

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

FORM 10-K

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

For the fiscal year ended December 31, 1994

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

Commission file number 1-7324

KANSAS GAS AND ELECTRIC COMPANY  
(Exact name of registrant as specified in its charter)

KANSAS 48-1093840  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

P.O. BOX 208, WICHITA, KANSAS 67201  
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code 316/261-6611

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

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

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

Indicate the number of shares outstanding of each of the registrant's classes of common stock.

Common Stock, No par value 1,000 Shares  
(Title of each class) (Outstanding at March 29, 1995)

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

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

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KANSAS GAS AND ELECTRIC COMPANY  
FORM 10-K  
December 31, 1994

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## PART I

## ITEM 1. BUSINESS

## 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 approximately \$20 million in costs to complete the Merger. Simultaneously, KCA and Kansas Gas and Electric Company merged and adopted the name Kansas Gas and Electric Company (the Company, KG&E).

Additional information relating to the Merger can be found in Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 1 of the Notes to Financial Statements.

## GENERAL

The Company is an electric public utility engaged in the generation, transmission, distribution and sale of electric energy in the southeastern quarter of Kansas including the Wichita metropolitan area. The Company owns 47 percent of Wolf Creek Nuclear Operating Corporation, the operating company for Wolf Creek Generating Station (Wolf Creek). Corporate headquarters of the Company is located in Wichita, Kansas. The Company has no gas properties. At December 31, 1994, the Company had no employees. All employees are provided by Western Resources.

For discussion regarding competition in the electric utility industry and the potential impact on the Company, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, Other Information, Competition included herein.

The Company's business is subject to seasonal fluctuations with the peak period occurring during the summer. Approximately one-third of residential kilowatthour sales occur in the third quarter. Accordingly, earnings and revenue information for any quarterly period should not be considered as a basis for estimating results of operations for a full year.

Discussion of other factors affecting the Company are set forth in the Notes to Financial Statements and Management's Discussion and Analysis included herein.

## ELECTRIC OPERATIONS

## General

The Company supplies electric energy at retail to approximately 272,000 customers in 139 communities in Kansas. The Company also supplies electric energy to 27 communities and 1 rural electric cooperative, and has contracts for the sale, purchase or exchange of electricity with other utilities at wholesale.

The Company's electric sales for the last five years were as follows:

	1994	1993	1992	1991	1990
	(Thousands of MWH)				
Residential	2,384	2,386	2,102	2,341	2,270
Commercial	2,068	1,991	1,892	1,908	1,838
Industrial	3,371	3,323	3,248	3,194	3,093
Wholesale and Interchange	1,590	2,004	1,267	1,168	1,688
Other	45	45	46	46	48
	-----	-----	-----	-----	-----
Total	9,458	9,749	8,555	8,657	8,937

The Company's electric revenues for the last five years were as follows:

(1)	1994	1993	1992	1991	1990
	(Dollars in Thousands)				
Residential	\$220,067	\$219,069	\$194,142	\$219,907	\$214,544
Commercial	167,499	162,858	154,005	155,847	151,098
Industrial	181,119	179,256	174,226	172,953	168,294
Wholesale and Interchange	38,750	45,843	28,086	29,989	36,152
Other	12,445	9,971	3,792	16,272	16,553
	-----	-----	-----	-----	-----
Total	\$619,880	\$616,997	\$554,251	\$594,968	\$586,641

(1) See Note 4 of the Notes to Financial Statements for impact of rate refund orders.

#### Capacity

The aggregate net generating capacity of the Company's system is presently 2,498 megawatts (MW). The system comprises interests in twelve fossil fueled steam generating units, one nuclear generating unit (47 percent interest) and one diesel generator, located at seven generating stations. One of the twelve fossil fueled units has been "mothballed" for future use (see Item 2. Properties).

The Company's 1994 peak system net load occurred on July 1, 1994 and amounted to 1,747 MW. The Company's net generating capacity together with power available from firm interchange and purchase contracts, provided a capacity margin of approximately 27 percent above system peak responsibility at the time of the peak.

The Company and ten companies in Kansas and western Missouri have agreed to provide capacity (including margin), emergency and economy services for each other. This arrangement is called the MOKAN Power Pool. The pool participants also coordinate the planning of electric generating and transmission facilities.

The Company is one of 47 members of the Southwest Power Pool (SPP). SPP's responsibility is to maintain system reliability on a regional basis. The region encompasses areas within the eight states of Kansas, Missouri, Oklahoma, New Mexico, Texas, Louisiana, Arkansas, and Mississippi.

In 1994, the Company joined the Western Systems Power Pool (WSPP). Under this arrangement, over 50 electric utilities and marketers throughout the western

United States have agreed to market energy and to provide transmission services. WSP's intent is to increase the efficiency of the interconnected power systems operations over and above existing operations. Services available include short-term and long-term economy energy transactions, unit commitment service, firm capacity and energy sales, energy exchanges, and transmission service by intermediate systems.

During 1994, the Company entered into an agreement with Midwest Energy, Inc. (MWE), whereby the Company will provide MWE with peaking capacity of 61 megawatts through the year 2008. The Company also entered into an agreement with Empire District Electric Company (Empire), whereby the Company will provide Empire with peaking and base load capacity (20 megawatts in 1994 increasing to 80 megawatts in 2000) through the year 2000.

#### Future Capacity

The Company does not contemplate any significant expenditures in connection with construction of any major generating facilities through the turn of the century (see Item 7. Management's Discussion and Analysis, Liquidity and Capital Resources). The Company has capacity available which may not be fully utilized by growth in customer demand for at least 5 years. The Company continues to market this capacity and energy to other utilities.

#### Fuel Mix

The Company's coal-fired units comprise 1,101 MW of the total 2,498 MW of generating capacity and the Company's nuclear unit provides 545 MW of capacity. Of the remaining 852 MW of generating capacity, units that can burn either natural gas or oil account for 849 MW, and the remaining unit which burns only diesel fuel accounts for 3 MW (see Item 2. Properties).

During 1994, low sulfur coal was used to produce 56% of the Company's electricity. Nuclear produced 34 percent and the remainder was produced from natural gas, oil, or diesel fuel. During 1995, based on the Company's estimate of the availability of fuel, coal will be used to produce approximately 58 percent of the Company's electricity and nuclear will be used to produce 36 percent.

The Company's fuel mix fluctuates with the operation of nuclear powered Wolf Creek which has an 18-month refueling and maintenance schedule. The 18-month schedule permits uninterrupted operation every third calendar year. In mid-September 1994, Wolf Creek was taken off-line for its seventh refueling and maintenance outage. The refueling outage took approximately 47 days to complete, during which time electric demand was met primarily by the Company's coal-fired generating units. There is no refueling outage scheduled for 1995.

#### Nuclear

The owners of Wolf Creek have on hand or under contract 63 percent of the uranium required for operation of Wolf Creek through the year 2001. The balance is expected to be obtained through spot market and contract purchases.

Contractual arrangements are in place for 100 percent of Wolf Creek's uranium enrichment requirements for 1995-1997, 90 percent for 1998-1999, 95 percent for

2000-2001 and 100 percent for 2005-2014. The balance of the 1998-2004 requirements is expected to be obtained through a combination of spot market and contract purchases. The decision not to contract for the full enrichment requirements is one of cost rather than availability of service.

Contractual arrangements are in place for the conversion of uranium to uranium hexafluoride sufficient to meet Wolf Creek's requirements through 1996 as well as the fabrication of fuel assemblies to meet Wolf Creek's requirements through 2012.

The Nuclear Waste Policy Act of 1982 established schedules, guidelines and responsibilities for the Department of Energy (DOE) to develop and construct repositories for the ultimate disposal of spent fuel and high-level waste. The DOE has not yet constructed a high-level waste disposal site and has announced that a permanent storage facility may not be in operation prior to 2010 although an interim storage facility may be available earlier. Wolf Creek contains an on-site spent fuel storage facility which, under current regulatory guidelines, provides space for the storage of spent fuel through 2006 while still maintaining full core off-load capability. The Company believes adequate additional storage space can be obtained, as necessary.

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 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.

#### Coal

The three coal-fired units at Jeffrey Energy Center (JEC) have an aggregate capacity of 423 MW (KG&E's 20 percent share) (see Item 2. Properties). Western Resources, the operator of JEC, and KG&E, have a long-term coal supply contract with Amax Coal West, Inc. (AMAX), a subsidiary of Cyprus Amax Coal Company, to supply low sulfur coal to JEC from AMAX's Eagle Butte Mine or an alternate mine source of AMAX's Belle Ayr Mine, both located in the Powder River Basin in Campbell County, Wyoming. The contract expires December 31, 2020. The contract contains a schedule of minimum annual delivery quantities based on MMBtu provisions. The coal to be supplied is surface mined and has an average Btu content of approximately 8,300 Btu per pound and an average sulfur content of .43 lbs/MMBtu (see Environmental Matters). The average delivered cost of coal for JEC was approximately \$1.13 per MMBtu or \$18.55 per ton during 1994.

Coal is transported by Western Resources from Wyoming under a long-term rail transportation contract with Burlington Northern (BN) and Union Pacific (UP) to JEC through December 31, 2013. Rates are based on net load carrying capabilities of each rail car. Western Resources provides 890 aluminum rail cars, under a 20 year lease, to transport coal to JEC.

The two coal-fired units at La Cygne Station have an aggregate generating capacity of 678 MW (KG&E's 50 percent share) (see Item 2. Properties). The operator, Kansas City Power & Light Company (KCPL), maintains coal contracts as discussed in the following paragraphs.

La Cygne 1 uses low sulfur Powder River Basin coal which is supplied under a variety of spot market transactions, discussed below. Illinois or Kansas/Missouri coal is blended with the Powder River Basin coal and is secured from time to time under spot market arrangements. La Cygne 1 uses a blend of 85 percent Powder River Basin coal.

La Cygne 2 and additional La Cygne 1 Powder River Basin coal is supplied through several contracts expiring at various times through 1998. This low sulfur coal had an average Btu content of approximately 8,500 Btu per pound and a maximum sulfur content of .50 lbs/MMBtu (see Environmental Matters). For 1994, KCPL secured Powder River Basin coal from two sources; Carter Mining Company's Caballo Mine, a subsidiary of Exxon Coal USA; and Caballo Rojo Inc's Caballo Rojo Mine, a subsidiary of Drummond Inc. Transportation is covered by KCPL through its Omnibus Rail Transportation Agreement with BN and Kansas City Southern Railroad through December 31, 1995. An alternative rail transportation agreement with Western Railroad Property, Inc. (WRPI), a partnership between UP and Chicago Northwestern (CNW), lasts through December 31, 1995. A new five-year coal transportation agreement is being negotiated to provide transportation beyond 1995.

During 1994, the average delivered cost of all coal procured for La Cygne 1 was approximately \$0.78 per MMBtu or \$14.11 per ton and the average delivered cost of Powder River Basin coal for La Cygne 2 was approximately \$0.73 per MMBtu or \$12.30 per ton.

#### Natural Gas

The Company uses natural gas as a primary fuel in its Gordon Evans and Murray Gill Energy Centers. Natural gas for these generating stations is supplied under a firm contract that runs through 1995 by Kansas Gas Supply (KGS). After 1995, the Company expects to use the spot market to purchase most of the natural gas needed to fuel these generating stations. Short-term economical spot market purchases from the Williams Natural Gas (WNG) system provide the Company flexible natural gas supply arrangements to meet operational needs.

#### Oil

The Company uses oil as an alternate fuel when economical or when interruptions to natural gas make it necessary. Oil is also used as a supplemental fuel at each of the coal plants. All oil burned by the Company during the past several years has been obtained by spot market purchases. At December 31, 1994, the Company had approximately 715 thousand gallons of No. 2 oil and 11 million gallons of No. 6 oil which is believed to be sufficient to meet emergency requirements and protect against lack of availability of natural gas and/or the loss of a large generating unit.

#### Other Fuel Matters

The Company's contracts to supply fuel for its coal- and natural gas-fired generating units, with the exception of JEC, do not provide full fuel requirements at the various stations. Supplemental fuel is procured on the spot market to provide operational flexibility and, when the price is favorable, to take advantage of economic opportunities.

On March 26, 1992, in connection with the Merger, the Kansas Corporation Commission (KCC) approved the elimination of the Energy Cost Adjustment Clause (ECA) for most Kansas retail customers of the Company 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. Any increase or decrease in fuel costs from the projected average will impact the Company's earnings.

Set forth in the table below is information relating to the weighted average cost of fuel used by the Company.

	1994	1993	1992	1991	1990
Per Million Btu:					
Nuclear	\$0.36	\$0.35	\$0.34	\$0.32	\$0.34
Coal	0.90	0.96	1.25	1.32	1.32
Gas	1.98	2.37	1.95	1.74	1.96
Oil	3.90	3.15	4.28	4.13	3.01
Cents per KWH Generation	0.89	0.93	0.98	1.09	1.01

#### Environmental Matters

The Company currently holds all Federal and State environmental approvals required for the operation of its generating units. The Company believes it is presently in substantial compliance with all air quality regulations (including those pertaining to particulate matter, sulfur dioxide and oxides of nitrogen (NOx)) promulgated by the State of Kansas and the Environmental Protection Agency (EPA).

The Federal sulfur dioxide standards applicable to the Company's JEC and La Cygne 2 units, prohibit the emission of more than 1.2 pounds of sulfur dioxide per million Btu of heat input. Federal particulate matter emission standards applicable to these units prohibit: (1) the emission of more than 0.1 pounds of particulate matter per million Btu of heat input and (2) an opacity greater than 20 percent. Federal NOx emission standards applicable to these units prohibit the emission of more than 0.7 pounds of NOx per million Btu of heat input.

The JEC and La Cygne 2 units have met: (1) the sulfur dioxide standards through the use of low sulfur coal (see Coal); (2) the particulate matter standards through the use of electrostatic precipitators; and (3) the NOx standards through boiler design and operating procedures. The JEC units are also equipped with flue gas scrubbers providing additional sulfur dioxide and particulate matter emission reduction capability.

The Kansas Department of Health and Environment regulations, applicable to the Company's other generating facilities, prohibit the emission of more than 3.0 pounds of sulfur dioxide per million Btu of heat input at the Company's generating units. The Company has sufficient low sulfur coal under contract (see Coal) to allow compliance with such limits at La Cygne 1. All facilities burning coal are equipped with flue gas scrubbers and/or electrostatic precipitators.

The Clean Air Act Amendments of 1990 (the Act) require a two-phase reduction in sulfur dioxide and 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 owners have applied for an early substitution permit to bring the co-owned La Cygne Generating Station under the Phase I regulations.

The NOx and toxic limits, which were not set in the law, will be specified in future EPA regulations. NOx regulations for Phase II units and Phase I group 2 units are mandated in the Act. The EPA's proposed NOx regulations were ruled invalid by the U.S. Court of Appeals for the District of Columbia Circuit in November 1994, 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.

All of the Company's generating facilities are in substantial compliance with the Best Practicable Technology and Best Available Technology regulations issued by EPA pursuant to the Clean Water Act of 1977. Most EPA regulations are administered in Kansas by the Kansas Department of Health and Environment.

Additional information with respect to Environmental Matters is discussed in Note 3 of the Notes to Financial Statements.

## FINANCING

The Company's ability to issue additional debt is restricted under limitations imposed by the Mortgage and Deed of Trust of the Company.

The Company's mortgage prohibits additional first mortgage bonds from being issued (except in connection with certain refundings) unless the Company's net earnings before income taxes and before provision for retirement and depreciation of property for a period of 12 consecutive months within 15 months preceding the issuance are not less than two and one-half times the annual interest charges on, or 10% of the principal amount of, all first mortgage bonds outstanding after giving effect to the proposed issuance. Based on the Company's results for the 12 months ended December 31, 1994, approximately \$743 million principal amount of additional first mortgage bonds could be issued (8.75 percent interest rate assumed).

KG&E bonds may be issued, subject to the restrictions in the preceding paragraph, on the basis of property additions not subject to an unfunded prior lien and on the basis of bonds which have been retired. As of December 31, 1994, the Company had approximately \$1.3 billion of net bondable property additions not subject to an unfunded prior lien entitling the Company to issue up to \$909 million principal amount of additional bonds.

## REGULATION AND RATES

The Company is subject as an operating electric utility to the jurisdiction of the KCC which has general regulatory authority over the Company's rates, extensions and abandonments of service and facilities, valuation of property, the classification of accounts and various other matters. The Company is also

subject to the jurisdiction of the FERC and the KCC with respect to the issuance of the Company's securities.

Additionally, the Company is subject to the jurisdiction of the FERC, including jurisdiction as to rates with respect to sales of electricity for resale, and the Nuclear Regulatory Commission as to nuclear plant operations and safety.

Additional information with respect to Regulation and Rates is discussed in Notes 1 and 4 of the Notes to Financial Statements.

## EXECUTIVE OFFICERS OF THE COMPANY

Name	Age	Present Office	Other Offices or Positions Held During Past Five Years
Kent R. Brown	49	Chairman of the Board, (since June 1992) President and Chief Executive Officer (since March 1992)	Group Vice President
Richard D. LaGree	64	Vice President, Field Operations (since April 1992)	Vice President, Electric Distribution Operations, Western Resources, Inc.
Richard D. Terrill	40	Secretary, Treasurer and General Counsel (since April 1992)	Secretary and Attorney

Executive officers serve at the pleasure of the Board of Directors. There are no family relationships among any of the officers, nor any arrangements or understandings between any officer and other persons pursuant to which he/she was appointed as an officer.

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ITEM 2. PROPERTIES

The Company owns or leases and operates an electric generation, transmission, and distribution system in Kansas.

During the five years ended December 31, 1994, the Company's gross property additions totalled \$358,486,000 and retirements were \$130,238,000.

ELECTRIC FACILITIES

Name	Unit No.	Year Installed	Principal Fuel	Unit Capacity (MW) (2)
Gordon Evans Energy Center:				
Steam Turbines	1	1961	Gas--Oil	150
	2	1967	Gas--Oil	367
Jeffrey Energy Center (20%):				
Steam Turbines	1	1978	Coal	140
	2	1980	Coal	143
	3	1983	Coal	140
La Cygne Station (50%):				
Steam Turbines	1	1973	Coal	343
	2	1977	Coal	335
Murray Gill Energy Center:				
Steam Turbines	1	1952	Gas--Oil	46
	2	1954	Gas--Oil	74
	3	1956	Gas--Oil	107
	4	1959	Gas--Oil	105
Neosho Energy Center:				
Steam Turbine	3	1954	Gas--Oil	0 (1)
Wichita Plant:				
Diesel Generator	5	1969	Diesel	3
Wolf Creek Generating Station (47%):				
Nuclear	1	1985	Uranium	545
				-----
Total				2,498

(1) This unit has been "mothballed" for future use.

(2) Based on MOKAN rating.

The Company jointly-owns Jeffrey Energy Center (20%), La Cygne Station (50%) and Wolf Creek Generating Station (47%).

## ITEM 3. LEGAL PROCEEDINGS

Information on legal proceedings involving the Company is set forth in Note 10 of Notes to Financial Statements included herein.

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

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

## PART II

## ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

On March 31, 1992, Western Resources through its wholly-owned subsidiary KCA, acquired all of the outstanding common and preferred stock of KG&E. As a result, the Company's common stock was delisted from the New York Stock Exchange and the Pacific Stock Exchange.

## ITEM 6. SELECTED FINANCIAL DATA

	1994	1993	1992	1991	1990(1)
	(Dollars in Thousands)				
Income Statement Data:					
Operating revenues . . . . .	\$ 619,880	\$ 616,997	\$ 554,251	\$ 594,968	\$ 586,641
Operating expenses . . . . .	470,869	469,616	424,089	468,885	447,355
Operating income . . . . .	149,011	147,381	130,162	126,083	139,286
Net income . . . . .	104,526	108,103	77,981	53,602	64,184
Balance Sheet Data:					
Gross electric plant in service.	\$3,390,406	\$3,339,832	\$3,293,365	\$2,468,959	\$2,435,090
Construction work in progress. .	32,874	28,436	29,634	13,612	14,760
Total assets . . . . .	3,142,810	3,187,479	3,279,232	2,350,546	2,348,862
Long-term debt . . . . .	699,992	653,543	871,652	850,851	824,424
Interest coverage ratio (before income taxes, including AFUDC) . . . . .	4.02	3.58	2.35	1.90	2.07
Ratio of Earnings to Fixed Charges	2.61	2.60	1.89	1.59	1.71

(1) See Note 1 of the Notes to Financial Statements for impact of rate refund orders.

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

FINANCIAL CONDITION

The results of operations for the years ended December 31, 1994 and 1993, and the nine months ended December 31, 1992, included herein, refer to the Company following the merger with Western Resources, Inc. (formerly The Kansas Power and Light Company) through its wholly-owned subsidiary, KCA Corporation, on March 31, 1992 (the Merger) (see Note 1).

Pro forma results of operations for the twelve months ended December 31, 1992 presented herein, give effect to the Merger as if it occurred on January 1, 1992 and were derived by combining the historical information for the three month period ended March 31, 1992 and the nine month period ended December 31, 1992. Additional information relating to changes between years is provided in the Notes to Financial Statements.

GENERAL: The Company had net income of \$104.5 million for 1994 compared to net income of \$108.1 million in 1993. The decrease in net income is primarily due to increases in income taxes as a result of the completion of the accelerated amortization of certain deferred income tax reserves and the receipt of death benefit proceeds from corporate-owned life insurance policies in the third quarter of 1993. As of December 31, 1993, the Company had fully amortized the deferred income tax reserves related to the allowance for funds used during construction capitalized for Wolf Creek Generating Station (Wolf Creek). The completion of the amortization of these deferred income tax reserves increased income tax expense and thereby reduced net income by approximately \$12 million in 1994, and in the future will reduce net income by this same amount each year.

LIQUIDITY AND CAPITAL RESOURCES: The Company's liquidity is a function of its ongoing construction program, designed to improve facilities which provide electric service and meet future customer service requirements.

During 1994, construction expenditures for the Company's electric system were approximately \$69 million and nuclear fuel expenditures were approximately \$21 million. It is projected that adequate capacity margins will be maintained through the turn of the century. The construction program is focused on providing service to new customers and improving present electric facilities.

Capital expenditures for 1995 through 1997 are anticipated to be as follows:

	Electric	Nuclear Fuel
	(Dollars in Thousands)	
1995. . . . .	\$53,961	\$ 21,400
1996. . . . .	47,388	8,100
1997. . . . .	42,453	24,000

These expenditures are estimates prepared for planning purposes and are subject to revisions from time to time.

The Company's net cash flows to capital expenditures exceeded 100 percent for 1994 and during the last five years has also averaged in excess of 100 percent. The Company anticipates all of its cash requirements for capital expenditures through 1997 will be provided from net cash flows. The Company also has \$16 million of bonds maturing through 1999 which will be provided from internal and external sources available under then existing financial conditions.

During 1994, the Company continued to take advantage of favorable long-term interest rates by refinancing long-term debt issues. The embedded cost of long-term debt was 7.3% at December 31, 1994, a decrease from 7.7% at December 31, 1993.

On January 20, 1994, the Company issued \$100 million of First Mortgage Bonds, 6.20% Series due January 15, 2006. The net proceeds were used to reduce short-term debt.

On February, 17, 1994, the Company refinanced the City of La Cygne, Kansas, 5 3/4% Pollution Control Revenue Refunding Bonds Series 1973, \$13,980,000 principal amount, with 5.10% Pollution Control Revenue Refunding Bonds Series 1994, \$13,982,500 principal amount, due 2023.

On April 28, 1994, three series of Market-Adjusted Tax Exempt Securities totalling \$46.4 million were sold on behalf of the Company at a rate of 2.95% for the initial auction period. The interest rates are being reset periodically via an auction process. As of December 31, 1994, the rate on these bonds was 4.10%. The net proceeds from the new issues, together with available cash, were used to refund three series of Pollution Control Bonds totalling \$46.4 million bearing interest rates between 5 7/8% and 6.8%.

On November 1, 1994, the Company terminated a long-term agreement which contained provisions for the sale of accounts receivable and unbilled revenues, and phase-in revenues (see Note 6).

In 1986, the Company purchased corporate-owned life insurance policies (COLI) on certain of its employees. The annual cash outflow for the premiums on these policies from 1992 through 1994 was approximately \$27 million. See Note 2 of the Notes to Financial Statements for additional information on the accumulated cash surrender value. The borrowings are expected to produce annual cash inflows, net of expenses, through the remaining life of the policies. Borrowings against the policies will be repaid from death proceeds.

The Company's short-term financing requirements are satisfied, as needed, through short-term bank loans and borrowings under other unsecured lines of credit maintained with banks. At December 31, 1994, short-term borrowings amounted to \$50 million compared to \$155.8 million at December 31, 1993. The decrease is primarily the result of the issuance of the \$100 million of bonds on January 20, 1994 (see Note 5).

The KG&E common and preferred stock was redeemed in connection with the Merger, leaving 1,000 shares of common stock held by Western Resources. The debt structure of the Company and available sources of funds were not affected by the Merger.

The Company's capital structure at December 31, 1994, was 64 percent common stock equity and 36 percent long-term debt. The capital structure at December 31, 1994, including short-term debt was 62 percent common stock equity and 38 percent debt. As of December 31, 1994, the Company's bonds were rated "A3" by Moody's Investors Service, "A-" by Standard & Poor's Ratings Group, and "A-" by Fitch Investors Service.

## RESULTS OF OPERATIONS

The following is an explanation of significant variations from prior year results in revenues, operating expenses, other income and deductions, and interest charges. Additional information relating to changes between years is provided in the Notes to Financial Statements.

### REVENUES

The operating revenues of the Company are based on sales volumes and rates authorized by the Kansas Corporation Commission (KCC) and the Federal Energy Regulatory Commission (FERC). Rates charged for the sale and delivery of electricity are designed to recover the cost of service and allow investors a fair rate of return. Future electric sales will continue to be affected by weather conditions, competition from other generating sources, competing fuel sources, customer conservation efforts and the overall economy of the Company's service area.

The KCC order approving the Merger provided a moratorium on increases, with certain exceptions, in the Company's electric rates until August 1995. The KCC ordered refunds totalling \$32 million to the combined companies' (Western Resources and the Company) customers to share with customers the Merger-related cost savings achieved during the moratorium period. Refunds of approximately \$4.9 (Company's portion) million were made in April 1992 and December 1993 and the remaining refund of approximately \$8.7 million (Company's portion) was made in September 1994 (see Note 1).

On March 26, 1992, in connection with the Merger, the KCC approved the elimination of the Energy Cost Adjustment Clause (ECA) for most retail customers of the Company effective April 1, 1992. The fuel costs are now included in base rates and were established at a level intended by the KCC to equal the projected average cost of fuel through August 1995. Any increase or decrease in fuel costs from the projected average will impact the Company's earnings.

1994 Compared to 1993: Total operating revenues for 1994 of \$619.9 million increased less than one percent from revenues of \$617.0 million for 1993. The increase can be attributed to higher revenues in all retail customer classes. While residential sales remained virtually unchanged, commercial and industrial sales increased over two percent during 1994. Partially offsetting these increases was a 21 percent decrease in wholesale and interchange sales as a result of higher than normal sales in 1993 to other utilities while their generating units were down due to the flooding of 1993.



1993 Compared to 1992: Total operating revenues increased \$62.7 million or 11 percent in 1993 compared to 1992 pro forma revenues. The increase is due to the return of near normal temperatures during 1993 compared to unusually mild winter and summer temperatures in 1992. All customer classes experienced increased sales volumes during 1993. The number of cooling degree days recorded for the city of Wichita were 1,546 for 1993, a 23 percent increase from 1992. Contributing to the increase in wholesale sales were sales to neighboring utilities to meet peak demand periods while those utilities' units were down as a result of the summer flooding.

Partially offsetting these increases in revenues was the amortization of the Merger-related refund.

#### OPERATING EXPENSES

1994 Compared to 1993: Total operating expenses for 1994 of \$470.9 million increased slightly from total operating expenses of \$469.6 million for 1993. Federal and state income taxes increased \$13.5 million and maintenance expense increased three percent primarily as a result of the major boiler overhaul of the Company's coal fired La Cygne 1 generating station.

The increase in income tax expense was due to the completion at December 31, 1993, of the accelerated amortization of deferred income tax reserves related to the allowance for borrowed funds used during construction capitalized for Wolf Creek. The completion of the amortization of these deferred income tax reserves increased income tax expense and thereby reduced net income by approximately \$12 million in 1994, and in the future will reduce net income by this same amount each year.

Partially offsetting the increases in total operating expenses were lower fuel costs, due to decreased electric generation during 1994, and lower other operations expense.

1993 Compared to 1992: Total operating expenses increased \$45.5 million or 11 percent in 1993 compared to 1992. Fuel and purchased power expenses increased \$21.4 million or 23 percent primarily due to increased generation resulting from increased customer demand for electricity during the summer peak season. Federal and state income taxes increased \$28.6 million primarily as a result of higher net income. General taxes increased \$4.8 million primarily due to an increase in plant, the property tax assessment ratio, and higher mill levies.

Partially offsetting these increases in total operating expenses was a decrease in other operations expense of \$10.1 million primarily as a result of merger-related savings for the entire year of 1993 and reduced net lease expense for La Cygne 2 resulting from refinancing of the secured facility bonds (see Note 7) compared to pro forma operating expenses of 1992.

**OTHER INCOME AND DEDUCTIONS:** Other income and deductions, net of taxes, decreased significantly in 1994 compared to 1993 primarily as a result of increased interest expense on higher COLI borrowings. Interest on COLI borrowings increased \$9.1 million in 1994 compared to 1993. Also contributing to the decrease was the receipt of death benefit proceeds from COLI policies in the third quarter of 1993.

Other income and deductions, net of taxes, increased slightly in 1993 compared to 1992 due to the increased cash surrender values of COLI policies and the receipt of death benefit proceeds. Partially offsetting these increases was higher interest expense on COLI borrowings.

**INTEREST CHARGES:** Interest charges decreased 12 percent in 1994 compared to 1993 primarily as a result of the refinancing of higher cost fixed-rate debt. Also accounting for the decrease was the impact of increased COLI borrowings which reduce the need for other long-term debt and thereby reduced interest expense. COLI interest is reflected in Other Income and Deductions on the Income Statement. The Company's embedded cost of long-term debt decreased to 7.3% at December 31, 1994 compared to 7.7% and 7.8% at December 31, 1993 and 1992, respectively.

Interest charges decreased \$12.4 million in 1993 compared to 1992 as the Company continued to take advantage of lower interest rates on variable-rate and fixed-rate debt by retiring and refinancing higher cost debt.

**MERGER IMPLEMENTATION:** In accordance with the KCC Merger order, amortization of the acquisition adjustment will commence August 1995. The amortization will amount to approximately \$20 million (pre-tax) per year for 40 years. Western Resources and the Company (combined companies) can recover the amortization of the acquisition adjustment through cost savings under a sharing mechanism approved by the KCC as described in Note 1 of the Notes to the Financial Statements. While the 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.

#### OTHER INFORMATION

**INFLATION:** Under the ratemaking procedures prescribed by the regulatory commissions to which the Company is subject, only the original cost of plant is recoverable in revenues as depreciation. Therefore, because of inflation, present and future depreciation provisions are inadequate for purposes of maintaining the purchasing power invested by common shareholders and the related cash flows are inadequate for replacing property. The impact of this ratemaking process on common shareholders is mitigated to the extent depreciable property is financed with debt that can be repaid with dollars of less purchasing power. While the Company has experienced relatively low inflation in the recent past, the cumulative effect of inflation on operating costs may require the Company to seek regulatory rate relief to recover these higher costs.

**ENVIRONMENTAL:** The Company has taken a proactive position with respect to the potential environmental liability associated with former manufactured gas sites and has an agreement with the Kansas Department of Health and Environment (KDHE) to systematically evaluate these sites (see Note 3).

Although the Company currently has no Phase I affected units under the Clean Air Act of 1990, the Company has applied for an early substitution permit to bring the co-owned La Cygne Station under the Phase I guidelines. The oxides of nitrogen (NOx) and air toxic limits, which were not set in law, will be specified in future Environmental Protection Agency (EPA) regulations. The EPA's proposed NOx regulations were ruled invalid by the U.S. Court of Appeals for the District of Columbia Circuit in November 1994, 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 (see Note 3).

**COMPETITION:** As a regulated utility, the Company currently has limited direct competition for retail electric service in its certified service area. However, there is competition, based largely on price, from the generation, or potential generation, of electricity by large commercial and industrial customers, and independent power producers.

The 1992 Energy Policy Act (Act) requires increased efficiency of energy usage and has effected the way electricity is marketed. The Act also provides for increased competition in the wholesale electric market by permitting the FERC to order third party access to utilities' transmission systems and by liberalizing the rules for ownership of generating facilities. As part of the Merger, the Company agreed to open access of its transmission system for wholesale transactions. During 1994, wholesale revenues represented less than seven percent of the Company's total revenues.

Operating in this competitive environment could place pressure on utility profit margins and credit quality. Wholesale and industrial customers may threaten to pursue cogeneration, self-generation, retail wheeling, municipalization or relocation to other service territories in an attempt to obtain reduced energy costs. Increasing competition has resulted in credit rating agencies applying more stringent guidelines when making utility credit rating determinations.

The Company is providing reduced electric rates for industrial expansion projects and economic development projects in an effort to maintain and increase electric load. In 1994, The Boeing Company announced it would develop its 777 jetliner in Wichita and Cessna Aircraft Company announced it would build a production plant in Independence, Kansas along with expanding its Wichita facilities, with an addition of 2,000 jobs.

In order to retain its current electric load, the Company has and will continue to negotiate with some of its larger industrial customers, who are able to develop cogeneration facilities, for long term contracts although some negotiated rates may result in reduced margins for the Company. During 1996, the Company will lose a major industrial customer to cogeneration resulting in a reduction to pre-tax earnings of approximately \$7 to \$8 million. This customer's decision to develop its own cogeneration project was based partially on factors other than energy cost.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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## SCHEDULES OMITTED

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

I, II, III, IV, and V.

## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of  
Kansas Gas and Electric Company:

We have audited the accompanying balance sheets and statements of capitalization of Kansas Gas and Electric Company (a wholly-owned subsidiary of Western Resources, Inc.) as of December 31, 1994 and 1993, and the related statements of income, cash flows, taxes, and common stock equity for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kansas Gas and Electric Company as of December 31, 1994 and 1993, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

As explained in Note 8 to the financial statements, effective January 1, 1993, the Company changed its method of accounting for postretirement benefits.

ARTHUR ANDERSEN LLP

Kansas City, Missouri,  
January 25, 1995

## INDEPENDENT AUDITORS' REPORT

Kansas Gas and Electric Company:

We have audited the 1992 financial statements of Kansas Gas and Electric Company (a wholly-owned subsidiary of Western Resources, Inc.) listed in the accompanying table of contents. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the results of the Company's operations and its cash flows for the periods indicated in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP

Kansas City, Missouri  
January 29, 1993

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

	December 31,	
	1994	1993
<b>ASSETS</b>		
<b>UTILITY PLANT:</b>		
Electric plant in service (Notes 2 and 12) . . . . .	\$3,390,406	\$3,339,832
Less - Accumulated depreciation . . . . .	833,953	790,843
	-----	-----
Construction work in progress . . . . .	2,556,453	2,548,989
Nuclear fuel (net) . . . . .	32,874	28,436
	39,890	29,271
	-----	-----
Net utility plant . . . . .	2,629,217	2,606,696
	-----	-----
<b>OTHER PROPERTY AND INVESTMENTS:</b>		
Decommissioning trust (Note 3) . . . . .	16,944	13,204
Other . . . . .	11,561	10,941
	-----	-----
	28,505	24,145
	-----	-----
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents (Note 2) . . . . .	47	63
Accounts receivable and unbilled revenues (net)(Note 6) . . . . .	67,833	11,112
Advances to parent company (Note 14) . . . . .	64,393	192,792
Fossil fuel, at average cost, . . . . .	13,752	7,594
Materials and supplies, at average cost . . . . .	30,921	29,933
Prepayments and other current assets . . . . .	16,662	14,995
	-----	-----
	193,608	256,489
	-----	-----
<b>DEFERRED CHARGES AND OTHER ASSETS:</b>		
Deferred future income taxes (Note 9) . . . . .	102,789	102,789
Deferred coal contract settlement costs (Note 4) . . . . .	17,944	21,247
Phase-in revenues (Note 4) . . . . .	61,406	78,950
Other deferred plant costs . . . . .	31,784	32,008
Corporate-owned life insurance (net) (Note 2) . . . . .	9,350	45
Unamortized debt expense . . . . .	27,777	27,365
Other . . . . .	40,430	37,745
	-----	-----
	291,480	300,149
	-----	-----
<b>TOTAL ASSETS</b> . . . . .	<b>\$3,142,810</b>	<b>\$3,187,479</b>
	=====	=====
<b>CAPITALIZATION AND LIABILITIES</b>		
<b>CAPITALIZATION</b> (see Statements) . . . . .	<b>\$1,925,196</b>	<b>\$1,899,221</b>
	-----	-----
<b>CURRENT LIABILITIES:</b>		
Short-term debt (Note 5) . . . . .	50,000	155,800
Long-term debt due within one year (Note 6) . . . . .	-	238
Accounts payable . . . . .	49,093	51,095
Accrued taxes . . . . .	15,737	12,185
Accrued interest . . . . .	8,337	7,381
Other . . . . .	11,160	9,427
	-----	-----
	134,327	236,126
	-----	-----
<b>DEFERRED CREDITS AND OTHER LIABILITIES:</b>		
Deferred income taxes (Notes 1 and 9) . . . . .	689,169	646,159
Deferred investment tax credits (Note 9) . . . . .	74,841	78,048
Deferred gain from sale-leaseback (Note 7) . . . . .	252,341	261,981
Other . . . . .	66,936	65,944
	-----	-----
	1,083,287	1,052,132
	-----	-----
<b>COMMITMENTS AND CONTINGENCIES</b> (Notes 3 and 10)		
<b>TOTAL CAPITALIZATION AND LIABILITIES</b> . . . . .	<b>\$3,142,810</b>	<b>\$3,187,479</b>
	=====	=====

The NOTES TO FINANCIAL STATEMENTS are an integral part of these statements.

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

	Year Ended December 31,				
	1994	1993	Pro Forma 1992	April 1 to Dec. 31 (Successor)	1992 January 1 to March 31 (Predecessor)
OPERATING REVENUES (Notes 2 and 4) . . . .	\$ 619,880	\$ 616,997	\$ 554,251	\$ 423,538	\$ 130,713
OPERATING EXPENSES:					
Fuel used for generation:					
Fossil fuel . . . . .	90,383	93,388	73,785	53,701	20,084
Nuclear fuel . . . . .	13,562	13,275	12,558	10,126	2,432
Power purchased . . . . .	7,144	9,864	8,746	3,207	5,539
Other operations . . . . .	115,060	118,948	129,083	91,436	37,647
Maintenance . . . . .	47,988	46,740	46,702	35,956	10,746
Depreciation and amortization . . . . .	71,457	75,530	74,696	55,547	19,149
Amortization of phase-in revenues . . . .	17,544	17,545	17,544	13,158	4,386
Taxes (see Statements):					
Federal income . . . . .	50,212	39,553	16,305	17,523	(1,218)
State income . . . . .	12,427	9,570	4,264	4,732	(468)
General . . . . .	45,092	45,203	40,406	30,155	10,251
Total operating expenses . . . . .	470,869	469,616	424,089	315,541	108,548
OPERATING INCOME . . . . .	149,011	147,381	130,162	107,997	22,165
OTHER INCOME AND DEDUCTIONS:					
Corporate-owned life insurance (net) . .	(5,354)	7,841	10,724	9,308	1,416
Miscellaneous (net) . . . . .	5,079	9,271	7,873	9,417	(1,544)
Income taxes (net) (see Statements) . .	7,290	2,227	191	(1,296)	1,487
Total other income and deductions . .	7,015	19,339	18,788	17,429	1,359
INCOME BEFORE INTEREST CHARGES . . . . .	156,026	166,720	148,950	125,426	23,524
INTEREST CHARGES:					
Long-term debt . . . . .	47,827	53,908	57,862	42,889	14,973
Other . . . . .	5,183	6,075	15,121	11,777	3,344
Allowance for borrowed funds used during construction (credit) . . . . .	(1,510)	(1,366)	(2,014)	(1,181)	(833)
Total interest charges . . . . .	51,500	58,617	70,969	53,485	17,484
NET INCOME . . . . .	104,526	108,103	77,981	71,941	6,040
PREFERRED DIVIDENDS . . . . .	-	-	-	-	205
EARNINGS APPLICABLE TO COMMON STOCK . .	\$ 104,526	\$ 108,103	\$ 77,981	\$ 71,941	\$ 5,835

The NOTES TO FINANCIAL STATEMENTS are an integral part of these statements.



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

	Year Ended December 31,			
	1994	1993	March 31 to Dec. 31 (Successor)	1992 January 1 to March 31 (Predecessor)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Net income . . . . .	\$ 104,526	\$ 108,103	\$ 71,941	\$ 6,040
Depreciation and amortization . . . . .	71,457	75,530	55,547	19,149
Other amortization (including nuclear fuel) . . . . .	10,905	11,254	8,930	1,352
Deferred taxes and investment tax credits (net) . . . . .	25,349	22,572	9,326	(2,851)
Amortization of phase-in revenues . . . . .	17,544	17,545	13,158	4,386
Corporate-owned life insurance . . . . .	(17,246)	(21,650)	(14,704)	(3,295)
Amortization of gain from sale-leaseback . . . . .	(9,640)	(9,640)	(7,231)	(2,409)
Changes in working capital items:				
Accounts receivable and unbilled revenues (net) (Note 2) . . . . .	(56,721)	(569)	1,079	1,272
Fossil fuel . . . . .	(6,158)	8,507	4,425	(1,858)
Accounts payable . . . . .	(2,002)	(9,813)	(7,216)	(6,100)
Interest and taxes accrued . . . . .	4,508	(9,053)	(14,345)	10,598
Other . . . . .	(922)	(2,191)	(8,456)	1,689
Changes in other assets and liabilities . . . . .	(11,181)	(16,530)	(41,402)	(5,479)
Net cash flows from operating activities . . . . .	130,419	174,065	71,052	22,494
<b>CASH FLOWS USED IN INVESTING ACTIVITIES:</b>				
Additions to utility plant . . . . .	89,880	66,886	53,138	11,496
Corporate-owned life insurance policies . . . . .	26,418	27,268	20,233	6,802
Death proceeds of corporate-owned life insurance . . . . .	-	(10,160)	(6,789)	-
Other investments . . . . .	-	-	-	(552)
Merger:				
Purchase of KG&E common stock-net of cash received . . . . .	-	-	432,043	-
Purchase of KG&E preferred stock . . . . .	-	-	19,665	-
Net cash flows used in investing activities . . . . .	116,298	83,994	518,290	17,746
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Short-term debt (net) . . . . .	(105,800)	62,300	49,900	5,800
Advances to parent company (net) . . . . .	128,399	(118,503)	(74,289)	-
Bonds issued . . . . .	160,422	65,000	135,000	-
Bonds retired . . . . .	(46,440)	(140,000)	(125,000)	-
Other long-term debt (net) . . . . .	(67,893)	7,043	14,498	(3,810)
Borrowings against life insurance policies (net) . . . . .	42,175	183,260	(5,649)	6,398
Revolving credit agreement (net) . . . . .	-	(150,000)	-	-
Other (net) . . . . .	-	-	-	(17)
Dividends to parent company . . . . .	(125,000)	-	-	-
Dividends on preferred and common stock . . . . .	-	-	-	(13,535)
Issuance of KCA common stock . . . . .	-	-	453,670	-
Net cash flows from (used in) financing activities . . . . .	(14,137)	(90,900)	448,130	(5,164)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS . . . . .	(16)	(829)	892	(416)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD . . . . .	63	892	-	2,378
CASH AND CASH EQUIVALENTS AT END OF PERIOD . . . . .	\$ 47	\$ 63	\$ 892	\$ 1,962
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>				
<b>CASH PAID FOR:</b>				
Interest on financing activities (net of amount capitalized) . . . . .	\$ 68,544	\$ 77,653	\$ 63,451	\$ 11,635
Income taxes . . . . .	28,509	29,354	14,225	-

The NOTES TO FINANCIAL STATEMENTS are an integral part of these statements.

KANSAS GAS AND ELECTRIC COMPANY  
STATEMENTS OF TAXES  
(Dollars in Thousands)

	Year Ended December 31,			
	1994	1993	April 1 to Dec. 31 (Successor)	January 1 to March 31 (Predecessor)
<b>FEDERAL INCOME TAXES:</b>				
Payable currently . . . . .	\$ 24,427	\$ 19,220	\$ 11,356	\$ (322)
Deferred (net). . . . .	23,002	16,691	8,633	(1,785)
Investment tax credit-Deferral. . . . .	-	4,900	946	-
-Amortization. . . . .	(3,208)	(3,114)	(2,400)	(777)
	-----	-----	-----	-----
Total Federal income taxes . . . . .	44,221	37,697	18,535	(2,884)
Less:				
Federal income taxes applicable to non-operating items . . . . .	(5,991)	(1,856)	1,012	(1,666)
	-----	-----	-----	-----
Total Federal income taxes charged to operations. . . . .	50,212	39,553	17,523	(1,218)
	-----	-----	-----	-----
<b>STATE INCOME TAXES:</b>				
Payable currently . . . . .	5,574	5,104	2,869	-
Deferred (net). . . . .	5,554	4,095	2,147	(289)
	-----	-----	-----	-----
Total State income taxes . . . . .	11,128	9,199	5,016	(289)
Less:				
State income taxes applicable to non-operating items . . . . .	(1,299)	(371)	284	179
	-----	-----	-----	-----
Total State income taxes charged to operations. . . . .	12,427	9,570	4,732	(468)
	-----	-----	-----	-----
<b>GENERAL TAXES:</b>				
Property. . . . .	40,104	38,432	26,380	8,622
Payroll and other taxes . . . . .	4,988	6,771	3,775	1,629
	-----	-----	-----	-----
Total general taxes charged to operations. . . . .	45,092	45,203	30,155	10,251
	-----	-----	-----	-----
<b>TOTAL TAXES CHARGED TO OPERATIONS . . . . .</b>	<b>\$ 107,731</b>	<b>\$ 94,326</b>	<b>\$ 52,410</b>	<b>\$ 8,565</b>
	=====	=====	=====	=====

	Year Ended December 31,		
	1994	1993	Pro Forma 1992
<b>EFFECTIVE INCOME TAX RATE . . . . .</b>	<b>35%</b>	<b>30%</b>	<b>21%</b>
Effect of:			
Additional depreciation . . . . .	(1)	(3)	(4)
Accelerated amortization of deferred income tax credits. . . . .	-	8	11
State income taxes, net of Federal benefit. . . . .	(5)	(4)	(2)
Amortization of investment tax credits. . . . .	2	2	2
Corporate-owned life insurance. . . . .	4	5	6
Other items (net) . . . . .	-	(3)	-
	-----	-----	-----
<b>STATUTORY FEDERAL INCOME TAX RATE . . . . .</b>	<b>35%</b>	<b>35%</b>	<b>34%</b>
	=====	=====	=====

The NOTES TO FINANCIAL STATEMENTS are an integral part of these statements.

KANSAS GAS AND ELECTRIC COMPANY  
STATEMENTS OF CAPITALIZATION  
(Dollars in Thousands)

	1994		December 31,	
			1993	
<b>COMMON STOCK EQUITY (Note 1):</b>				
(see Statements)				
Common stock, without par value, authorized and issued				
1,000 shares . . . . .	\$1,065,634		\$1,065,634	
Retained earnings . . . . .	159,570		180,044	
	-----		-----	
Total common stock equity . . . . .	1,225,204	64%	1,245,678	66%
 <b>LONG-TERM DEBT (Note 6):</b>				
First Mortgage Bonds:				
Series	Due	1994	1993	
5-5/8%	1996	\$ 16,000	\$ 16,000	
7.6%	2003	135,000	135,000	
6-1/2%	2005	65,000	65,000	
6.20%	2006	100,000	-	
				316,000
Pollution Control Bonds:				
6.80%	2004	-	14,500	
5-7/8%	2007	-	21,940	
6%	2007	-	10,000	
5.10%	2023	13,982	-	
Variable (a)	2027	21,940	-	
7.0%	2031	327,500	327,500	
Variable (a)	2032	14,500	-	
Variable (a)	2032	10,000	-	
				387,922
				-----
Total bonds . . . . .				703,922
				-----
				589,940
Other Long-Term Debt:				
Pollution control obligations:				
5-3/4% series	2003	-	13,980	
Other long-term agreement	1995	-	53,913	
				-----
Total other long-term debt . . . . .				67,893
Less:				
Unamortized premium and discount (net) . . . . .		3,930		4,052
Long-term debt due within one year . . . . .		-		238
				-----
Total long-term debt . . . . .		699,992	36%	653,543
				-----
<b>TOTAL CAPITALIZATION . . . . .</b>		<b>\$1,925,196</b>	<b>100%</b>	<b>\$1,899,221</b>
		=====		=====

(a) Market-Adjusted Tax Exempt Securities (MATES). The interest rate is reset periodically via an auction process. As of December 31, 1994, the rate on these bonds was 4.10%.

The NOTES TO FINANCIAL STATEMENTS are an integral part of these statements.

KANSAS GAS AND ELECTRIC COMPANY  
 STATEMENTS OF COMMON STOCK EQUITY  
 (Thousands of Dollars, Except Shares)  
 Years Ended December 31,

	Common Shares	Stock Amount	Other Paid-in Capital	Retained Earnings	Treasury Shares	Stock Amount	Total
BALANCE DECEMBER 31, 1991. (Predecessor)	40,997,745	\$ 637,003	\$ 284	\$170,598	(9,996,426)	\$(199,255)	\$ 608,630
Net income . . . . .				6,040			6,040
Cash dividends:							
Common stock . . . . .				(13,330)			(13,330)
Preferred stock . . . . .				(205)			(205)
Employee stock plans . . .		(12)			(966)		(12)
Merger of KG&E with KCA. .	(40,997,745)	(636,991)	(284)	(163,103)	9,997,392	199,255	(601,123)
	-----	-----	-----	-----	-----	-----	-----
BALANCE MARCH 31, 1992 (Predecessor).	-0-	-0-	-0-	-0-	-0-	-0-	-0-
	=====	=====	=====	=====	=====	=====	=====
KCA common stock issued. .	1,000	\$1,065,634	\$ -	\$ -	-	\$ -	\$1,065,634
Net income . . . . .				71,941			71,941
	-----	-----	-----	-----	-----	-----	-----
BALANCE DECEMBER 31, 1992. (Successor)	1,000	1,065,634	-	71,941	-	-	1,137,575
Net income . . . . .				108,103			108,103
	-----	-----	-----	-----	-----	-----	-----
BALANCE DECEMBER 31, 1993. .	1,000	1,065,634	-	180,044	-	-	1,245,678
Net income . . . . .				104,526			104,526
Dividend to parent company				(125,000)			(125,000)
	-----	-----	-----	-----	-----	-----	-----
BALANCE DECEMBER 31, 1994. .	1,000	\$1,065,634	\$ -	\$ 159,570	-	\$ -	\$1,225,204
	=====	=====	=====	=====	=====	=====	=====

The NOTES TO FINANCIAL STATEMENTS are an integral part of these statements.

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 (Company's share) million for the Company were made in April 1992 and December 1993 and the remaining refund of approximately \$8.7 (Company's share) 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 a 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:

	1994	1993
	(Dollars in Millions)	
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 costs 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 owners have applied for an early substitution permit to bring the co-owned La Cygne Station under the Phase I regulations.

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 U.S. Court of Appeals for the District of Columbia Circuit in November 1994, 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, WCNO'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 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, 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 (dollars in millions):

	1994	1993	1992	
			April 1 to Dec.31 (Successor)	Jan.1 to March 31 (Predecessor)
<b>Pension Cost:</b>				
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 (dollars in millions):

	1994	1993	1992
<b>Reconciliation of Funded Status:</b>			
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 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 . . . . .	3.0	2.5
Active employees not fully eligible . . . . .	9.4	9.0
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 Western Resources savings plans. Prior to the merger of the savings plans, 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,	Debits	1994 Credits	Total
	(Dollars in Thousands)		
Sources of Deferred Income Taxes:			
Accelerated depreciation and other property items . . . . .	\$ -	\$ (381,800)	\$ (381,800)
Energy and purchased gas 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,	Debits	1993 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 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:

December 31,	Carrying Value		Fair Value	
	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

	In-Service Dates	Company's Ownership at December 31, 1994			Per-cent
		Invest-ment	Accumulated Depreciation	Net (MW)	
		(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. During 1994, the Company declared a dividend to Western Resources of \$125 million.

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

There were no disagreements with accountants on accounting and financial disclosure. Information relating to a change in accountants is incorporated by reference from the Company's Current Report on Form 8-K dated March 8, 1993.

## PART III

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

Western Resources, Inc. owns 100 percent of the Company's outstanding common stock.

Name	Age	Business Experience Since 1988 and Other Directorships Other Than The Company	A Director Continuously Since
Kent R. Brown	49	Chairman of the Board (since June 1992), President and Chief Executive Officer (since March 1992), and prior to that Group Vice President Directorships Bank IV Wichita	1992
Robert T. Crain (a)	69	Owner, Crain Realty, Co., Fort Scott, Kansas Directorships Citizens National Bank Ft. Scott Industries, Inc.	1992(b)
Anderson E. Jackson	61	President, Jackson Mortuary, Wichita, Kansas	1994
Donald A. Johnston (a)	61	President, Maupintour, Inc., Lawrence, Kansas (Escorted Tours and Travel) Directorships Commerce Bank, Lawrence Maupintour, Inc.	1992(b)
Steven L. Kitchen	49	Executive Vice President and Chief Financial Officer, Western Resources, Inc.	1992
Glenn L. Koester	69	Retired Vice President - Nuclear of the Company	1992(b)
James J. Noone (a)	74	Attorney and retired Administrative Judge for the District Court of Sedgwick County, Kansas	1992(b)
Marilyn B. Pauly	45	President (since October 1993) and prior to that Executive Vice President, Bank IV Wichita, Wichita, Kansas Directorships Farmers Mutual Alliance Insurance Company	1994

Name	Age	Business Experience Since 1988 and Other Directorships Other Than The Company	A Director Continuously Since
Newton C. Smith	73	Physician and Surgeon, Arkansas City, Kansas	1992(b)
Richard D. Smith	61	President, Range Oil Company Directorships Bank IV Kansas	1993

- (a) Member of the Audit Committee of which Mr. Johnston is Chairman. The Audit Committee has responsibility for the investigation and review of the financial affairs of the Company and its relations with independent accountants.
- (b) Mr. Crain, Mr. Johnston, Mr. Koester, Mr. Noone, and Mr. Newton Smith were directors of the former Kansas Gas & Electric Company since 1981, 1980, 1986, 1986, and 1985, respectively.

Outside Directors are paid \$3,750 per quarter retainer and are paid an attendance fee of \$600 for Directors' meetings (\$300 if attending by phone). A committee attendance fee of \$800 is paid to the outside Director Audit Committee Chairman, and \$500 to other outside Committee members. All outside Directors are reimbursed mileage and expenses while attending Directors' and Committee Meetings.

During 1994, the Board of Directors met seven times and the Audit Committee met two times. Each director attended at least 75% of the total number of Board and Committee meetings held while he/she served as a director or a member of the committee, except Mr. Richard D. Smith who attended 71% of such meetings.

Other information required by Item 10 is omitted pursuant to General Instruction J(2)(c) to Form 10-K.

#### ITEM 11. EXECUTIVE COMPENSATION

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

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

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

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

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

## PART IV

## ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

The following financial statements are included herein under Item 8.

## FINANCIAL STATEMENTS

Balance Sheets, December 31, 1994 and 1993  
Statements of Income for the year ended December 31, 1994 and 1993  
(Successor), the nine months ended December 31, 1992 (Successor),  
and the three months ended March 31, 1992 (Predecessor)  
Statements of Cash Flows for the year ended December 31, 1994 and 1993  
(Successor), the period March 31 to December 31, 1992 (Successor),  
and the three months ended March 31, 1992 (Predecessor)  
Statements of Taxes for the year ended December 31, 1994 and 1993  
(Successor), the nine months ended December 31, 1992 (Successor),  
and the three months ended March 31, 1992 (Predecessor)  
Statements of Capitalization, December 31, 1994 and 1993  
Statements of Common Stock Equity for the year ended December 31, 1994  
and 1993 (Successor), the nine months ended December 31, 1992  
(Successor), and the three months ended March 31, 1992 (Predecessor)  
Notes to Financial Statements

## REPORTS ON FORM 8-K

None

## EXHIBIT INDEX

All exhibits marked "I" are incorporated herein by reference.

## Description

2(a)	Agreement and Plan of Merger (Filed as Exhibit 2 to Form 10-K for the year ended December 31, 1990, File No. 1-7324)	I
2(b)	Amendment No. 1 to Agreement and Plan of Merger (Filed as Exhibit 2 to Form 10-K for the year ended December 31, 1990, File No. 1-7324)	I
3(a)	Articles of Incorporation (Filed as Exhibit 3(a) to Form 10-K for the year ended December 31, 1992, File No. 1-7324)	I
3(b)	Certificate of Merger of Kansas Gas and Electric Company into KCA Corporation (Filed as Exhibit 3(b) to Form 10-K for the year ended December 31, 1992, File No. 1-7324)	I
3(c)	By-laws as amended (Filed as Exhibit 3(c) to Form 10-K for the year ended December 31, 1992, File No. 1-7324)	I
4(c)1	Mortgage and Deed of Trust, dated as of April 1, 1940 to Guaranty Trust Company of New York (now Morgan Guaranty Trust Company of New York) and Henry A. Theis (to whom W. A. Spooner is successor), Trustees, as supplemented by thirty-eight Supplemental Indentures, dated as of June 1, 1942, March 1, 1948, December 1, 1949, June 1, 1952, October 1, 1953, March 1, 1955, February 1, 1956, January 1, 1961, May 1, 1966, March 1, 1970, May 1, 1971, March 1, 1972, May 31, 1973, July 1, 1975, December 1, 1975, September 1, 1976, March 1, 1977, May 1, 1977, August 1, 1977, March 15, 1978, January 1, 1979, April 1, 1980, July 1, 1980, August 1, 1980, June 1, 1981, December 1, 1981, May 1, 1982, March 15, 1984, September 1, 1984 (Twenty-ninth and Thirtieth), February 1, 1985, April 15, 1986, June 1, 1991 March 31, 1992, December 17, 1992, August 24, 1993, January 15, 1994 and March 1, 1994, (Filed, respectively, as Exhibit A-1 to Form U-1, File No. 70-23; Exhibits 7(b) and 7(c), File No. 2-7405; Exhibit 7(d), File No. 2-8242; Exhibit 4(c), File No. 2-9626; Exhibit 4(c), File No. 2-10465; Exhibit 4(c), File No. 2-12228; Exhibit 4(c), File No. 2-15851; Exhibit 2(b)-1, File No. 2-24680; Exhibit 2(c), File No. 2-36170; Exhibits 2(c) and 2(d), File No. 2-39975; Exhibit 2(d), File No. 2-43053; Exhibit 4(c)2 to Form 10-K, for December 31, 1989, File No. 1-7324; Exhibit 2(c), File No. 2-53765; Exhibit 2(e), File No. 2-55488; Exhibit 2(c), File No. 2-57013; Exhibit 2(c), File No. 2-58180; Exhibit 4(c)3 to Form 10-K for December 31, 1989, File No. 1-7324; Exhibit 2(e), File No. 2-60089; Exhibit 2(c), File No. 2-60777; Exhibit 2(g), File No. 2-64521; Exhibit 2(h), File No. 2-66758; Exhibits 2(d) and 2(e), File No. 2-69620; Exhibits 4(d) and 4(e), File No. 2-75634; Exhibit 4(d), File No. 2-78944; Exhibit 4(d), File No. 2-87532; Exhibits 4(c)4, 4(c)5 and 4(c)6 to Form 10-K for December 31, 1989, File No. 1-7324; Exhibits 4(c)2 and 4(c)3 to Form 10-K for	I



## Description

December 31, 1992, File No. 1-7324; Exhibit 4(b) to Form S-3, File No. 33-50075; Exhibits 4(c)2 and 4(c)3 to Form 10-K for December 31, 1993, File No. 1-7324)

4(c)2 Thirty-ninth Supplemental Indenture dated as of April 15, 1994, to the Company's Mortgage and Deed of Trust (Filed electronically)

Instruments defining the rights of holders of other long-term debt not required to be filed as exhibits will be furnished to the Commission upon request.

10(a)1	Severance Agreement (Filed as Exhibit 10(a)1 to Form 10-K for the year ended December 31, 1990, File No. 1-7324)	I
10(a)2	Severance Agreement (Filed as Exhibit 10(a)2 to Form 10-K for the year ended December 31, 1990, File No. 1-7324)	I
10(a)3	Severance Agreement (Filed as Exhibit 10(a)3 to Form 10-K for the year ended December 31, 1990, File No. 1-7324)	I
10(b)	La Cygne 2 Lease (Filed as Exhibit 10(a) to Form 10-K for the year ended December 31, 1988, File No. 1-7324)	I
10(b)1	Amendment No. 3 to La Cygne 2 Lease Agreement dated as of September 29, 1992 (Filed as Exhibit 10(b)1 to Form 10-K for the year ended December 31, 1992, File No. 1-7324)	I
10(c)	Outside Directors' Deferred Compensation Plan (Filed as Exhibit 10(c) to the Form 10-K for the year ended December 31, 1993, File No. 1-7324)	I
12	Computation of Ratio of Consolidated Earnings to Fixed Charges. (Filed electronically)	
16	Letter re Change in Certifying Accountant (Filed as Exhibit 16 to the Current Report on Form 8-K dated March 8, 1993)	I
23(a)	Consent of Independent Public Accountants, Arthur Andersen LLP (Filed electronically)	
23(b)	Consent of Independent Public Accountants, Deloitte & Touche LLP (Filed electronically)	

SIGNATURE

Pursuant to the requirements of Sections 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

KANSAS GAS AND ELECTRIC COMPANY

March 29, 1995

By KENT R. BROWN  
Kent R. Brown, Chairman of the Board,  
President and Chief Executive Officer



[CONFORMED]

=====
KANSAS GAS AND ELECTRIC COMPANY

TO

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK
(formerly Guaranty Trust Company of New York)

AND

W. A. SPOONER
(successor to Henry A. Theis, Oliver R. Brooks,
Wesley L. Baker, Edwin F. McMichael and R. Amundsen)

as Trustees under Kansas Gas and Electric Company's
Mortgage and Deed of Trust, Dated as of April 1, 1940

THIRTY-NINTH SUPPLEMENTAL INDENTURE, as corrected\*

Providing, among other things, for

First Mortgage Bonds, 7-1/2% Series A Due 2032

and

First Mortgage Bonds, 7-1/2% Series B Due 2027

and

First Mortgage Bonds, 7-1/2% Series C Due 2032

Dated as of April 15, 1994

\* Correcting Article I, Section 1, paragraphs (II) and (III); Section 1, paragraphs (II) and (III); and, Article III, Section 1, paragraphs (II) and (III) by deleting references to the term "Bond Fund" from, and correcting certain typographical errors in, the Thirty-Ninth Supplemental Indenture filed in the office of the Register of Deeds of Sedgwick County, Kansas (filed on April 21, 1994, Film 1438, pages 1663-1686), and Office of Secretary of the State of Kansas (filed on April 22, 1994 and indexed at No. 2015521).

THIRTY-NINTH SUPPLEMENTAL INDENTURE

INDENTURE, dated as of April 15, 1994, between KANSAS GAS AND ELECTRIC COMPANY, a corporation of the State of Kansas (formerly named KCA Corporation and successor by merger to Kansas Gas and Electric Company, a corporation of the State of Kansas, hereinafter sometimes called the ``Company-Kansas''), whose post office address is 120 East First Street, Wichita, Kansas 67202 (hereinafter sometimes called the ``Company''), and MORGAN GUARANTY TRUST COMPANY OF NEW YORK (formerly Guaranty Trust Company of New York), a corporation of the State of New York, whose post office address is 60 Wall Street, New York, New York 10260-0060 (hereinafter sometimes called the ``Corporate Trustee''), and W. A. SPOONER (successor to Henry A. Theis, Oliver R. Brooks, Wesley L. Baker, Edwin F. McMichael and R. Amundsen, and being hereinafter sometimes called the ``Individual Trustee''), whose post office address is 1 Juliet Court, Old Bridge, New Jersey 08857 (the Corporate Trustee and the Individual Trustee being hereinafter together sometimes called the ``Trustees''), as Trustees under the Mortgage and Deed of Trust, dated as of April 1, 1940 (hereinafter called the ``Mortgage''), which Mortgage was executed and delivered by Kansas Gas and Electric Company, a corporation of the State of West Virginia to which the Company-Kansas was successor by merger

(hereinafter sometimes called the ``Company-West Virginia''), to secure the payment of bonds issued or to be issued under and in accordance with the provisions of the Mortgage, reference to which Mortgage is hereby made, this Indenture (hereinafter sometimes called the ``Thirty-ninth Supplemental Indenture'') being supplemental thereto;

WHEREAS, the Company-West Virginia caused the Mortgage to be filed for record as a mortgage of real property and as a chattel mortgage in the offices of the Registers of Deeds in various counties in the State of Kansas, and on April 25, 1940 paid to the Register of Deeds of Sedgwick County, Kansas, that being the County in which the Mortgage was first filed for record, the sum of \$40,000 in payment of the Kansas mortgage registration tax as provided by Section 79-3101 et seq., General Statutes of Kansas 1935; and

WHEREAS, by the Mortgage, the Company-West Virginia covenanted that it would execute and deliver such supplemental indenture or indentures and such further instruments and do such further acts as might be necessary or proper to carry out more effectually the purposes of the Mortgage and to make subject to the lien of the Mortgage any property thereafter acquired, intended to be subject to the lien thereof; and

WHEREAS, an instrument, dated May 31, 1949, was executed by the Company-West Virginia appointing Oliver R. Brooks as Individual Trustee in succession to said Henry A. Theis, resigned, under the Mortgage, and by Oliver R. Brooks accepting the appointment as Individual Trustee under the Mortgage in succession to said Henry A. Theis, which instrument was filed for record in the offices of the Registers of Deeds in various counties in the State of Kansas; and

WHEREAS, an instrument, dated March 3, 1958, was executed by the Company-West Virginia appointing Wesley L. Baker as Individual Trustee in succession to said Oliver R. Brooks, resigned, under the Mortgage, and by Wesley L. Baker accepting the appointment as Individual Trustee under the Mortgage in succession to said Oliver R. Brooks, which instrument was filed for record in the offices of the Registers of Deeds in various counties in the State of Kansas; and

WHEREAS, an instrument, dated November 20, 1969, was executed by the Company-West Virginia appointing Edwin F. McMichael as Individual Trustee in succession to said Wesley L. Baker, resigned, under the Mortgage, and by Edwin F. McMichael accepting the appointment as Individual Trustee under the Mortgage in succession to said Wesley L. Baker, which instrument was filed for record in the offices of the Registers of Deeds in various counties in the State of Kansas; and

WHEREAS, by the Twenty-seventh Supplemental Indenture mentioned below, the Company-Kansas, among other things, appointed R. Amundsen as Individual Trustee in succession to said Edwin F. McMichael, resigned, under the Mortgage, and by R. Amundsen accepting the appointment as Individual Trustee under the Mortgage in succession to said Edwin F. McMichael; and

WHEREAS, by the Thirty-second Supplemental Indenture mentioned below, the Company-Kansas, among other things, appointed W. A. Spooner as Individual Trustee in succession to said R. Amundsen, resigned, under the Mortgage, and by W. A. Spooner accepting the appointment as Individual Trustee under the Mortgage in succession to said R. Amundsen; and

WHEREAS, the Company-West Virginia executed and delivered to the Trustees a First Supplemental Indenture, dated as of June 1, 1942 (which supplemental indenture is hereinafter sometimes called the ``First Supplemental Indenture''); and

WHEREAS, the Company-West Virginia caused the First Supplemental Indenture to be filed for record as a mortgage of real property and as a chattel mortgage in the offices of the Registers of Deeds in various counties in the State of Kansas, but paid no mortgage registration tax in connection with the recordation of the First Supplemental Indenture, no such tax having been payable in connection with such recordation; and

WHEREAS, the Company-West Virginia executed and delivered to the Trustees the following supplemental indentures:

Designation	Dated as of
Second Supplemental Indenture . . . . .	March 1, 1948
Third Supplemental Indenture . . . . .	December 1, 1949

Fourth Supplemental Indenture . . . . .	June 1, 1952
Fifth Supplemental Indenture . . . . .	October 1, 1953
Sixth Supplemental Indenture . . . . .	March 1, 1955
Seventh Supplemental Indenture . . . . .	February 1, 1956
Eighth Supplemental Indenture . . . . .	January 1, 1961
Ninth Supplemental Indenture . . . . .	May 1, 1966
Tenth Supplemental Indenture . . . . .	March 1, 1970
Eleventh Supplemental Indenture . . . . .	May 1, 1971
Twelfth Supplemental Indenture . . . . .	March 1, 1972

which supplemental indentures are hereinafter sometimes called the Second through Twelfth Supplemental Indentures, respectively; and

WHEREAS, the Company-West Virginia caused the Second through Eighth Supplemental Indentures to be filed for record as a mortgage of real property and as a chattel mortgage in the offices of the Registers of Deeds in various counties in the State of Kansas, and caused the Ninth through Twelfth Supplemental Indentures to be filed for record as a mortgage of real property in the offices of the Registers of Deeds in various counties in the State of Kansas and as a chattel mortgage in the Office of the Secretary of State of Kansas, and on the following dates paid to the Register of Deeds of Sedgwick County, Kansas, that being the County in which the Second through Twelfth Supplemental Indentures were first filed for record as a mortgage of real property, the following amounts:

Date	Amount
March 30, 1948 . . . . .	\$12,500
December 7, 1949 . . . . .	7,500
June 17, 1952 . . . . .	30,000
October 21, 1953 . . . . .	25,000
March 22, 1955 . . . . .	25,000
March 5, 1956 . . . . .	17,500
January 24, 1961 . . . . .	17,500
May 17, 1966 . . . . .	40,000
March 10, 1970 . . . . .	87,500
May 19, 1971 . . . . .	87,500
March 23, 1972 . . . . .	62,500

such amounts being in payment of the Kansas mortgage registration tax as provided by the then currently applicable sections of the statutes of the State of Kansas in effect on those dates; and

WHEREAS, the Company-West Virginia was merged into the Company-Kansas on May 31, 1973; and

WHEREAS, in order to evidence the succession of the Company-Kansas to the Company-West Virginia and the assumption by the Company-Kansas of the covenants and conditions of the Company-West Virginia in the bonds and in the Mortgage contained, and to enable the Company-Kansas to have and exercise the powers and rights of the Company-West Virginia under the Mortgage in accordance with the terms thereof, the Company-Kansas executed and delivered to the Trustees a Thirteenth Supplemental Indenture, dated as of May 31, 1973 (which supplemental indenture is hereinafter sometimes called the ``Thirteenth Supplemental Indenture''); and

WHEREAS, the Company-Kansas caused the Thirteenth Supplemental Indenture to be filed for record as a mortgage of real property in the offices of the Registers of Deeds in various counties in the State of Kansas and as a chattel mortgage in the Office of the Secretary of State of Kansas, but paid no mortgage registration tax in connection with the recordation of the Thirteenth Supplemental Indenture, no such tax having been payable in connection with such recordation; and

WHEREAS, the Company-Kansas executed and delivered to the Trustees the following supplemental indentures:

Designation	Dated as of
Fourteenth Supplemental Indenture . . . . .	July 1, 1975
Fifteenth Supplemental Indenture . . . . .	December 1, 1975
Sixteenth Supplemental Indenture . . . . .	September 1, 1976
Seventeenth Supplemental Indenture . . . . .	March 1, 1977
Eighteenth Supplemental Indenture . . . . .	May 1, 1977
Nineteenth Supplemental Indenture . . . . .	August 1, 1977
Twentieth Supplemental Indenture . . . . .	March 15, 1978
Twenty-first Supplemental Indenture . . . . .	January 1, 1979
Twenty-second Supplemental Indenture . . . . .	April 1, 1980
Twenty-third Supplemental Indenture . . . . .	July 1, 1980

Twenty-fourth Supplemental Indenture . . . . .	August 1, 1980
Twenty-fifth Supplemental Indenture. . . . .	June 1, 1981
Twenty-sixth Supplemental Indenture. . . . .	December 1, 1981
Twenty-seventh Supplemental Indenture. . . . .	May 1, 1982
Twenty-eighth Supplemental Indenture . . . . .	March 15, 1984
Twenty-ninth Supplemental Indenture. . . . .	September 1, 1984
Thirtieth Supplemental Indenture . . . . .	September 1, 1984
Thirty-first Supplemental Indenture. . . . .	February 1, 1985
Thirty-second Supplemental Indenture . . . . .	April 15, 1986
Thirty-third Supplemental Indenture. . . . .	June 1, 1991
Thirty-fourth Supplemental Indenture . . . . .	March 31, 1992
Thirty-fifth Supplemental Indenture. . . . .	December 17, 1992
Thirty-sixth Supplemental Indenture. . . . .	August 12, 1993
Thirty-seventh Supplemental Indenture. . . . .	January 15, 1994
Thirty-eighth Supplemental Indenture . . . . .	March 1, 1994

which supplemental indentures are hereinafter sometimes called the Fourteenth through Thirty-eighth Supplemental Indentures, respectively; and

WHEREAS, the Company-Kansas caused the Fourteenth Supplemental Indenture to be filed for record as a mortgage of real property in the offices of the Registers of Deeds in various counties in the State of Kansas and as a chattel mortgage in the Office of the Secretary of State of Kansas; and

WHEREAS, the Company-Kansas caused the Fifteenth Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on December 10, 1975, Film 169, page 363), and as a chattel mortgage in the Office of the Secretary of State of Kansas (filed on December 10, 1975 and indexed as No. 325,911); and

WHEREAS, the Company-Kansas caused the Sixteenth Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on September 29, 1976, Film 211, page 363), and as a chattel mortgage in the Office of the Secretary of State of Kansas (filed on September 29, 1976 and indexed as No. 363,835); and

WHEREAS, the Company-Kansas caused the Seventeenth Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on March 16, 1977, Film 234, page 492), and as a chattel mortgage in the Office of the Secretary of State of Kansas (filed on March 1, 1977 and indexed as No. 384,759); and

WHEREAS, the Company-Kansas caused the Eighteenth Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on May 26, 1977, Film 246, page 655), and as a chattel mortgage in the Office of the Secretary of State of Kansas (filed on May 26, 1977 and indexed as No. 394,573); and

WHEREAS, the Company-Kansas caused the Nineteenth Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on August 31, 1977, Film 263, page 882), and as a chattel mortgage in the Office of the Secretary of State of Kansas (filed on September 1, 1977 and indexed as No. 406,577); and

WHEREAS, the Company-Kansas caused the Twentieth Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on March 29, 1978, Film 297, pages 635-656), and as a chattel mortgage in the Office of the Secretary of State of Kansas (filed on March 30, 1978 and indexed as No. 434,072); and

WHEREAS, the Company-Kansas caused the Twenty-first Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on January 9, 1979, Film 345, page 648), and as a chattel mortgage in the Office of the Secretary of State of Kansas (filed on January 10, 1979 and indexed as No. 470,851); and

WHEREAS, the Company-Kansas caused the Twenty-second Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on April 2, 1980, Film 413, page 1,468), and as a chattel mortgage in the Office of the Secretary of State of Kansas (filed on April 3, 1980 and indexed as No. 533,415); and

WHEREAS, the Company-Kansas caused the Twenty-third Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on July 1, 1980, Film 425, page 1,003), and as a chattel mortgage in the Office of the Secretary of State of Kansas (filed on July 2, 1980 and indexed as No. 546,185); and

WHEREAS, the Company-Kansas caused the Twenty-fourth Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on August 28, 1980, Film 435, page 266), and as a chattel mortgage in the Office of the Secretary of State of Kansas (filed on August 29, 1980 and indexed as No. 554,543); and

WHEREAS, the Company-Kansas caused the Twenty-fifth Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on June 30, 1981, Film 483, page 1,512), and as a chattel mortgage in the Office of the Secretary of State of Kansas (filed on June 30, 1981 and indexed as No. 601,270); and

WHEREAS, the Company-Kansas caused the Twenty-sixth Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on December 30, 1981, Film 510, page 300), and as a chattel mortgage in the Office of the Secretary of State of Kansas (filed on December 31, 1981 and indexed as No. 628,293); and

WHEREAS, the Company-Kansas caused the Twenty-seventh Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on May 6, 1982, Film 526, page 1,141), and as a chattel mortgage in the Office of the Secretary of State of Kansas (filed on May 7, 1982 and indexed as No. 650,115); and

WHEREAS, the Company-Kansas caused the Twenty-eighth Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on March 22, 1984, Film 645, page 1,524), and as a chattel mortgage in the Office of the Secretary of State of Kansas (filed on March 23, 1984 and indexed as No. 796,449); and

WHEREAS, the Company-Kansas caused the Twenty-ninth Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on September 5, 1984, Film 681, page 763), and as a chattel mortgage in the Office of the Secretary of State of Kansas (filed on September 6, 1984 and indexed as No. 852,425); and

WHEREAS, the Company-Kansas caused the Thirtieth Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on September 12, 1984, Film 682, page 1,087), and as a chattel mortgage in the Office of the Secretary of State of Kansas (filed on September 13, 1984 and indexed as No. 854,284); and

WHEREAS, the Company-Kansas caused the Thirty-third Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on June 18, 1991, Film 1177, page 0876), and as a security agreement in the Office of Secretary of State of Kansas (filed on June 18, 1991 and indexed as No. 1,693,446); and

WHEREAS, the Company on the following dates paid to the Register of Deeds of Sedgwick County, Kansas, that being the County in which the Fourteenth through Thirtieth Supplemental Indentures and the Thirty-third Supplemental Indenture were first filed for record as a mortgage of real property, the following amounts:

Date	Amount
July 2, 1975. . . . .	\$100,000
December 10, 1975 . . . . .	48,750
September 29, 1976. . . . .	62,500
March 16, 1977. . . . .	62,500
May 26, 1977. . . . .	25,000
August 31, 1977 . . . . .	6,100
March 29, 1978. . . . .	62,500
January 9, 1979 . . . . .	36,250
April 2, 1980 . . . . .	67,500
July 1, 1980. . . . .	37,500
August 28, 1980 . . . . .	63,750



June 30, 1981 . . . . .	75,000
December 30, 1981 . . . . .	62,500
May 6, 1982 . . . . .	100,000
March 22, 1984. . . . .	93,750
September 5, 1984 . . . . .	75,000
September 12, 1984. . . . .	50,000
June 18, 1991 . . . . .	334,100

such amounts being in payment of the Kansas mortgage registration tax as provided by the then currently applicable sections of the statutes of the State of Kansas in effect on those dates; and

WHEREAS, the Company-Kansas caused the Thirty-first Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on February 1, 1985, Film 707, page 378), and as a chattel mortgage in the Office of the Secretary of State of Kansas (filed on February 4, 1985 and indexed as No. 895,468), but paid no mortgage registration tax in connection with the recordation of the Thirty-first Supplemental Indenture, no such tax having been payable in connection with such recordation; and

WHEREAS, the Company-Kansas caused the Thirty-second Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on April 16, 1986, Film 791, page 1,336), and as a chattel mortgage in the Office of the Secretary of State of Kansas (filed on April 17, 1986 and indexed as No. 1,048,212), but paid no mortgage registration tax in connection with the recordation of the Thirty-second Supplemental Indenture, no such tax having been payable in connection with such recordation; and

WHEREAS, in order to evidence the succession of the Company to the Company-Kansas and the assumption by the Company of the covenants and conditions of the Company-Kansas in the bonds and in the Mortgage contained, and to enable the Company to have and exercise the powers and rights of the Company-Kansas under the Mortgage in accordance with the terms thereof, the Company executed and delivered to the Trustees a Thirty-fourth Supplemental Indenture, dated as of March 31, 1992 (which supplemental indenture is hereinafter sometimes called the ``Thirty-fourth Supplemental Indenture''); and

WHEREAS, the Company-Kansas caused the Thirty-fourth Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on March 31, 1992, Film 1236, page 987), and as a security agreement in the Office of Secretary of State of Kansas (filed on March 31, 1992 and indexed as No. 1,780,893), but paid no mortgage registration tax in connection with the recordation of the Thirty-fourth Supplemental Indenture, no such tax having been payable in connection with such recordation; and

WHEREAS, the Company caused the Thirty-fifth Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on December 16, 1992, Film 301, page 0104), and as a security agreement in the Office of Secretary of State of Kansas (filed on December 16, 1992 and indexed as No. 1,861,886), but paid no mortgage registration tax in connection with the recordation of the Thirty-fifth Supplemental Indenture, no such tax having been payable in connection with such recordation; and

WHEREAS, the Company-Kansas caused the Thirty-sixth Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on August 10, 1993, Film 1364, page 0515), and as a security agreement in the Office of Secretary of State of Kansas (filed on August 11, 1993 and indexed as No. 1,936,501), but paid no mortgage registration tax in connection with the recordation of the Thirty-sixth Supplemental Indenture, no such tax having been payable in connection with such recordation; and

WHEREAS, the Company-Kansas caused the Thirty-seventh Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on January 18, 1994, Film 1411, page 0710), and as a security agreement in the Office of Secretary of State of Kansas (filed on January 18, 1994 and indexed as No. 1,985,104), but paid no mortgage registration tax in connection with the recordation of the Thirty-seventh Supplemental Indenture, no such tax having been payable in connection with such recordation; and

WHEREAS, the Company-Kansas caused the Thirty-eighth Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on February 28, 1994, Film 1422, page 1046), and as a security agreement in the Office of Secretary of State of Kansas (filed on February 28, 1994, and indexed as No. 1,997,743), but paid no mortgage restriction tax in connection with the recordation of the Thirty-eighth Supplemental Indenture, no such tax having been payable in connection with such recordation; and

WHEREAS, the Company-West Virginia, the Company-Kansas or the Company has from time to time caused to be filed in the respective offices of the above-mentioned Registers of Deeds and Secretary of State affidavits executed by the Trustees under the Mortgage, preserving and continuing the lien thereof either as a chattel mortgage in accordance with the provisions of K.S.A. 58-303 (Section 58-303 of the General Statutes of Kansas 1935) or as a security agreement under the provisions of K.S.A. 84-9-401 et seq.; and

WHEREAS, in addition to the aforesaid filings for record in the respective offices of the above-mentioned Registers of Deeds, the Company-West Virginia, the Company-Kansas or the Company has filed copies of the Mortgage and the First through Thirty-eighth Supplemental Indentures, certified as true by it, with the Secretary of State of Kansas; and

WHEREAS, the Company-West Virginia, the Company-Kansas or the Company has heretofore issued, in accordance with the provisions of the Mortgage, as heretofore supplemented, the following series of First Mortgage Bonds:

Principal Amount Series	Principal Amount Issued	Outstanding
3-3/8% Series due 1970. . .	\$16,000,000	None
3-1/8% Series due 1978. . .	5,000,000	None
2-3/4% Series due 1979. . .	3,000,000	None
3-3/8% Series due 1982. . .	12,000,000	None
3-5/8% Series due 1983. . .	10,000,000	None
3-3/8% Series due 1985. . .	10,000,000	None
3-3/8% Series due 1986. . .	7,000,000	None
4-5/8% Series due 1991. . .	7,000,000	None
5-5/8% Series due 1996. . .	16,000,000	\$16,000,000
8-1/2% Series due 2000. . .	35,000,000	None
8-1/8% Series due 2001. . .	35,000,000	None
7-3/8% Series due 2002. . .	25,000,000	None
9-5/8% Series due 2005. . .	40,000,000	None
6% Series due 1985. . . .	7,000,000	None
7-3/4% Series due 2005. . .	12,500,000	None
8-3/8% Series due 2006. . .	25,000,000	None
8-1/2% Series due 2007. . .	25,000,000	None
6% Series due 2007. . . .	10,000,000	10,000,000*
5-7/8% Series due 2007. . .	21,940,000	21,940,000*
8-7/8% Series due 2008. . .	30,000,000	None
6.80% Series due 2004 . . .	14,500,000	14,500,000*
16-1/4% Series due 1987 . .	30,000,000	None
6-1/2% Series due 1983. . .	15,000,000	None
7-1/4% Series due 1983. . .	25,500,000	None
14-7/8% Series due 1987-1991	30,000,000	None
16% Series due 1996 . . . .	25,000,000	None
15-3/4% Series due 1989 . .	40,000,000	None
13-1/2% Series due 1989 . .	100,000,000	None
14.05% Series due 1991. . .	30,000,000	None
14-1/8% Series due 1991 . .	20,000,000	None
10-7/8% Series due 1987 . .	30,000,000	None
9-3/4% Series due 2016. . .	50,000,000	None
7.00% Series A due 2031 . .	18,900,000	18,900,000
7.00% Series B due 2031 . .	308,600,000	308,600,000
7.60% Series due 2003 . . .	135,000,000	135,000,000
6-1/2% Series due 2005. . .	65,000,000	65,000,000
6.20% Series due 2006 . . .	100,000,000	100,000,000
5.10% Series due 2023 . . .	13,982,500	13,982,500

\* Upon the issuance of the Thirty-ninth Series, Fortieth Series and Forty-first Series pursuant to this Supplemental Indenture and deposit of the proceeds plus additional funds from the Company with the St. Marys, La Cygne and Wamego

Trustees, these series will no longer be Outstanding.

hereinafter sometimes called Bonds of the First through Thirty-eighth Series; and

WHEREAS, Section 8 of the Mortgage provides that the form of each series of bonds (other than the First Series) issued thereunder and of the coupons to be attached to the coupon bonds of such series shall be established by Resolution of the Board of Directors of the Company and that the form of such series, as established by said Board of Directors, shall specify the descriptive title of the bonds and various other terms thereof, and may also contain such provisions not inconsistent with the provisions of the Mortgage as the Board of Directors may, in its discretion, cause to be inserted therein expressing or referring to the terms and conditions upon which such bonds are to be issued and/or secured under the Mortgage; and

WHEREAS, Section 120 of the Mortgage provides, among other things, that any power, privilege or right expressly or impliedly reserved to or in any way conferred upon the Company by any provision of the Mortgage whether such power, privilege or right is in any way restricted or is unrestricted, may be in whole or in part waived or surrendered or subjected to any restriction if at the time unrestricted or to additional restriction if already restricted, and the Company may enter into any further covenants, limitations or restrictions for the benefit of any one or more series of bonds issued thereunder, or the Company may cure any ambiguity contained therein or in any supplemental indenture, or may establish the terms and provisions of any series of bonds other than said First Series, by an instrument in writing executed and acknowledged by the Company in such manner as would be necessary to entitle a conveyance of real estate to record in all of the states in which any property at the time subject to the lien of the Mortgage shall be situated; and

WHEREAS, the Company now desires to create a new series of bonds; and

WHEREAS, the execution and delivery by the Company of this Thirty-ninth Supplemental Indenture, and the terms of the bonds of the Thirty-ninth Series, Fortieth Series, and Forty-first Series, hereinafter referred to, have been duly authorized by the Board of Directors of the Company by appropriate Resolutions of said Board of Directors;

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

That Kansas Gas and Electric Company, in consideration of the premises and of One Dollar (\$1) to it duly paid by the Trustees at or before the ensembling and delivery of these presents, the receipt whereof is hereby acknowledged, and in further evidence of assurance of the estate, title and rights of the Trustees and in order further to secure the payment both of the principal of and interest and premium, if any, on the bonds from time to time issued under the Mortgage, according to their tenor and effect and the performance of all the provisions of the Mortgage (including any instruments supplemental thereto and any modification made as in the Mortgage provided) and of said bonds, hereby grants, bargains, sells, releases, conveys, assigns, transfers, mortgages, pledges, sets over and confirms (subject, however, to Excepted Encumbrances as defined in Section 6 of the Mortgage) unto Morgan Guaranty Trust Company of New York and to W. A. Spooner, as Trustees under the Mortgage, and to their successor or successors in said trust, and to said Trustees and their successors and assigns forever, all property, real, personal and mixed, acquired by the Company after the date of the execution and delivery of the Mortgage, in addition to property covered by the First through the Thirty-eighth Supplemental Indentures (except any herein or in the Mortgage, as heretofore supplemented, expressly excepted), now owned or, subject to the provisions of Section 87 of the Mortgage, hereafter acquired by the Company and wheresoever situated, including (without in anywise limiting or impairing by the enumeration of the same the scope and intent of the foregoing or of any general description contained in this Thirty-ninth Supplemental Indenture) all lands, flowage rights, water rights, flumes, raceways, dams, rights of way and roads; all steam and power houses, gas plants, street lighting systems, standards and other equipment incidental thereto, telephone, radio and television systems, air-conditioning systems and equipment incidental thereto, water works, steam heat and hot water plants, lines, service and supply systems, bridges, culverts, tracks, rolling stock, ice or refrigeration plants and equipment, street and interurban railway systems, offices, buildings and other structures and the equipment thereof; all machinery, engines, boilers, dynamos,

electric and gas machines, regulators, meters, transformers, generators, motors, electrical, gas and mechanical appliances, conduits, cables, water, steam heat, gas or other pipes, gas mains and pipes, service pipes, fittings, valves and connections, pole and transmission lines, wires, cables, tools, implements, apparatus, furniture, chattels and choses in action; all municipal and other franchises; all lines for the transmission and distribution of electric current, gas, steam heat or water for any purpose, including poles, wires, cables, pipes, conduits, ducts and all apparatus for use in connection therewith; all real estate, lands, easements, servitudes, licenses, permits, franchises, privileges, rights of way and other rights in or relating to real estate or the occupancy of the same and (except as herein or in the Mortgage, as heretofore supplemented, expressly excepted), all the right, title and interest of the Company in and to all other property of any kind or nature appertaining to and/or used and/or occupied and/or enjoyed in connection with any property hereinbefore or in the Mortgage, as heretofore supplemented, described.

TOGETHER WITH all and singular the tenements, hereditaments and appurtenances belonging or in anywise appertaining to the aforesaid property or any part thereof, with the reversion and reversions, remainder and remainders and (subject to the provisions of Section 57 of the Mortgage) the tolls, rents, revenues, issues, earnings, income, product and profits thereof, and all the estate, right, title and interest and claim whatsoever, at law as well as in equity, which the Company now has or may hereafter acquire in and to the aforesaid property and franchises and every part and parcel thereof.

IT IS HEREBY AGREED by the Company that, subject to the provisions of Section 87 of the Mortgage, all the property, rights and franchises acquired by the Company after the date hereof (except any herein or in the Mortgage, as heretofore supplemented, expressly excepted), shall be as fully embraced within the lien hereof and the lien of the Mortgage, as if such property, rights and franchises were now owned by the Company and were specifically described herein and conveyed hereby.

PROVIDED that the following are not and are not intended to be now or hereafter granted, bargained, sold, released, conveyed, assigned, transferred, mortgaged, pledged, set over or confirmed hereunder and are hereby expressly excepted from the lien and operation of this Thirty-ninth Supplemental Indenture and from the lien and operation of the Mortgage, viz.: (1) cash, shares of stock and obligations (including bonds, notes and other securities) not hereafter specifically pledged, paid, deposited or delivered under the Mortgage or covenanted so to be; (2) merchandise, equipment, materials or supplies held for the purpose of sale in the usual course of business and fuel, oil and similar materials and supplies consumable in the operation of any properties of the Company; vehicles and automobiles; (3) bills, notes and accounts receivable, and all contracts, leases and operating agreements not specifically pledged under the Mortgage or covenanted so to be; and (4) electric energy, and other materials or products generated, manufactured, produced or purchased by the Company for sale, distribution or use in the ordinary course of its business; provided, however, that the property and rights expressly excepted from the lien and operation of the Mortgage and this Thirty-ninth Supplemental Indenture in the above subdivisions (2) and (3) shall (to the extent permitted by law) cease to be so excepted in the event that either or both of the Trustees or a receiver or trustee shall enter upon and take possession of the Mortgaged and Pledged Property in the manner provided in Article XII of the Mortgage by reason of the occurrence of a Default as defined in said Article XII.

THERE is expressly excepted from the lien of the Mortgage and from the lien hereof all property of the Company located in the State of Missouri now owned or hereafter acquired unless such property in the State of Missouri shall be subjected to the lien of the Mortgage by an indenture or indentures supplemental thereto, pursuant to authorization by the Board of Directors of the Company.

TO HAVE AND TO HOLD all such properties, real, personal and mixed, granted, bargained, sold, released, conveyed, assigned, transferred, mortgaged, pledged, set over or confirmed by the Company as aforesaid, or intended so to be, unto the Trustees, their successors and assigns forever.

IN TRUST NEVERTHELESS, for the same purposes and upon the same terms, trusts and conditions and subject to and with the same provisos and covenants as are set forth in the Mortgage, as supplemented, this Thirty-ninth Supplemental Indenture being supplemental thereto.

AND IT IS HEREBY COVENANTED by the Company that all the terms, conditions, provisos, covenants and provisions contained in the Mortgage, as supplemented, shall affect and apply to the property hereinbefore described and conveyed and to the estate, rights, obligations and duties of the Company and Trustees and the beneficiaries of the trust with respect to said property, and to the Trustees and their successors as Trustees of said property in the same manner and with the same effect as if the said property had been owned by the Company at the time of the execution of the Mortgage, and had been specifically and at length described in and conveyed to the Trustees by the Mortgage as a part of the property therein stated to be conveyed.

The Company further covenants and agrees to and with the Trustees and their successors in said trust under the Mortgage, as follows:

#### ARTICLE I.

##### THIRTY-NINTH SERIES OF BONDS

SECTION 1. (I) There shall be a series of bonds designated ``7-1/2% Series A due 2032'' (herein sometimes referred to as the ``Thirty-ninth Series''), each of which shall also bear the descriptive title, First Mortgage Bond, and the form thereof, which is established by Resolution of the Board of Directors of the Company, shall contain suitable provisions with respect to the matters hereinafter in this Article I specified. Bonds of the Thirty-ninth Series shall be limited to \$14,500,000 in aggregate principal amount, except as provided in Section 16 of the Mortgage, shall mature on April 15, 2032, and shall be issued as fully registered bonds in denominations of Five Thousand Dollars and in any multiple or multiples of Five Thousand Dollars. Bonds of the Thirty-ninth Series shall bear interest at the rate of 7-1/2% per annum, payable on the Interest Payment Date for the 1994 St. Marys Bonds, commencing June 21, 1994, on which date interest from April 28, 1994 will be payable, and thereafter, the Bonds of the Thirty-ninth Series shall bear interest from the Business Day following the preceding Interest Payment Date for the 1994 St. Marys Bonds. The principal of and interest on bonds of the Thirty-ninth Series shall be payable at the office or agency of the Company in the Borough of Manhattan, The City of New York, in such coin or currency of the United States of America as at the time of payment is legal tender for public and private debts. Bonds of the Thirty-ninth Series shall be dated as in Section 10 of the Mortgage provided.

(II) Upon the redemption, in whole or in part, of the City of St. Marys, Kansas, Pollution Control Revenue Refunding Bonds (Kansas Gas and Electric Company Project) Series 1994 (hereinafter referred to as the ``1994 St. Marys Bonds''), issued under the Indenture of Trust, dated as of April 15, 1994 (hereinafter referred to as the ``St. Marys Indenture''), of the City of St. Marys, Kansas, bonds of the Thirty-ninth Series shall be redeemed in whole or in like part. To effect the redemption of bonds of the Thirty-ninth Series, the trustee under the St. Marys Indenture (hereinafter referred to as the ``St. Marys Trustee'') shall deliver to the Corporate Trustee (and mail a copy thereof to the Company) a written demand (hereinafter referred to as a ``St. Marys Redemption Demand'') for the redemption of bonds of the Thirty-ninth Series equal in principal amount to the principal amount of the 1994 St. Marys Bonds to be redeemed. The St. Marys Redemption Demand shall be signed by the President, a Vice President, an Assistant Vice President or a Trust Officer of the St. Marys Trustee and shall state: (1) the aggregate principal amount of the 1994 St. Marys Bonds then outstanding under the St. Marys Indenture; (2) the principal amount of the 1994 St. Marys Bonds to be redeemed; (3) the interest thereon to be payable on the redemption date; (4) the redemption date and that notice thereof has been given as required in the St. Marys Indenture; (5) in the case of an optional redemption of the 1994 St. Marys Bonds, that the Company has informed the St. Marys Trustee that the Company intends to deposit sufficient available funds with the St. Marys Trustee to effect such redemption; and (6) that the Corporate Trustee is thereby instructed to call for redemption bonds of the Thirty-ninth Series equal in principal amount to the principal amount of the 1994 St. Marys Bonds specified in (2) above. The St. Marys Redemption Demand shall also contain a waiver of notice of such redemption by the St. Marys Trustee, as holder of all bonds of the Thirty-ninth Series then outstanding. The Corporate Trustee may conclusively presume the statements contained in the St. Marys Redemption Demand to be correct.

Except as provided in the next sentence, redemption of bonds of the Thirty-ninth Series shall be at the principal amount of the bonds

to be redeemed, together with accrued interest to the redemption date, and such amount shall become and be due and payable on the redemption date. In the event the 1994 St. Marys Bonds bear interest at a Long-Term Interest Rate (as defined in the St. Marys Indenture), the bonds of the Thirty-ninth Series will be redeemable as follows: If the 1994 St. Marys Bonds bear interest at the Long-Term MATES Rate (as defined in the St. Marys Indenture), the bonds of the Thirty-ninth Series shall be redeemable at the same percentages of their principal amount and during the same call periods as are established under the St. Marys Indenture with respect to the 1994 St. Marys Bonds, plus accrued interest to the date of redemption. If, on the date the 1994 St. Marys Bonds begin to bear a Long-Term Interest Rate ("Effective Date"), the length of the Long-Term Interest Rate Period falls within one of the entries in the Long-Term Interest Rate Period column, the bonds of the Thirty-ninth Series will not be redeemable for the number of years after the Effective Date shown in the No-call Period column. After the No-call Period, the bonds of the Thirty-ninth Series may be redeemed at the percentage of the principal amount shown in the Initial Premium column. The premium will decline every six months by one-half of one percentage point until the bonds of the Thirty-ninth Series are redeemable without premium.

Long-Term Interest Rate Period

Greater Than	But Less Than Or Equal To	No-Call Period	Initial Premium
15 years	N/A	10 years	102%
10 years	15 years	7 years	101.5
7 years	10 years	5 years	101
4 years	7 years	3 years	101
3 years	4 years	2 years	100.5
2 years	3 years	1 year	100.5
1 year	2 years	1 year	100

The Company hereby covenants that it shall notify the Corporate Trustee no later than thirty days after the date, if any, on which the 1994 St. Marys Bonds commence bearing a Long-Term Interest Rate, such notice to set forth the Long-Term Interest Rate Period then in effect for the 1994 St. Marys Bonds; and of any change to the redemption table if different from above.

The Company hereby covenants that if a St. Marys Redemption Demand shall be delivered to the Trustee, the Company, except as otherwise provided in paragraph (III) of this Section 1, will deposit, on or before the redemption date, with the Corporate Trustee, in accordance with Article X of the Mortgage, an amount in cash sufficient to redeem the bonds of the Thirty-ninth Series so called for redemption.

(III) All bonds of the Thirty-ninth Series shall be pledged by the Company with the St. Marys Trustee to secure the payment of the principal of, and interest on, the 1994 St. Marys Bonds. The obligation of the Company to make payments with respect to the principal of and up to 7 1/2% per annum of the interest on bonds of the Thirty-ninth Series shall be fully or partially, as the case may be, satisfied and discharged to the extent that, at the time that any such payment shall be due, the then due principal of and interest on the 1994 St. Marys Bonds shall have been fully or partially paid, or there shall be held by the St. Marys Trustee pursuant to the St. Marys Indenture sufficient available funds to fully or partially pay the then due principal of and interest on the 1994 St. Marys Bonds. The Corporate Trustee may conclusively presume that the obligation of the Company to make payments with respect to the principal of and interest on bonds of the Thirty-ninth Series shall have been fully satisfied and discharged unless and until the Corporate Trustee shall have received a written notice from the St. Marys Trustee, signed by its President, a Vice President or a Trust Officer, stating (i) that timely payment of the principal of or interest on the 1994 St. Marys Bonds required to be made by the Company has not been made, (ii) that there are not sufficient available funds held by the St. Marys Trustee pursuant to the St. Marys Indenture to make such payment, and (iii) the amount of funds, in addition to available funds held by the St. Marys Trustee pursuant to the St. Marys Indenture, required to make such payment. Notwithstanding any other provisions of this Supplemental Indenture, interest on the bonds of the Thirty-ninth Series shall be deemed fully satisfied and discharged as provided herein even if the interest rate on bonds of the Thirty-ninth Series may be higher or lower than the interest rate on the 1994 St. Marys Bonds at the time interest on the 1994 St. Marys Bonds is paid.

(IV) At the option of the registered owner, any bonds of the

Thirty-ninth Series, upon surrender thereof, for cancellation, at the office or agency of the Company in the Borough of Manhattan, The City of New York, shall be exchangeable for a like aggregate principal amount of bonds of the same series of other authorized denominations. The bonds of the Thirty-ninth Series may bear such legends as may be necessary to comply with any law or with any rules or regulations made pursuant thereto or with the rules or regulations of any stock exchange or to conform to usage with respect thereto.

(V) Bonds of the Thirty-ninth Series shall be transferable upon the surrender thereof, for cancellation together with a written instrument of transfer in form approved by the registrar duly executed by the registered owner or by his duly authorized attorney, at the office or agency of the Company in the Borough of Manhattan, The City of New York.

## ARTICLE II.

### FORTIETH SERIES OF BONDS

SECTION 1. (I) There shall be a series of bonds designated '7-1/2% Series B due 2027' (herein sometimes referred to as the 'Fortieth Series'), each of which shall also bear the descriptive title, First Mortgage Bond, and the form thereof, which is established by Resolution of the Board of Directors of the Company, shall contain suitable provisions with respect to the matters hereinafter in this Article II specified. Bonds of the Fortieth Series shall be limited to \$21,940,000 in aggregate principal amount, except as provided in Section 16 of the Mortgage, shall mature on April 15, 2027, and shall be issued as fully registered bonds in denominations of Five Thousand Dollars and in any multiple or multiples of Five Thousand Dollars. Bonds of the Fortieth Series shall bear interest at the rate of 7-1/2% per annum, payable on the Interest Payment Date for the 1994 La Cygne Bonds (as defined below), commencing June 21, 1994, on which date interest from April 28, 1994 will be payable, and thereafter, the Bonds of the Fortieth Series shall bear interest from the Business Day following the preceding Interest Payment Date for the 1994 La Cygne Refunding Bonds. The principal of and interest on bonds of the Fortieth Series shall be payable at the office or agency of the Company in the Borough of Manhattan, The City of New York, in such coin or currency of the United States of America as at the time of payment is legal tender for public and private debts. Bonds of the Fortieth Series shall be dated as in Section 10 of the Mortgage provided.

(II) Upon the redemption, in whole or in part, of the City of La Cygne, Kansas, Pollution Control Revenue Refunding Bonds (Kansas Gas and Electric Company Project) Series 1994B (hereinafter referred to as the '1994 La Cygne Bonds'), issued under the Indenture of Trust, dated as of April 15, 1994 (hereinafter referred to as the 'La Cygne Indenture'), of the City of La Cygne, Kansas, Bonds of the Fortieth Series shall be redeemed in whole or in like part. To effect the redemption of bonds of the Fortieth Series, the trustee under the La Cygne Indenture (hereinafter referred to as the 'La Cygne Trustee') shall deliver to the Corporate Trustee (and mail a copy thereof to the Company) a written demand (hereinafter referred to as a 'La Cygne Redemption Demand') for the redemption of bonds of the Fortieth Series equal in principal amount to the principal amount of the 1994 La Cygne Bonds to be redeemed. The La Cygne Redemption Demand shall be signed by the President, a Vice President, an Assistant Vice President or a Trust Officer of the La Cygne Trustee and shall state: (1) the aggregate principal amount of the 1994 La Cygne Bonds then outstanding under the La Cygne Indenture; (2) the principal amount of the 1994 La Cygne Bonds to be redeemed; (3) the interest thereon to be payable on the redemption date; (4) the redemption date and that notice thereof has been given as required in the La Cygne Indenture; (5) in the case of an optional redemption of the 1994 La Cygne Bonds, that the Company has informed the La Cygne Trustee that the Company intends to deposit sufficient available funds with the La Cygne Trustee to effect such redemption; and (6) that the Corporate Trustee is thereby instructed to call for redemption bonds of the Fortieth Series equal in principal amount to the principal amount of the 1994 La Cygne Bonds specified in (2) above. The La Cygne Redemption Demand shall also contain a waiver of notice of such redemption by the La Cygne Trustee, as holder of all bonds of the Fortieth Series then outstanding. The Corporate Trustee may conclusively presume the statements contained in the La Cygne Redemption Demand to be correct.

Except as provided in the next sentence, redemption of bonds of the Fortieth Series shall be at the principal amount of the bonds to be redeemed, together with accrued interest to the redemption date, and such amount shall become and be due and payable on the redemption

date. In the event the 1994 La Cygne Bonds bear interest at a Long-Term Interest Rate (as defined in the La Cygne Indenture), the bonds of the Fortieth Series will be redeemable as follows: If the 1994 La Cygne Bonds bear interest at the Long-Term MATES Rate (as defined in the La Cygne Indenture), the bonds of the Fortieth Series shall be redeemable at the same percentages of their principal amount and during the same call periods as are established under the La Cygne Indenture with respect to the 1994 La Cygne Bonds, plus accrued interest to the date of redemption. If, on the date the 1994 La Cygne Bonds begin to bear a Long-Term Interest Rate ("Effective Date"), the length of the Long-Term Interest Rate Period falls within one of the entries in the Long-Term Interest Rate Period column, the bonds of the Fortieth Series will not be redeemable for the number of years after the Effective Date shown in the No-call Period column. After the No-call Period, the bonds of the Fortieth Series may be redeemed at the percentage of the principal amount shown in the Initial Premium column. The premium will decline every six months by one-half of one percentage point until the bonds of the Fortieth Series are redeemable without premium.

Long-Term Interest Rate Period

Greater Than	But Less Than Or Equal To	No-Call Period	Initial Premium
15 years	N/A	10 years	102%
10 years	15 years	7 years	101.5
7 years	10 years	5 years	101
4 years	7 years	3 years	101
3 years	4 years	2 years	100.5
2 years	3 years	1 year	100.5
1 year	2 years	1 year	100

The Company hereby covenants that it shall notify the Corporate Trustee no later than thirty days after the date, if any, on which the 1994 La Cygne Bonds commence bearing a Long-Term Interest Rate, such notice to set forth the Long-Term Interest Rate Period then in effect for the 1994 La Cygne Bonds; and of any change in the redemption table if different from above.

The Company hereby covenants that if a La Cygne Redemption Demand shall be delivered to the Trustee, the Company, except as otherwise provided in paragraph (III) of this Section 1, will deposit, on or before the redemption date, with the Corporate Trustee, in accordance with Article X of the Mortgage, an amount in cash sufficient to redeem the bonds of the Fortieth Series so called for redemption.

(III) All bonds of the Fortieth Series shall be pledged by the Company with the La Cygne Trustee to secure the payment of the principal of, and up to 7 1/2% per annum of the interest on, the 1994 La Cygne Bonds. The obligation of the Company to make payments with respect to the principal of and interest on bonds of the Fortieth Series shall be fully or partially, as the case may be, satisfied and discharged to the extent that, at the time that any such payment shall be due, the then due principal of and interest on the 1994 La Cygne Bonds shall have been fully or partially paid, or there shall be held by the La Cygne Trustee pursuant to the La Cygne Indenture sufficient available funds to fully or partially pay the then due principal of and interest on the 1994 La Cygne Bonds. The Corporate Trustee may conclusively presume that the obligation of the Company to make payments with respect to the principal of and interest on bonds of the Fortieth Series shall have been fully satisfied and discharged unless and until the Corporate Trustee shall have received a written notice from the La Cygne Trustee, signed by its President, a Vice President or a Trust Officer, stating (i) that timely payment of the principal of or interest on the 1994 La Cygne Bonds required to be made by the Company has not been made, (ii) that there are not sufficient available funds held by the La Cygne Trustee pursuant to the La Cygne Indenture to make such payment, and (iii) the amount of funds, in addition to available funds held by the La Cygne Trustee pursuant to the La Cygne Indenture, required to make such payment. Notwithstanding any other provisions of this Supplemental Indenture, interest on the bonds of the Fortieth Series shall be deemed fully satisfied and discharged as provided herein even if the interest rate on bonds of the Fortieth Series may be higher or lower than the interest rate on the 1994 La Cygne Bonds at the time interest on the 1994 La Cygne Bonds is paid.

(IV) At the option of the registered owner, any bonds of the Fortieth Series, upon surrender thereof, for cancellation, at the office or agency of the Company in the Borough of Manhattan, The City of New York, shall be exchangeable for a like aggregate principal



amount of bonds of the same series of other authorized denominations. The bonds of the Fortieth Series may bear such legends as may be necessary to comply with any law or with any rules or regulations made pursuant thereto or with the rules or regulations of any stock exchange or to conform to usage with respect thereto.

(V) Bonds of the Fortieth Series shall be transferable upon the surrender thereof, for cancellation together with a written instrument of transfer in form approved by the registrar duly executed by the registered owner or by his duly authorized attorney, at the office or agency of the Company in the Borough of Manhattan, The City of New York.

### ARTICLE III.

#### FORTY-FIRST SERIES OF BONDS

SECTION 1. (I) There shall be a series of bonds designated ``7-1/2% Series C due 2032'' (herein sometimes referred to as the ``Forty-first Series''), each of which shall also bear the descriptive title, First Mortgage Bond, and the form thereof, which is established by Resolution of the Board of Directors of the Company, shall contain suitable provisions with respect to the matters hereinafter in this Article III specified. Bonds of the Forty-first Series shall be limited to \$10,000,000 in aggregate principal amount, except as provided in Section 16 of the Mortgage, shall mature on April 15, 2032, and shall be issued as fully registered bonds in denominations of Five Thousand Dollars and in any multiple or multiples of Five Thousand Dollars. Bonds of the Forty-first Series shall bear interest at the rate of 7-1/2% per annum, payable on the Interest Payment Date for the 1994 Wamego Bonds, commencing June 21, 1994, on which date interest from April 28, 1994 will be payable, and thereafter, the Bonds of the Forty-first Series shall bear interest from the Business day following the preceding Interest Payment Date for the 1994 Wamego Bonds. The principal of and interest on bonds of the Forty-first Series shall be payable at the office or agency of the Company in the Borough of Manhattan, The City of New York, in such coin or currency of the United States of America as at the time of payment is legal tender for public and private debts. Bonds of the Forty-first Series shall be dated as in Section 10 of the Mortgage provided.

(II) Upon the redemption, in whole or in part, of the City of Wamego, Kansas, Pollution Control Revenue Refunding Bonds (Kansas Gas and Electric Company Project) Series 1994 (hereinafter referred to as the ``1994 Wamego Bonds''), issued under the Indenture of Trust, dated as of March 1, 1994 (hereinafter referred to as the ``Wamego Indenture''), of the City of Wamego, Kansas, bonds of the Forty-first Series shall be redeemed in whole or in like part. To effect the redemption of bonds of the Forty-first Series, the trustee under the Wamego Indenture (hereinafter referred to as the ``Wamego Trustee'') shall deliver to the Corporate Trustee (and mail a copy thereof to the Company) a written demand (hereinafter referred to as a ``Wamego Redemption Demand'') for the redemption of bonds of the Forty-first Series equal in principal amount to the principal amount of the 1994 Wamego Bonds to be redeemed. The Wamego Redemption Demand shall be signed by the President, a Vice President, an Assistant Vice President or a Trust Officer of the Wamego Trustee and shall state: (1) the aggregate principal amount of the 1994 Wamego Bonds then outstanding under the Wamego Indenture; (2) the principal amount of the 1994 Wamego Bonds to be redeemed; (3) the interest thereon to be payable on the redemption date; (4) the redemption date and that notice thereof has been given as required in the Wamego Indenture; (5) in the case of an optional redemption of the 1994 Wamego Bonds, that the Company has informed the Wamego Trustee that the Company intends to deposit sufficient available funds with the Wamego Trustee to effect such redemption; and (6) that the Corporate Trustee is thereby instructed to call for redemption bonds of the Forty-first Series equal in principal amount to the principal amount of the 1994 Wamego Bonds specified in (2) above. The Wamego Redemption Demand shall also contain a waiver of notice of such redemption by the Wamego Trustee, as holder of all bonds of the Forty-first Series then outstanding. The Corporate Trustee may conclusively presume the statements contained in the Wamego Redemption Demand to be correct.

Except as provided in the next sentence, redemption of bonds of the Forty-first Series shall be at the principal amount of the bonds to be redeemed, together with accrued interest to the redemption date, and such amount shall become and be due and payable on the redemption date. In the event the 1994 Wamego Bonds bear interest at a Long-Term Interest Rate (as defined in the Wamego Indenture), the bonds of the Forty-First Series will be redeemable as follows: If the 1994 Wamego Bonds bear interest at the Long-Term MATES Rate (as defined in the

Wamego Indenture), the bonds of the Forty-first Series shall be redeemable at the same percentages of their principal amount and during the same call periods as are established under the Wamego Indenture with respect to the 1994 Wamego Bonds, plus accrued interest to the date of redemption. If, on the date the 1994 Wamego Bonds begin to bear a Long-Term Interest Rate ("Effective Date"), the length of the Long-Term Interest Rate Period falls within one of the entries in the Long-Term Interest Rate Period column, the bonds of the Forty-first Series will not be redeemable for the number of years after the Effective Date shown in the No-call Period column. After the No-call Period, the bonds of the Forty-first Series may be redeemed at the percentage of the principal amount shown in the Initial Premium column. The premium will decline every six months by one-half of one percentage point until the bonds of the Forty-first Series are redeemable without premium.

Long-Term Interest Rate Period

Greater Than	But Less Than Or Equal To	No-Call Period	Initial Premium
15 years	N/A	10 years	102%
10 years	15 years	7 years	101.5
7 years	10 years	5 years	101
4 years	7 years	3 years	101
3 years	4 years	2 years	100.5
2 years	3 years	1 year	100.5
1 year	2 years	1 year	100

The Company hereby covenants that it shall notify the Corporate Trustee no later than thirty days after the date, if any, on which the 1994 Wamego Bonds commence bearing a Long-Term Interest Rate, such notice to set forth the Long-Term Interest Rate Period then in effect for the 1994 Wamego Bonds; and of any change to the redemption table if different from above.

The Company hereby covenants that if a Wamego Redemption Demand shall be delivered to the Trustee, the Company, except as otherwise provided in paragraph (III) of this Section 1, will deposit, on or before the redemption date, with the Corporate Trustee, in accordance with Article X of the Mortgage, an amount in cash sufficient to redeem the bonds of the Forty-first Series so called for redemption.

(III) All bonds of the Forty-first Series shall be pledged by the Company with the Wamego Trustee to secure the payment of the principal of, and up to 7 1/2% per annum of the interest on, the 1994 Wamego Bonds. The obligation of the Company to make payments with respect to the principal of and interest on bonds of the Forty-first Series shall be fully or partially, as the case may be, satisfied and discharged to the extent that, at the time that any such payment shall be due, the then due principal of and interest on the 1994 Wamego Bonds shall have been fully or partially paid, or there shall be held by the Wamego Trustee pursuant to the Wamego Indenture sufficient available funds to fully or partially pay the then due principal of and interest on the 1994 Wamego Bonds. The Corporate Trustee may conclusively presume that the obligation of the Company to make payments with respect to the principal of and interest on bonds of the Forty-first Series shall have been fully satisfied and discharged unless and until the Corporate Trustee shall have received a written notice from the Wamego Trustee, signed by its President, a Vice President or a Trust Officer, stating (i) that timely payment of the principal of or interest on the 1994 Wamego Bonds required to be made by the Company has not been made, (ii) that there are not sufficient available funds held by the Wamego Trustee pursuant to the Wamego Indenture to make such payment, and (iii) the amount of funds, in addition to available funds held by the Wamego Trustee pursuant to the Wamego Indenture, required to make such payment. Notwithstanding any other provisions of this Supplemental Indenture, interest on the bonds of the Forty-first Series shall be deemed fully satisfied and discharged as provided herein even if the interest rate on bonds of the Forty-first Series may be higher or lower than the interest rate on the 1994 Wamego Bonds at the time interest on the 1994 Wamego Bonds is paid.

(IV) At the option of the registered owner, any bonds of the Forty-first Series, upon surrender thereof, for cancellation, at the office or agency of the Company in the Borough of Manhattan, The City of New York, shall be exchangeable for a like aggregate principal amount of bonds of the same series of other authorized denominations. The bonds of the Forty-first Series may bear such legends as may be necessary to comply with any law or with any rules or regulations made pursuant thereto or with the rules or regulations of any stock

exchange or to conform to usage with respect thereto.

(V) Bonds of the Forty-first Series shall be transferable upon the surrender thereof, for cancellation together with a written instrument of transfer in form approved by the registrar duly executed by the registered owner or by his duly authorized attorney, at the office or agency of the Company in the Borough of Manhattan, The City of New York.

#### ARTICLE IV.

##### MISCELLANEOUS PROVISIONS

Section 1. All bonds of the Thirty-ninth Series, Fortieth Series and Forty-first Series acquired by the Company shall forthwith be delivered to the Corporate Trustee for cancellation.

SECTION 2. Section 64 of the Mortgage is hereby deleted in its entirety.

SECTION 3. Subject to the amendments provided for in this Thirty-ninth Supplemental Indenture, the terms defined in the Mortgage, as heretofore supplemented, shall, for all purposes of this Thirty-ninth Supplemental Indenture, have the meanings specified in the Mortgage, as heretofore supplemented.

SECTION 4. The Trustees hereby accept the trusts herein declared, provided, created or supplemented and agree to perform the same upon the terms and conditions set forth herein and in the Mortgage, as heretofore amended and supplemented, and upon the following terms and conditions:

The Trustees shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Thirty-ninth Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made by the Company solely. In general, each and every term and condition contained in Article XVI of the Mortgage, as heretofore amended and supplemented, shall apply to and form part of this Thirty-ninth Supplemental Indenture with the same force and effect as if the same were herein set forth in full with such omissions, variations and insertions, if any, as may be appropriate to make the same conform to the provisions of this Thirty-ninth Supplemental Indenture.

SECTION 5. Subject to the provisions of Article XV and Article XVI of the Mortgage, as heretofore amended and supplemented, whenever in this Thirty-ninth Supplemental Indenture any of the parties hereto is named or referred to, this shall be deemed to include the successors or assigns of such party, and all the covenants and agreements in this Thirty-ninth Supplemental Indenture contained by or on behalf of the Company or by or on behalf of the Trustees shall bind and inure to the benefit of the respective successors and assigns of such parties whether so expressed or not.

SECTION 6. Nothing in this Thirty-ninth Supplemental Indenture, expressed or implied, is intended, or shall be construed, to confer upon, or to give to, any person, firm or corporation, other than the parties hereto and the holders of the bonds and coupons Outstanding under the Mortgage, any right, remedy or claim under or by reason of this Thirty-ninth Supplemental Indenture or any covenant, condition, stipulation, promise or agreement hereof, and all the covenants, conditions, stipulations, promises and agreements in this Thirty-ninth Supplemental Indenture contained by or on behalf of the Company shall be for the sole and exclusive benefit of the parties hereto, and of the holders of the bonds and of the coupons Outstanding under the Mortgage.

SECTION 7. The Company reserves the right, subject to appropriate corporate action, but without any consent or other action by holders of bonds of the Thirty-ninth Series, Fortieth Series, Forty-first Series, or of any subsequent series of bonds, to make such amendments to the Mortgage, as supplemented, as shall be necessary in order to (A) permit the issuance of additional Prior Lien Bonds other than to the Corporate Trustee (i) in a principal amount not to exceed the principal amount of Bonds which could then be issued on the basis of Property Additions under the Mortgage or (ii) upon the redemption or retirement of Prior Lien Bonds secured by such Prior Lien, (B) to remove the requirement that Prior Lien Bonds be issued to the Corporate Trustee, (C) remove the provisions of Article V which eliminate from the calculation of unfunded net Property Additions available for issuance of Bonds the amount of any Property Additions subject to a Prior Lien if the aggregate amount of Outstanding Prior

Lien Bonds is 15% or more of the sum of the Outstanding Bonds and Prior Lien Bonds, and (D) make such other amendments to the Mortgage as may be necessary or desirable in the opinion of the Company to effect the foregoing.

SECTION 8. This Thirty-ninth Supplemental Indenture shall be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, KANSAS GAS AND ELECTRIC COMPANY has caused its corporate name to be hereunto affixed, and this instrument to be signed and sealed by its President or one of its Vice Presidents, and its corporate seal to be attested by its Secretary or one of its Assistant Secretaries for and in its behalf, MORGAN GUARANTY TRUST COMPANY OF NEW YORK has caused its corporate name to be hereunto affixed, and this instrument to be signed and sealed by one of its Vice Presidents and its corporate seal to be attested by one of its Assistant Secretaries, and has hereunto set his hand and affixed his seal, all as of the day and year first above written.

KANSAS GAS AND ELECTRIC COMPANY

By /s/ Kent R. Brown  
Kent R. Brown  
President

Attest:

/s/ Richard D. Terrill  
Richard D. Terrill  
Secretary

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

/s/ Stacy F. Kramer  
Stacy F. Kramer

/s/ Robert J. Knott  
Robert J. Knott

MORGAN GUARANTY TRUST COMPANY  
OF NEW YORK, as Trustee

By /s/ Norma Pane  
Norma Pane  
Vice President

Attest:

/s/ Michele D. Sledge  
Assistant Secretary

/s/ W. A. Spooner  
(W.A. Spooner)

Executed, sealed and delivered by  
MORGAN GUARANTY TRUST COMPANY  
OF NEW YORK and W.A. SPOONER, in  
the presence of:

/s/ Madeline Schneider

/s/ Dennis Karoly

STATE OF KANSAS )

COUNTY OF SEDGWICK )  
: ss.:  
)

BE IT REMEMBERED, that on this 15th day of April, A.D. 1994, before me, the undersigned, a Notary Public within and for the County and State aforesaid, came Kent R. Brown, the President of KANSAS GAS AND ELECTRIC COMPANY, a corporation duly organized, incorporated and existing under the laws of the State of Kansas, who is personally known to me to be such officer, and who is personally known to me to be the same person who executed, as such officer, the within instrument of writing, and such person duly acknowledged the execution of the same to be the act and deed of said corporation and that said instrument of writing was so executed by order of the Board of Directors of said corporation.

On this 15th day of April, 1994, before me appeared Kent R. Brown, to me personally known, who being by me duly sworn did say that he is the President of KANSAS GAS AND ELECTRIC COMPANY, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said Kent R. Brown acknowledged said instrument to be the free act and deed of said corporation.

On the 15th day of April in the year 1994, before me personally came Kent R. Brown to me known, who, being by me duly sworn, did depose and say that he resides at 4907 Portwest Circle, Wichita, Kansas; that he is the President of KANSAS GAS AND ELECTRIC COMPANY, one of the corporations described in and which executed the above instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation, and that he signed his name thereto by like order.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal on the day and year above written.

/s/ Regina I. Degarmo  
REGINA I. DEGARMO  
NOTARY PUBLIC - STATE OF KANSAS  
MY APPOINTMENT EXPIRES AUGUST 4, 1997

STATE OF NEW YORK )  
: ss.:  
COUNTY OF NEW YORK )

BE IT REMEMBERED, that on this 15th day of April, A.D. 1994, before me, the undersigned, a Notary Public within and for the County and State aforesaid, came Norma Pane, a Vice President of Morgan Guaranty Trust Company of New York, a corporation, duly organized, incorporated and existing under the laws of the State of New York, who is personally known to me to be such officer, and who is personally known to me to be the same person who executed, as such officer, the within instrument of writing, and such person duly acknowledged the execution of the same to be the act and deed of said corporation and that said instrument of writing was so executed by authority of the Board of Directors of said corporation.

On this 15th day of April, 1994, before me appeared Norma Pane, to me personally known, who being by me duly sworn did say that she is a Vice President of MORGAN GUARANTY TRUST COMPANY OF NEW YORK, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said Norma Pane acknowledged said instrument to be the free act and deed of said corporation.

On the 15th day of April in the year 1994, before me personally came Norma Pane, to me known, who, being by me duly sworn, did depose and say that she resides at 2057 63rd Street, Brooklyn, New York; that she is a Vice President of MORGAN GUARANTY TRUST COMPANY OF NEW YORK, one of the corporations described in and which executed the above instrument; that she knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation, and that

she signed her name thereto by like authority.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal on the day and year above written.

/s/ Alison M. Levchuck  
ALISON M. LEVCHUCK  
NOTARY PUBLIC, STATE OF NEW YORK  
NO. 4997425  
QUALIFIED IN NASSAU COUNTY  
COMMISSION EXPIRES JUNE 8, 1994

STATE OF NEW YORK    )  
                          : ss.:  
COUNTY OF NEW YORK )

On this 15th day of April in the year 1994, before me, the undersigned, a Notary Public in and for the State of New York, in the County of New York, personally appeared and came W. A. Spooner, to me known and known to me to be the person described in and who executed the within and foregoing instrument and whose name is subscribed thereto and acknowledged to me that he executed the same.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year in this certificate first above written.

/s/ Alison M. Levchuck  
ALISON M. LEVCHUCK  
NOTARY PUBLIC, STATE OF NEW YORK  
NO. 4997425  
QUALIFIED IN NASSAU COUNTY  
COMMISSION EXPIRES JUNE 8, 1994

KANSAS GAS AND ELECTRIC COMPANY  
 Computations of Ratio of Earnings to Fixed Charges  
 (Dollares in Thousands)

	1994	1993
Net Income . . . . .	\$104,526	\$108,103
Taxes on Income . . . . .	55,349	46,896
Net Income Plus Taxes . . . . .	159,875	154,999
Fixed Charges:		
Interest on Long-Term Debt . . . . .	47,827	53,908
Interest on Other Indebtedness . . . . .	5,183	6,075
Interest on Corporate-owned Life Insurance Borrowings . . . . .	20,990	11,865
Interest Applicable to Rentals . . . . .	25,096	24,967
Total Fixed Charges . . . . .	99,096	96,815
Earnings (1) . . . . .	\$258,971	\$251,814
Ratio of Earnings to Fixed Charges.	2.61	2.60

	Pro Forma 1992 (2)	1992		1991	1990
		April 1 to Dec. 31 (Successor)	January 1 to March 31 (Predecessor)		
Net Income . . . . .	\$ 77,981	\$ 71,941	\$ 6,040	\$ 53,602	\$ 64,184
Taxes on Income . . . . .	20,378	23,551	(3,173)	15,955	17,916
Net Income Plus Taxes . . . . .	98,359	95,492	2,867	69,557	82,100
Fixed Charges:					
Interest on Long-Term Debt . . . . .	57,862	42,889	14,973	59,668	59,263
Interest on Other Indebtedness . . . . .	15,121	11,777	3,344	17,838	17,432
Interest on Corporate-owned Life Insurance Borrowings . . . . .	7,155	5,294	1,861	7,304	7,134
Interest Applicable to Rentals . . . . .	30,212	22,133	8,079	32,193	32,119
Total Fixed Charges . . . . .	110,350	82,093	28,257	117,003	115,948
Earnings (1) . . . . .	\$208,709	\$177,585	\$ 31,124	\$186,560	\$198,048
Ratio of Earnings to Fixed Charges.	1.89	2.16	1.10	1.59	1.71

(1) Earnings are deemed to consist of net income to which has been added income taxes (including net deferred investment tax credit) and fixed charges. Fixed charges consist of all interest on indebtedness, amortization of debt discount and expense, and the portion of rental expense which represents an interest factor.

(2) The pro forma information for the year ended December 31, 1992 was derived by combining the historical information of the three month period ended March 31, 1992 (Predecessor) and the nine month period ended December 31, 1992 (Successor). No purchase accounting adjustments were made for periods prior to the Merger in determining pro forma amounts because such adjustments would be immaterial. (See Note 1 of Notes to Financial Statements)

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report included in this Form 10-K, into the Company's previously filed Registration Statements File No. 33-50075 of Kansas Gas and Electric Company on Form S-3, No. 33-57435 of Western Resources, Inc. on Form S-8 and Nos. 33-49467, 33-49505, 33-49553, and 33-50069 of Western Resources, Inc. on Form S-3.

Kansas City, Missouri,  
March 10, 1995

ARTHUR ANDERSEN LLP



INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statements No. 33-50075 of Kansas Gas and Electric Company on Form S-3, No. 33-57435 of Western Resources, Inc. on Form S-8 and Nos. 33-49467, 33-49505, 33-49553, and 33-50069 of Western Resources, Inc. on Form S-3 of our report dated January 29, 1993 appearing in this Annual Report on Form 10-K of Kansas Gas and Electric Company for the year ended December 31, 1994.

DELOITTE & TOUCHE LLP

Kansas City, Missouri  
March 28, 1995

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THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE BALANCE SHEET AT DECEMBER 31, 1994 AND THE STATEMENT OF INCOME AND THE STATEMENT OF CASH FLOWS FOR THE NINE MONTHS ENDED DECEMBER 31, 1994 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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YEAR	DEC-31-1994	DEC-31-1994	PER-BOOK
	2,629,217		
	28,505		
	193,608		
	291,480		
		0	
		3,142,810	
		1,065,634	
	0		
	159,570		
1,225,204			
	0		
		0	
	699,992		
	50,000		
	0		
0			
0			
	0		
1,048			
		708	
1,215,858			
3,142,810			
	619,880		
	69,929		
	408,230		
	470,869		
	149,011		
	7,015		
156,026			
	51,500		
		104,526	
	0		
104,526			
	0		
	47,827		
	130,419		
		0	
		0	