY PLANT:	
Electric plant in service (Notes 1, 6, and 12)	$3,390,406
Less - Accumulated depreciation	833,953
	2,556,453
Construction work in progress	32,874
Nuclear fuel (net)	39,890
Net utility plant	2,629,217
OTHER PROPERTY AND INVESTMENTS:	
Decommissioning trust (Note 3)	16,944
Other	11,561
	28,505
CURRENT ASSETS:	
Cash and cash equivalents (Note 2)	47
Accounts receivable and unbilled revenues (net)(Note 6)	67,833
Advances to parent company (Note 14)	64,393
Fossil fuel, at average cost,	13,752
Materials and supplies, at average cost	30,921
Prepayments and other current assets	16,662
	193,608
DEFERRED CHARGES AND OTHER ASSETS:	
Deferred future income taxes (Note 9)	102,789
Deferred coal contract settlement costs (Note 4)	17,944
Phase-in revenues (Note 4)	61,406
Other deferred plant costs	31,784
Corporate-owned life insurance (net) (Note 2)	9,350
Unamortized debt expense	27,777
Other	40,430
	291,480
TOTAL ASSETS	$3,142,810
CAPITALIZATION AND LIABILITIES	
CAPITALIZATION (see statement)	$1,925,196
CURRENT LIABILITIES:	
Short-term debt (Note 5)	50,000
Long-term debt due within one year (Note 6)	-
Accounts payable	49,093
Accrued taxes	15,737
Accrued interest	8,337
Other	11,160
	134,327
DEFERRED CREDITS AND OTHER LIABILITIES:	
Deferred income taxes (Notes 1 and 9)	689,169
Deferred investment tax credits (Note 9)	74,841
Deferred gain from sale-leaseback (Note 7)	252,341
Other	66,936
	1,083,287
COMMITMENTS AND CONTINGENCIES (Notes 3 and 10)	
TOTAL CAPITALIZATION AND LIABILITIES	$3,142,810

Exhibit A

KANSAS GAS AND ELECTRIC COMPANY
CONSOLIDATING STATEMENT OF INCOME
(Dollars in Thousands)

	Year Ended December 31, 1994
OPERATING REVENUES (Notes 2 and 4)	$ 619,880
OPERATING EXPENSES:	
Fuel used for generation:	
Fossil fuel	90,383
Nuclear fuel	13,562
Power purchased	7,144
Other operations	115,060
Maintenance	47,988
Depreciation and amortization	71,457
Amortization of phase-in revenues	17,544
Taxes (see statement):	
Federal income	50,212
State income	12,427
General	45,092
Total operating expenses	470,869
OPERATING INCOME	149,011
OTHER INCOME AND DEDUCTIONS:	
Corporate-owned life insurance (net)	(5,354)
Miscellaneous (net)	5,079
Income taxes (net) (see statement)	7,290
Total other income and deductions	7,015
INCOME BEFORE INTEREST CHARGES	156,026
INTEREST CHARGES:	
Long-term debt	47,827
Other	5,183
Allowance for borrowed funds used during construction (credit)	(1,510)
Total interest charges	51,500
NET INCOME	104,526

Exhibit A

KANSAS GAS AND ELECTRIC COMPANY
CONSOLIDATING STATEMENT OF RETAINED EARNINGS
December 31, 1994
(Dollars in Thousands)

	Kansas Gas and Electric
BALANCE AT BEGINNING OF PERIOD	$ 180,044
ADD:	
Net income	104,526
Total	284,570
DEDUCT:	
Cash dividends:	
Common stock	125,000
Total	125,000
BALANCE AT END OF PERIOD	$ 159,570

KANSAS GAS AND ELECTRIC COMPANY
NOTES TO FINANCIAL STATEMENTS

1. ACQUISITION AND MERGER

On March 31, 1992, Western Resources, Inc. (formerly The Kansas Power and Light Company) (Western Resources) through its wholly-owned subsidiary KCA Corporation (KCA), acquired all of the outstanding common and preferred stock of Kansas Gas and Electric Company (KG&E) for $454 million in cash and 23,479,380 shares of Western Resources common stock (the Merger). Western Resources also paid $20 million in costs to complete the Merger. The total cost of the acquisition to Western Resources was $1.066 billion. Simultaneously, KCA and KG&E merged and adopted the name of Kansas Gas and Electric Company. The Merger was accounted for as a purchase. For income tax purposes the tax basis of the Company's assets was not changed by the Merger. In the accompanying statements, KG&E prior to the Merger is labeled as the "Predecessor" and after the Merger as the "Successor". Throughout the notes to financial statements, the "Company, KG&E" refers to both Predecessor and Successor.

As Western Resources acquired 100% of the common and preferred stock of KG&E, the Company recorded an acquisition premium of $490 million on the balance sheet for the difference in purchase price and book value and increased common stock equity to reflect the new cost basis of Western Resources' investment in the Company. This acquisition premium and related income tax requirement of $311 million under Statement of Financial Accounting Standards No. 109 (SFAS 109) have been classified as plant acquisition adjustment in electric plant in service on the balance sheets. Under the provisions of the order of the Kansas Corporation Commission (KCC), the acquisition premium is recorded as an acquisition adjustment and not allocated to the other assets and liabilities of the Company.

The pro forma information for the year ended December 31, 1992 in the accompanying financial statements gives effect to the Merger as if it occurred on January 1, 1992, and was derived by combining the historical information for the three month period ended March 31, 1992 and the nine month period ended December 31, 1992. No purchase accounting adjustments were made for periods prior to the Merger in determining pro forma amounts, other than the elimination of preferred dividends, because such adjustments would be immaterial. 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 or financial position.

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 Western Resources and the Company (combined companies) have 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 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 approximately $4.9 million for the Company were made in April 1992 and December 1993 and the remaining refund of approximately $8.7 million was made in September 1994.

The KCC order approving the Merger required the legal reorganization of the Company 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 order relating to the Merger granted Western Resources an exemption under the Public Utility Holding Company Act (PUHCA) until January 1, 1995. Western Resources has been granted regulatory approval from the KCC which eliminates the requirement for a combination. As result of the sales of Western Resources' Missouri Properties, Western Resources is now exempt from regulation as a holding company under Section 3(a)(1) of the PUHCA.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General: The financial statements of KG&E include, through March 31, 1992, its 80% owned subsidiary, CIC Systems, Inc. (CIC). In April 1992, the Company disposed of its 80% interest in CIC. 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. 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 KCC and the Federal Energy Regulatory Commission (FERC).

Utility Plant: Utility plant (including plant acquisition adjustment) 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 4.07% for 1994, 4.41% for 1993, 6.51% for the nine months ended December 31, 1992, and 6.70% for the three months ended March 31, 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 2.7% during 1994, 2.9% during 1993, 2.9% during the nine months ended December 31, 1992, and 3.0% during the three months ended March 31, 1992 of the average original cost of depreciable property.

Cash and Cash Equivalents: For purposes of the Statements of Cash Flows, cash and cash equivalents include cash on hand and highly liquid collateralized debt instruments purchased with maturities of three months or less.

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 9).

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

Revenues: Operating revenues include amounts actually billed for services rendered and an accrual of estimated unbilled 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 $21.4 and $22.3 million at December 31, 1994 and 1993, respectively, are recorded as a component of accounts receivable on the balance sheets. At December 31, 1993, certain amounts of unbilled revenues were sold (see Note 6).

The Company had reserves for doubtful accounts receivable of $1.9 and $3.0 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 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 on the balance sheets (millions of dollars):

	1994	1993
Cash surrender value of contracts. . .	$320.6	$269.0
Borrowings against contracts	311.2	(269.0)
COLI (net)	$ 9.4	$ 0.0

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 Statements of Income. Interest expense included in corporate-owned life insurance (net) on the statements of

income was $21.0 million for 1994, $11.9 million for 1993, $5.3 million for the nine months ended December 31, 1992, and $1.9 million for the three months ended March 31, 1992.

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

3. COMMITMENTS AND CONTINGENCIES

Manufactured Gas Sites: The Company was previously associated with six former manufactured gas sites which contain coal tar and other potentially harmful materials. The Company and the Kansas Department of Health and Environment (KDHE) conducted preliminary assessments of these sites at minimal cost. The results of the preliminary investigations determined the Company does not have a connection to two of the sites.

The Company and KDHE entered into a consent agreement governing all future work at the four remaining sites. The terms of the consent agreement will allow the Company to investigate these 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 such sites ranging between $500,000 and $10 million, depending on the site and that the KCC has permitted 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 and number of years over which the remediation must be completed.

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, $1.6 million for the nine months ended December 31, 1992, and $.5 million for the three months ended March 31, 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 from 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 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 or liabilities resulting from an accident or extended outage, the Company's insurance coverage may not be adequate to cover the costs that could result from a major 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 position and 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 $2.3 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.

Federal Income Taxes: During 1991, the Internal Revenue Service (IRS) completed an examination of the Company's federal income tax returns for the years 1984 through 1988. In April 1992, the Company received the examination report and upon review filed a written protest in August 1992. In October 1993, the Company 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, the Company 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 term of the contracts are $721 million and $9 million, respectively. The largest coal contract was renegotiated in early 1993 and expires in 2020 with the remaining coal contracts expiring at various times through 2013. The majority of natural gas contracts expire in 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.

4. RATE MATTERS AND REGULATION

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 retail customers 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 and storm damage recovery discussed below. Any increase or decrease in fuel costs from the projected average will impact the Company's earnings.

Rate Stabilization Plan: In 1988, the KCC issued an order requiring that the accrual of phase-in revenues be discontinued effective December 31, 1988. Effective January 1, 1989, the Company 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 Balance Sheet.

Coal Contract Settlements: In March 1990, the KCC issued an order allowing the Company 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 on the balance sheets. The settlement resulted in the termination of a long-term coal contract. The KCC permitted the Company to recover this settlement as follows: 76% of the settlement plus a return over the remaining term of the terminated contract (through 2002) and 24% to be amortized to expense with a deferred return equivalent to the carrying cost of the asset. Approximately $18 million of this deferral remains on the balance sheet at December 31, 1994.

In February 1991, the Company paid $8.5 million to settle a coal contract lawsuit with AMAX Coal Company and recorded the payment as a deferred charge on the Company's Balance Sheet. In July 1991, 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).

5. SHORT-TERM BORROWINGS

The Company's short-term financing requirements are satisfied through short-term bank loans and uncommitted loan participation agreements. Maximum short-term borrowings outstanding during 1994 and 1993 were $172.3 million on January 4, 1994 and $175.8 million on December 14, 1993. The weighted average interest rates, including fees, were 4.5% for 1994, 3.5% for 1993, 6.4% for the nine months ended December 31, 1992, and 7.1% for the three months ended March 31, 1992.

6. LONG-TERM DEBT

The amount of first mortgage bonds authorized by the KG&E Mortgage and Deed of Trust (Mortgage) 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 the Mortgage. Electric plant is subject to the lien of the Mortgage except for transportation equipment.

Debt discount and expenses are being amortized over the remaining lives of each issue. The improvement and maintenance fund requirements for certain

first mortgage bond series can be met by bonding additional property. The sinking fund requirements for certain pollution control series bonds can be met only through the acquisition and retirement of outstanding bonds.

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 amounted 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, 6.6% for the nine months ended December 31, 1992, and 7.9% for the three months ended March 31, 1992.

7. SALE-LEASEBACK OF LA CYGNE 2

In 1987, the Company sold and leased back its 50 percent undivided interest in the La Cygne 2 generating unit. The lease has an initial term of 29 years, with various options to renew the lease or repurchase the 50 percent undivided interest. The Company 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 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 Balance Sheet.

Future minimum annual lease payments required under the 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 has been deferred for financial reporting purposes, and is being amortized over the initial lease term in proportion to the related lease expense. The Company's lease expense, net of amortization of the deferred gain and a one-time payment, was approximately $22.5 million for 1994 and 1993, $20.6 million for the nine months ended December 31, 1992, and $7.5 million for the three months ended March 31, 1992.

8. EMPLOYEE BENEFIT PLANS

Pension: The Company maintains noncontributory defined benefit pension plans covering substantially all employees of the Company prior to the Merger. 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 table provides information on the components of pension cost for the Company's pension plans (millions of dollars):

	1994	1993	1992 April 1 to Dec.31	1992 Jan.1 to March 31
	(Successor)			(Predecessor)
Pension Cost:				
Service cost	$ 3.7	$ 3.2	$ 2.5	$ .8
Interest cost on projected benefit obligation	9.7	9.5	6.7	2.1
(Gain) loss on plan assets . . .	2.1	(14.1)	(5.8)	(9.0)
Net amortization & deferral. . .	(11.4)	4.9	(1.0)	6.7
Net pension cost	$ 4.1	$ 3.5	$ 2.4	$ .6

The following table sets forth the plans' actuarial present value and funded status at November 30, 1994 and 1993 (the plan years) and a reconciliation of such status to the December 31, 1994, 1993, and 1992 financial statements (millions of dollars):

	1994	1993	1992
Reconciliation of Funded Status:			

Actuarial present value of benefit obligations:			
Vested	$ 94.0	$ 95.2	$ 82.9
Non-vested	6.3	6.1	3.6
Total	$100.3	$101.3	$ 86.5
Plan assets at November 30 (principally debt and equity securities) at fair value	$115.4	$119.9	$113.7
Projected benefit obligation at November 30	(125.4)	(125.5)	(110.8)
Funded status at November 30	(10.0)	(5.6)	2.9
Unrecognized transition asset	(1.5)	(1.7)	(2.0)
Unrecognized prior service costs	9.6	12.4	12.1
Unrecognized net gain	(11.1)	(20.6)	(26.1)
Accrued pension costs at December 31	$(13.0)	$(15.5)	$(13.1)

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 an early retirement plan and a voluntary separation program. The voluntary early retirement plan was offered to all vested participants of the Company's defined benefit 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 a lump sum payment. Of the 111 employees eligible for the early retirement option, 71, representing 6% of the Company's work force, elected to retire on or before the May 1, 1992, deadline. Another 29 employees, with 10 or more years of service, elected to participate in the voluntary separation program. In addition, 61 employees received Merger-related severance benefits. The actuarial cost, based on plan provisions for early retirement and voluntary separation programs, and Merger-related severance benefits, was approximately $3.9 million of which $1.8 million was included in the pension liability at December 31, 1992. The actuarial cost was considered in purchase accounting for the Merger (See Note 1).

Postretirement: Western Resources 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 benefits 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, the annual expense to be allocated to the Company under SFAS 106 was approximately $3.8 million in 1994 and $3.4 million in 1993. The Company's total obligation to be allocated from Western Resources was approximately $25.3 million and $23.9 million at December 31, 1994 and 1993, respectively. To mitigate the impact of SFAS 106 expense, Western Resources implemented programs to reduce health care costs. In addition, the KCC issued an order to Western Resources and the Company permitting the initial deferral of SFAS 106 expense. To mitigate the impact SFAS 106 expense will have on rate increases, Western Resources will include in the future computation of SFAS 106 expense allocated to the Company for computation of cost of service and expense recognition, the actual SFAS 106 expense and an income stream generated from corporate-owned life insurance policies (COLI) purchased in 1993 and 1992. To the extent SFAS 106 expense exceeds income from the COLI program, this excess will be deferred (as allowed by FASB Emerging Issues Task Force Issue No. 92-12) and 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 by the Company.

Prior to the adoption of SFAS 106 the Company's policy was to recognize expenses as claims were paid. The costs of benefits were $0.8 million for the nine months ended December 31, 1992 and $0.2 million for the three months ended March 31, 1992.

The following table summarizes the status of the Company's postretirement plans for financial statement purposes and the related amount included in the balance sheet:

December 31,	1994	1993

	(Dollars in Millions)	
Reconciliation of Funded Status:		
Actuarial present value of postretirement benefit obligations:		
Retirees.	$ 12.9	$ 12.4
Active employees fully eligible	8.5	8.4
Active employees not fully eligible	3.9	3.1
Unrecognized prior service cost	(3.2)	(.1)
Unrecognized transition obligation.	(19.3)	(20.4)
Unrecognized net gain (loss).	.9	(1.7)
Balance sheet liability	$ 3.7	$ 1.7

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% by 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 $.3 million and the aggregate of the service and interest cost components by $26,000.

Savings Plans: Effective January 1, 1995, the Company's 401(k) savings plans were merged with the savings plans of Western Resources. Prior to the merger of the savings plans, the funds of the plans were deposited with a trustee and invested at each employee's option in one or more investment funds, including a Western Resources common stock fund. The Company's contributions were $1.8 million for 1994, $2.0 million for 1993, $1.7 million for the nine months ended December 31, 1992, and $0.2 million for the three months ended March 31, 1992.

9. INCOME TAXES

The Company adopted Statement of Financial Accounting Standards No. 96 (SFAS 96) in 1987. This statement required 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. SFAS 96 was superseded by SFAS 109 issued in February 1992 and the Company adopted the provisions of that standard prospectively in the first quarter of 1992. The accounting for SFAS 109 is substantially the same as SFAS 96.

In accordance with various rate orders received from the KCC, 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 effect 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.

Beginning April 1, 1992, the Company is part of the consolidated income tax return of Western Resources. However, the Company determines its income tax provisions on a separate company basis.

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	$ -	$ (381,800)	$ (381,800)
Energy and purchased gas			

	Debits	Credits	Total
adjustment clauses	2,245	-	2,245
Phase-in revenues.	-	(27,677)	(27,677)
Deferred gain on sale-leaseback. .	110,556	-	110,556
Alternative minimum tax credits. .	41,163	-	41,163
Deferred coal contract settlements.	-	(6,703)	(6,703)
Deferred compensation/pension liability.	9,676	-	9,676
Acquisition premium.	-	(317,610)	(317,610)
Deferred future income taxes . . .	-	(102,789)	(102,789)
Loss on reacquisition of debt. . .	-	(4,103)	(4,103)
Prepaid power sale	1,577		1,577
Other.	-	(13,704)	(13,704)
Total Deferred Income Taxes.	$ 165,217	$ (854,386)	$ (689,169)

December 31,	1993		
	Debits	Credits	Total
	(Dollars in Thousands)		
Sources of Deferred Income Taxes:			
Accelerated depreciation and other property items	$ -	$ (356,494)	$ (356,494)
Energy and purchased gas adjustment clauses	3,257	-	3,257
Phase-in revenues.	-	(35,573)	(35,573)
Deferred gain on sale-leaseback. .	116,186	-	116,186
Alternative minimum tax credits. .	39,882	-	39,882
Deferred coal contract settlements.	-	(7,797)	(7,797)
Deferred compensation/pension liability.	10,856	-	10,856
Acquisition premium.	-	(300,814)	(300,814)
Deferred future income taxes . . .	-	(102,789)	(102,789)
Loss on reacquisition of debt. . .	-	(4,508)	(4,508)
Other.	-	(8,365)	(8,365)
Total Deferred Income Taxes.	$ 170,181	$ (816,340)	$ (646,159)

10. LEGAL PROCEEDINGS

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

11. 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 coupon 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.	$ 47	$ 63	$ 47	$ 63
Decommissioning trust. . .	16,944	13,204	16,633	13,929
Variable-rate debt	407,645	478,743	407,645	478,743
Fixed-rate debt.	657,482	603,920	623,331	660,750

12. 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	65,467	30,333	140	20
Jeffrey 2 (b)	May 1980	66,475	26,921	143	20
Jeffrey 3 (b)	May 1983	95,421	33,491	140	20
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 Western Resources and 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 in the Statements of Income. The Company's share of other transactions associated with the plants is included in the appropriate classification in the Company's financial statements.

13. QUARTERLY FINANCIAL STATISTICS (Unaudited)
(Dollars in Thousands)

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.

1994	4th Qtr.	3rd Qtr.	2nd Qtr.	1st Qtr.
Operating revenues.	$139,087	$189,202	$154,987	$136,604
Operating income.	33,607	56,978	33,548	24,878
Net income.	22,212	45,481	23,623	13,210

1993	4th Qtr.	3rd Qtr.	2nd Qtr.	1st Qtr.
Operating revenues.	$136,097	$191,941	$150,478	$138,481
Operating income.	26,188	52,874	35,545	32,774
Net income.	13,692	46,406	24,274	23,731

14. RELATED PARTY TRANSACTIONS

Subsequent to the Merger, the cash management function, including cash receipts and disbursements, for KG&E has been assumed by Western Resources. As a result, the proceeds of cash collections, including short-term borrowings, less disbursements related to KG&E transactions have been recorded by the Companies through an intercompany account which, at December 31, 1994, resulted in a net advance by KG&E to Western Resources of $64.4 million. Certain of the Company's operating expenses have been allocated from Western Resources. These expenses are allocated, depending on the nature of the expense, based on allocation studies, net investment, number of customers, and/or other appropriate allocators. Management believes such allocation procedures are reasonable.

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]	3,142,810
[TOTAL-OPERATING-REVENUES]	619,880
[NET-INCOME]	104,526