FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

[x] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 1998

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

For the transition period from   to

Commission file number 1-7324

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

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

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

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

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 X No

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

Class	Outstanding at November 12, 1998
Common Stock (No par value)	1,000 Shares

Registrant meets the conditions of General Instruction H(1)(a) and (b) to Form 10-Q and is therefore filing this form with a reduced disclosure format.

KANSAS GAS AND ELECTRIC COMPANY
INDEX

	Page
PART I. Financial Information	
Item 1. Financial Statements	
Balance Sheets	3
Statements of Income	4 - 6
Statements of Comprehensive Income	7
Statements of Cash Flows	8 - 9
Statements of Shareowners' Equity	10
Notes to Financial Statements	11
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	14

Item 3. Quantitative and Qualitative Disclosures About Market Risk 24

Part II. Other Information

Item 3. Defaults Upon Senior Securities 25

Item 4. Submission of Matters to a Vote of Security Holders 25

Item 5. Other Information 25

Item 6. Exhibits and Reports on Form 8-K 25

Signature 26

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

	September 30, 1998	December 31, 1997
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 42	$ 43
Accounts receivable, (net)	97,372	66,654
Advances to parent company (net)	72,643	72,558
Inventories and supplies, at average cost	41,162	41,019
Prepaid expenses and other	22,626	17,165
Total Current Assets	233,845	197,439
PROPERTY, PLANT AND EQUIPMENT (net)	2,521,465	2,565,175
OTHER ASSETS:		
Regulatory assets	274,209	278,568
Other	68,084	75,926
Total Other Assets	342,293	354,494
TOTAL ASSETS	$3,097,603	$3,117,108
LIABILITIES AND SHAREOWNERS' EQUITY		
CURRENT LIABILITIES:		
Short-term debt	$ -	$ 45,000
Accounts payable	65,799	81,986
Accrued liabilities	48,916	32,745
Accrued income taxes	29,289	4,212
Other	5,968	4,032
Total Current Liabilities	149,972	167,975
LONG-TERM LIABILITIES:		
Long-term debt (net)	684,136	684,128
Deferred income taxes and investment tax credits	804,417	820,838
Deferred gain from sale-leaseback	212,908	221,779
Other	92,440	87,909
Total Long-term Liabilities	1,793,901	1,814,654
COMMITMENTS AND CONTINGENCIES		
SHAREOWNERS' EQUITY (See Statements):		
Common stock, without par value, authorized and issued 1,000 shares	1,065,634	1,065,634
Retained earnings	88,096	68,845
Total Shareowners' Equity	1,153,730	1,134,479
TOTAL LIABILITIES AND SHAREOWNERS' EQUITY	$3,097,603	$3,117,108

The Notes to Financial Statements are an integral part of these statements.

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

	Three Months Ended September 30,	
	1998	1997
SALES	$ 216,034	$ 191,066
COST OF SALES	58,419	34,797
GROSS PROFIT	157,615	156,269
OPERATING EXPENSES:		
Operating and maintenance expense	36,518	46,009
Depreciation and amortization	24,503	28,385
Selling, general and administrative expense	15,531	15,151
Total Operating Expenses	76,552	89,545
INCOME FROM OPERATIONS	81,063	66,724
OTHER INCOME (EXPENSE)	(1,003)	(1,542)
INCOME BEFORE INTEREST AND TAXES	80,060	65,182
INTEREST EXPENSE:		
Interest expense on long-term debt	11,507	11,526
Interest expense on short-term debt and other	813	975
Total Interest Expense	12,320	12,501
INCOME BEFORE INCOME TAXES	67,740	52,681
INCOME TAXES	24,411	20,906
NET INCOME	$ 43,329	$ 31,775

The Notes to Financial Statements are an integral part of these statements.

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

	Nine Months Ended September 30,	
	1998	1997
SALES	$ 513,416	$ 483,683
COST OF SALES	121,307	87,561
GROSS PROFIT	392,109	396,122
OPERATING EXPENSES:		
Operating and maintenance expense	111,002	139,310
Depreciation and amortization	73,612	85,877
Selling, general and administrative expense	46,287	41,426
Total Operating Expenses	230,901	266,613
INCOME FROM OPERATIONS	161,208	129,509
OTHER INCOME (EXPENSE)	10,475	(2,373)
INCOME BEFORE INTEREST AND TAXES	171,683	127,136
INTEREST EXPENSE:		
Interest expense on long-term debt	34,501	34,533
Interest expense on short-term debt and other	2,511	3,531
Total Interest Expense	37,012	38,064
INCOME BEFORE INCOME TAXES	134,671	89,072
INCOME TAXES	40,420	30,633
NET INCOME	$ 94,251	$ 58,439

The Notes to Financial Statements are an integral part of these statements.

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

	Twelve Months Ended September 30, 1998	Twelve Months Ended September 30, 1997
SALES	$ 644,178	$ 636,983
COST OF SALES	163,502	115,354
GROSS PROFIT	480,676	521,629
OPERATING EXPENSES:		
Operating and maintenance expense	151,683	178,675
Depreciation and amortization	111,158	115,863
Selling, general and administrative expense	62,128	55,696
Total Operating Expenses	324,969	350,234
INCOME FROM OPERATIONS	155,707	171,395
OTHER INCOME (EXPENSE)	8,826	(2,219)
INCOME BEFORE INTEREST AND TAXES	164,533	169,176
INTEREST EXPENSE:		
Interest expense on long-term debt	46,030	46,033
Interest expense on short-term debt and other	3,368	6,983
Total Interest Expense	49,398	53,016
INCOME BEFORE INCOME TAXES	115,135	116,160
INCOME TAXES	27,195	35,136
NET INCOME	$ 87,940	$ 81,024

The Notes to Financial Statements are an integral part of these statements.

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

	Three Months Ended September 30,	
	1998	1997
Net income	$ 43,329	$ 31,775
Other comprehensive income	-	-
Comprehensive income	$ 43,329	$ 31,775

	Nine Months Ended September 30,	
	1998	1997
Net income	$ 94,251	$ 58,439
Other comprehensive income	-	-
Comprehensive income	$ 94,251	$ 58,439

	Twelve Months Ended September 30,	
	1998	1997
Net income	$ 87,940	$ 81,024
Other comprehensive income	-	-
Comprehensive income	$ 87,940	$ 81,024

The Notes to Financial Statements are an integral part of these statements.

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

	Nine Months Ended September 30,	
	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 94,251	$ 58,439
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	73,612	85,877
Amortization of gain from sale-leaseback	(8,871)	(8,324)
Changes in working capital items:		
Accounts receivable, (net)	(30,718)	(5,672)
Inventories and supplies	(143)	3,770
Prepaid expenses and other	(5,461)	(8,767)
Accounts payable	(16,187)	2,319
Accrued liabilities	16,171	11,773
Accrued income taxes	25,077	(3,924)
Other	1,936	280
Changes in other assets and liabilities	13,046	12,620
Net cash flows from operating activities	162,713	148,391
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Additions to property, plant and equipment (net)	(42,544)	(65,760)
Net cash flows (used in) investing activities	(42,544)	(65,760)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Short-term debt (net)	(45,000)	(222,300)
Advances to parent company (net)	(85)	214,734
Retirements of long-term debt	(85)	(65)
Dividends to parent company	(75,000)	(75,000)
Net cash flows (used in) financing activities	(120,170)	(82,631)
NET (DECREASE) IN CASH AND CASH EQUIVALENT	(1)	0
CASH AND CASH EQUIVALENTS:		
Beginning of period	43	44
End of period	$ 42	$ 44
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
CASH PAID FOR:		
Interest on financing activities (net of amount capitalized)	$ 58,196	$ 57,609
Income taxes	26,020	52,100

The Notes to Financial Statements are an integral part of these statements.

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

	Twelve Months Ended September 30, 1998	Twelve Months Ended September 30, 1997
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income.	$ 87,940	$ 81,024
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	111,158	115,863
Amortization of gain from sale-leaseback.	(11,828)	(10,734)
Changes in working capital items:		
Accounts receivable, (net).	(16,029)	4,898
Inventories and supplies.	(1,286)	6,038
Prepaid expenses and other.	3,132	(2,644)
Accounts payable.	14,661	7,366
Accrued liabilities	688	(5,166)
Accrued income taxes.	21,985	(13,317)
Other	1,842	391
Changes in other assets and liabilities	(10,587)	21,646
Net cash flows from operating activities.	201,676	205,365
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Additions to property, plant and equipment (net).	(64,949)	(86,740)
Net cash flows (used in) investing activities	(64,949)	(86,740)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Short-term debt (net)	-	(210,000)
Advances to parent company (net).	(36,644)	191,420
Retirements of long-term debt	(85)	(65)
Dividends to parent company	(100,000)	(100,000)
Net cash flows (used in) financing activities.	(136,729)	(118,645)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.	(2)	(20)
CASH AND CASH EQUIVALENTS:		
Beginning of period	44	64
End of period	$ 42	$ 44
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
CASH PAID FOR:		
Interest on financing activities (net of amount capitalized)	$ 75,005	$ 76,448
Income taxes	26,020	62,600

The Notes to Financial Statements are an integral part of these statements.

KANSAS GAS AND ELECTRIC COMPANY
STATEMENTS OF SHAREOWNERS' EQUITY
(Dollars in Thousands)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,		Twelve Months Ended September 30,	
	1998	1997	1998	1997	1998	1997
Common Stock:						
Ending balance	$1,065,634	$1,065,634	$1,065,634	$1,065,634	$1,065,634	$1,065,634
Retained Earnings:						
Beginning balance.	69,767	93,381	68,845	116,717	100,156	119,132
Net income	43,329	31,775	94,251	58,439	87,940	81,024
Dividends to parent company. .	(25,000)	(25,000)	(75,000)	(75,000)	(100,000)	(100,000)
Ending balance	88,096	100,156	88,096	100,156	88,096	100,156
Accumulated Other Comprehensive Income (net):						
Ending balance	-	-	-	-	-	-
Total Shareowners' Equity	$1,153,730	$1,165,790	$1,153,730	$1,165,790	$1,153,730	$1,165,790

The Notes to Financial Statements are an integral part of these statements.

KANSAS GAS AND ELECTRIC COMPANY
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business: Kansas Gas and Electric Company (the company, KGE) is a rate-regulated electric utility and wholly-owned subsidiary of Western Resources, Inc. (Western Resources). The company is engaged principally in the production, purchase, transmission, distribution, and sale of electricity. The company serves approximately 280,000 electric customers in southeastern Kansas. At September 30, 1998, the company had no employees. All employees are provided by the company's parent, Western Resources which allocates costs related to the employees of the company.

The company owns 47% 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 company's unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and in accordance with the instructions to Form 10-Q. Accordingly, certain information and footnote disclosures normally included in financial statements presented in accordance with generally accepted accounting principles have been condensed or omitted. These financial statements and notes should be read in conjunction with the financial statements and the notes included in the company's 1997 Annual Report on Form 10-K. The accounting and rates of the company are subject to requirements of the Kansas Corporation Commission (KCC) and the Federal Energy Regulatory Commission (FERC).

New Pronouncements: Effective January 1, 1998, the company adopted the provisions of Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" (SFAS 130). This statement establishes standards for reporting and display of comprehensive income and its components (revenues, expenses, gains and losses) in a full set of general-purpose financial statements.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133). This statement established accounting and reporting standards for derivative instruments and for hedging activities. SFAS 133 requires that all derivatives be recognized as either assets or liabilities in the balance sheet and that these instruments be measured at fair value. The company will adopt SFAS 133 no later than January 1, 2000. Management is presently evaluating the impact that adoption of SFAS 133 will have on the company's financial position and results of operations.

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

2. WESTERN RESOURCES AND KANSAS CITY POWER & LIGHT COMPANY MERGER AGREEMENT

On February 7, 1997, Kansas City Power & Light Company (KCPL) and Western Resources entered into an agreement whereby KCPL would be combined with Western Resources. In December 1997, representatives of Western Resources' financial advisor indicated that they believed it was unlikely that they would be in a position to issue a fairness opinion required for the merger on the basis of the previously announced terms.

On March 18, 1998, Western Resources and KCPL announced a restructuring of their February 7, 1997 merger agreement which will result in the formation of Westar Energy, a new regulated electric utility company. Under the terms of the merger agreement, the electric utility operations of Western Resources will be transferred to the company, and KCPL and the company will be merged into NKC, Inc., a subsidiary of Western Resources. NKC, Inc. will be renamed Westar Energy. In addition, under the terms of the merger agreement, KCPL shareowners will receive Western Resources common stock which is subject to a collar mechanism of not less than .449 nor greater than .722, provided the amount of Western Resources common stock received may not exceed $30.00, and one share of Westar Energy common stock per KCPL share. The Western Resources Index Price is the 20 day average of the high and low closing sale prices for Western Resources common stock on the NYSE ending ten days prior to closing. If the Western Resources Index Price is less than or equal to $29.78 on the fifth day prior to the effective date of the combination, either party may terminate the agreement. Upon consummation of the combination, Western Resources will own approximately 80.1% of the outstanding equity of Westar Energy and KCPL shareowners will own approximately 19.9%. As part of the combination, Westar Energy will assume all of the electric utility related assets and liabilities of Western Resources, KCPL, and the company.

Westar Energy will assume $2.7 billion in debt, consisting of $1.9 billion of indebtedness for borrowed money of Western Resources and the company, and $800 million from KCPL. Long-term debt of Western Resources, excluding Protection One (a subsidiary of Western Resources), and the company was $2.5 billion at September 30, 1998. Under the terms of the merger agreement, it is intended that Western Resources will be released from its obligations with respect to the company's debt to be assumed by Westar Energy.

Consummation of the merger is subject to customary conditions. On July 30, 1998 the Western Resources' shareowners and the shareowners of KCPL voted to approve the amended merger agreement at special meetings of shareowners. Western Resources estimates the transaction to close in 1999, subject to receipt of all necessary approvals and consents.

Western Resources and KCPL have filed applications with the Kansas Corporation Commission, Missouri Public Service Commission, Federal Energy Regulatory Commission (FERC) and Nuclear Regulatory Commission to approve the Western Resources/KCPL combination and the formation of Westar Energy.

KCPL is a public utility company engaged in the generation, transmission, distribution, and sale of electricity to customers in western Missouri and eastern Kansas. The company, KCPL and Western Resources have joint interests in certain electric generating assets, including Wolf Creek.

At September 30, 1998, Western Resources had deferred approximately $12 million related to the KCPL transaction. These costs will be included in the determination of total consideration upon consummation of the transaction.

For additional information on the Merger Agreement with KCPL, see Western Resources' Registration Statement on Form S-4 filed on June 9, 1998.

3. COMMITMENTS AND CONTINGENCIES

Manufactured Gas Sites: The company is associated with three former manufactured gas sites which may contain coal tar and other potentially harmful materials. The company and the Kansas Department of Health and Environment (KDHE) entered into a consent agreement governing all future work at these sites. The terms of the consent agreement will allow the company to investigate these sites and set remediation priorities based upon the results of the investigations and risk analyses. At September 30, 1998, the costs incurred for preliminary site investigation and risk assessment have been minimal.

For additional information on Commitments and Contingencies, see Note 2 of the company's 1997 Annual Report on Form 10-K.

4. INCOME TAXES

Total income tax expense included in the Statements of Income reflects the Federal statutory rate of 35%. The Federal statutory rate produces effective income tax rates of 36.0%,30.0% and 23.6% for the three, nine and twelve month periods ended September 30, 1998 compared to 39.7%, 34.4% and 30.2% for the three, nine and twelve months ended September 30, 1997. The effective income tax rates vary from the Federal statutory rate due to the permanent differences, including the amortization of investment tax credits, benefits from corporate-owned life insurance, and accelerated amortization of certain deferred income taxes.

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

INTRODUCTION

In Management's Discussion and Analysis we explain the general financial condition and the operating results for the company. We explain:

- What factors affect our business
- What our earnings and costs were for the three, nine and twelve month periods ended September 30, 1998 and 1997
- Why these earnings and costs differed from period to period
- How our earnings and costs affect our overall financial condition
- Any other items that particularly affect our financial condition or earnings

The following Management's Discussion and Analysis of Financial Condition and Results of Operations updates the information provided in the 1997 Annual Report on Form 10-K and should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations in the company's 1997 Annual Report on Form 10-K.

Forward-Looking Statements: Certain matters discussed here and elsewhere in this Form 10-Q are "forward-looking statements." The Private Securities Litigation Reform Act of 1995 has established that these statements qualify for safe harbors from liability. Forward-looking statements may include words like we "believe," "anticipate," "expect" or words of similar meaning. Forward-looking statements describe our future plans, objectives, expectations or goals. Such statements address future events and conditions concerning capital expenditures, earnings, litigation, rate and other regulatory matters, possible corporate restructurings, mergers, acquisitions, dispositions, liquidity and capital resources, interest and dividend rates, Year 2000 issues, environmental matters, changing weather, nuclear operations and accounting matters. What happens in each case could vary materially from what we expect because of such things as electric utility deregulation, including ongoing state and federal activities; future economic conditions; legislative developments; our regulatory and competitive markets; and other circumstances affecting anticipated operations, sales and costs.

FINANCIAL CONDITION

General: Net income for the three, nine and twelve months ended September 30, 1998 of $43.3 million, $94.3 million, and $87.9 million increased substantially from net income of $31.8 million, $58.4 million, and $81.0 million for the same periods in 1997, respectively. The increases in net income were primarily due to increased electric sales because of warmer than normal weather, lower operating and maintenance costs, the completion of the amortization of phase-in revenues in December 1997, and death benefits received from corporate-owned life insurance policies.

Our net income has been negatively impacted by the effect of reductions in our electric rates. Since 1996, we reduced our electric rates in accordance with orders from the Kansas Corporation Commission, which will also include an additional $10 million rate reduction in June 1999. The total annual cumulative effect of these rate reductions is approximately $65 million. We also had a one-time rate rebate totaling $2.3 million in January 1998 and will have an additional rate rebate of $2.3 million in January 1999. All rate reductions have a continuing effect while rate rebates are one-time events and do not influence future rates.

Our net income this year has been favorably impacted by certain events. We are unable to predict the likelihood, however, of these events recurring in the future. We experienced warmer than normal weather during the summer months which contributed to higher sales and during the year, we recorded income of $13.7 million due to death benefits received from our corporate-owned life insurance policies.

OPERATING RESULTS

The following discussion explains significant changes in results of sales, cost of sales, operating expenses, other income (expense), interest expense and income taxes between the three, nine and twelve month periods ended September 30, 1998 and comparable periods of 1997.

Sales: Sales are based on sales volumes and rates authorized by the Kansas Corporation Commission (KCC) and the Federal Energy Regulatory Commission (FERC). Our sales vary with levels of energy deliveries. Changing weather affects the amount of energy our customers use. Very hot summers and very cold winters prompt more demand, especially among our residential customers. Mild weather reduces demand.

Many things will affect our future sales. They include:

- The weather
- Our electric rates
- Competitive forces
- Customer conservation efforts
- Wholesale demand
- The overall economy of our service area

Sales increased 13.1% for the three months ended September 30, 1998, primarily due to the increase in residential energy deliveries as a result of warmer summer temperatures. This increase was partially offset by our reduced electric rates implemented on June 1, 1998.

Sales increased 6.1% for the nine months ended September 30, 1998, primarily due to the increase in residential energy deliveries as a result of warmer summer temperatures. This increase was partially offset by our reduced electric rates implemented on February 1, 1997 and on June 1, 1998.

Sales increased 1.1% for the twelve months ended September 30, 1998, primarily due to the increase in energy deliveries in all retail classes. This increase was partially offset by our reduced electric rates implemented on February 1, 1997 and on June 1, 1998.

The following table reflects changes in retail electric energy deliveries for the three, nine and twelve months ended September 30, 1998 from the comparable periods of 1997.

	3 Months Ended	9 Months Ended	12 Months Ended
Residential	16.3%	13.5%	8.4%
Commercial	10.9%	8.9%	7.4%
Industrial	(0.1)%	1.9%	2.6%
Total Retail	8.6%	7.4%	5.6%

Cost of Sales: Items included in cost of sales are fuel expense and purchased power expense (electricity we purchase from others for resale).

Electric fuel costs are included in base rates. Therefore, if we wished to recover an increase in fuel costs, we would have to file a request for recovery in a rate filing with the KCC which could be denied in whole or in part. Any increase in fuel costs from the projected average which the company did not recover through rates would reduce our earnings. The degree of any such impact would be affected by a variety of factors, however, and thus cannot be predicted.

Due to warmer than normal weather throughout the Midwest and lack of power available for purchase on the wholesale market, the wholesale power market has seen extreme volatility in prices and availability. We believe future volatility, such as that recently experienced in the market, could impact our cost of power purchases.

Actual cost of fuel to generate electricity (coal, nuclear fuel, natural gas or oil) and the amount of power purchased from other utilities increased for each of the three periods ending September 30, 1998. Cost of sales increased 68% for the three months ended, 39% for the nine months ended and 42% for the twelve months ended September 30, 1998. With an increase in customer demand for electricity and the availability of our La Cygne coal generation station during 1998, we produced more electricity during the first nine months of 1998 than in 1997. The increase in net generation caused our fossil fuel costs to increase for the three and nine month periods ended September 30, 1998.

The twelve month increase was primarily due to two of our generating stations being unavailable to produce power. Our Wolf Creek nuclear generating station was off-line in the fourth quarter of 1997 for scheduled maintenance and our La Cygne coal generation station was off-line during 1997 for an extended maintenance outage. As a result, we purchased more power from other utilities and burned more natural gas to generate electricity at our facilities. Natural gas is more costly to burn than coal and nuclear fuel for generating electricity.

OPERATING EXPENSES

Operating and Maintenance Expense: Total operating and maintenance expense decreased 21% for the three months, 20% for the nine months, and 15% for the twelve months ended September 30, 1998. The decreases were attributable to a decrease in KGE's portion of costs shared with Western Resources which are associated with the dispatching of electric power.

We expect our operating and maintenance expense to increase when we bring an inactive generating plant back into active service in 1999 and when we put new peaking generators in service in 2000 and 2001. See LIQUIDITY AND CAPITAL RESOURCES below for further discussion of these projects.

Depreciation and Amortization Expense: Depreciation and amortization expense decreased 14% for the three months and nine months ended September 30, 1998 due to the completion of the amortization of phase-in revenues in December 1997. During the first nine months of 1997, we recorded $13.2 million of amortization for phase-in revenues. Depreciation and amortization expense for the twelve months ended September 30, 1998 decreased 4% due to the additional amortization of $8.8 million relating to phase-in revenues recorded during the fourth quarter of 1997.

Selling, General and Administrative Expense: Selling, general and administrative expense increased 3% for the three months ended, 12% for the nine months ended, and 12% for the twelve months ended September 30, 1998. Storm related restoration expenses and increased labor costs attributed to the increases.

Other Income (Expense): Other income (expense) includes miscellaneous income and expenses not directly related to our operations. Other income and (expense) for the third quarter of 1998 increased $0.5 million. Other income and (expense) for the nine and twelve months ended September 30, 1998, increased $12.8 million and $11.0 million, respectively. These increases are primarily attributable to benefits received during 1998 pursuant to our corporate-owned life insurance policies totaling $13.7 million.

Interest Expense: Interest expense includes the interest we incurred on outstanding debt. Interest expense decreased 1% for the three months ended, 3% for the nine months ended, and 7% for the twelve months ended September 30, 1998. Our average outstanding short-term debt balances were lower during all three periods which attributed to the decreases in interest expense. The interest we paid on long-term debt remained virtually unchanged for all three periods.

LIQUIDITY AND CAPITAL RESOURCES:

The company's liquidity is a function of its ongoing construction and maintenance program designed to improve facilities which provide electric service and meet future customer service requirements. Our ability to provide the cash or debt to fund our capital expenditures depends upon many things, including available resources, our financial condition and current market conditions.

Other than operations, our primary source of short-term cash is from short-term bank loans and unsecured lines of credit. At September 30, 1998, there were no short-term borrowings compared to $45.0 million at December 31, 1997. Proceeds from the repayment of advances to the company's parent company have been used to repay all current outstanding short-term debt. The proceeds received are reflected in the decrease in current assets, advances to parent company (net) on the Balance Sheets.

We announced plans to install three new combustion turbine generators for use as peaking units. The installed capacity of the three new generators will approximate 300 MW. The first two units are scheduled to be placed in operation in 2000 and the third is scheduled to be placed in operation in 2001. We estimate that the project will require $120 million in capital resources through the completion of the project in 2001. In addition, we are planning to return our inactive generation plant in Neosho, Kansas to active service in 1999 at an estimated cost of $0.7 million.

MERGERS AND ACQUISITIONS

Western Resources and Kansas City Power & Light Company Merger Agreement: On February 7, 1997, KCPL and Western Resources entered into an agreement whereby KCPL would be combined with Western Resources. In December 1997, representatives of Western Resources' financial advisor indicated that they believed it was unlikely that they would be in a position to issue a fairness opinion required for the merger on the basis of the previously announced terms.

On March 18, 1998, Western Resources and KCPL announced a restructuring of their February 7, 1997 merger agreement which will result in the formation of Westar Energy, a new regulated electric utility company. Under the terms of the merger agreement, the electric utility operations of Western Resources will be transferred to the company, and KCPL and the company will be merged into NKC, Inc., a subsidiary of Western Resources. NKC, Inc. will be renamed Westar Energy. In addition, under the terms of the merger agreement, KCPL shareowners will receive Western Resources common stock which is subject to a collar mechanism of not less than .449 nor greater than .722, provided the amount of Western Resources common stock received may not exceed $30.00, and one share of Westar Energy common stock per KCPL share. The Western Resources Index Price is the 20 day average of the high and low closing sale prices for Western Resources common stock on the NYSE ending ten days prior to closing. If the Western Resources Index Price is less than or equal to $29.78 on the fifth day prior to the effective date of the combination, either party may terminate the agreement. Upon consummation of the combination, Western Resources will own approximately 80.1% of the outstanding equity of Westar Energy and KCPL shareowners will own approximately 19.9%. As part of the combination, Westar Energy will assume all of the electric utility related assets and liabilities of Western Resources, KCPL, and the company.

Westar Energy will assume $2.7 billion in debt, consisting of $1.9 billion of indebtedness for borrowed money of Western Resources and the company, and $800 million from KCPL. Long-term debt of Western Resources, excluding Protection One (a subsidiary of Western Resources), and the company was $2.5 billion at September 30, 1998. Under the terms of the merger agreement, it is intended that Western Resources will be released from its obligations with respect to the company's debt to be assumed by Westar Energy.

Consummation of the merger is subject to customary conditions. On July 30, 1998 the Western Resources' shareowners and the shareowners of KCPL voted to approve the amended merger agreement at special meetings of shareowners. Western Resources estimates the transaction to close in 1999, subject to receipt of all necessary approvals and consents.

Western Resources and KCPL have filed applications with the Kansas Corporation Commission, Missouri Public Service Commission, Federal Energy Regulatory Commission (FERC) and Nuclear Regulatory Commission to approve the Western Resources/KCPL combination and the formation of Westar Energy.

KCPL is a public utility company engaged in the generation, transmission, distribution, and sale of electricity to customers in western Missouri and eastern Kansas. The company, KCPL and Western Resources have joint interests in certain electric generating assets, including Wolf Creek. Following the closing of the combination, Westar Energy is expected to have approximately one million electric utility customers in Kansas and Missouri, approximately $8.2 billion in assets and the ability to generate more than 8,000 megawatts of electricity.

At September 30, 1998, Western Resources had deferred approximately $12.2 million related to the KCPL transaction. These costs will be included in the determination of total consideration upon consummation of the transaction.

OTHER INFORMATION

YEAR 2000 ISSUE: We, as part of the Western Resources Year 2000 readiness program, are currently addressing the effect of the Year 2000 Issue on information systems and operations. We face the Year 2000 Issue because many computer systems and applications abbreviate dates by eliminating the first two digits of the year, assuming that these two digits are always "19". On January 1, 2000, some computer programs may incorrectly recognize the date as January 1, 1900. Some computer systems and applications may incorrectly process critical information or may stop processing altogether because of the date abbreviation. Calculations using dates beyond December 31, 1999 may affect computer applications before January 1, 2000.

We have recognized the potential adverse effects the Year 2000 Issue could have on our company. The company shares information and computer systems with Western Resources. In 1996, we established a formal Year 2000 readiness program to investigate and correct these problems in the main computer systems of our company. In 1997, we expanded the program to include all business units and departments of our company, using a common methodology. The Year 2000 issues concerning the Wolf Creek nuclear operating plant are discussed under WCNOC below.

The goal of our Year 2000 readiness program is to identify and assess all critical computer programs, computer hardware and embedded systems potentially affected by the Year 2000 date change, to repair or replace those systems found to be incompatible with Year 2000 dates, and to develop predetermined actions to be used as contingencies in the event any critical business function fails unexpectedly or is interrupted. The program is directed by a written policy which provides the guidance and methodology to the departments and business units to follow. Due to varying degrees of exposure of

departments and business units to the Year 2000 Issue, some departments and business units are further along in their readiness efforts than others. All departments have completed the awareness, inventory, and assessment phases, and have developed their initial contingency plans. Several smaller departments and business units have completed the assessment, remediation, and testing phases. The majority of our current efforts are in the remediation and testing phases. Overall, based on manhours as a measure of work effort, we believe we are approximately 70% completed with our readiness efforts.

The estimated progress of our departments and business units, exclusive of WCNOC, at September 30, 1998, based on manhours, is as follows:

Department/Business Unit	Percentage Completion
Electric Generation Services.	65%
Energy Distribution Services.	65%
Electric Transmission	75%
Information Technology.	65%
Administrative.	75%

Our Year 2000 readiness program addresses all Information Technology (IT) and non-IT issues which may be impacted by the Year 2000 Issue. We have included commercial computer software, including mainframe, client/server, and desktop software; internally developed computer software, including mainframe, client/server, and desktop software; computer hardware, including mainframe, client/server, desktop, network, communications, and peripherals; devices using embedded computer chips, including plant equipment, controls, sensors, facilities equipment, heating, ventilating, and air conditioning (HVAC) equipment; and relationships with third-party vendors, suppliers, and customers. Our program requires testing as a method for verifying the Year 2000 readiness of an item. For those items which are impossible to test, other methods are being used to identify the readiness status, provided adequate contingency plans are established to provide a workaround or backup for the item. We plan to have our Year 2000 readiness efforts substantially completed by the end of 1998.

Western Resources currently estimates that total costs to update all of its electric utility operating systems for Year 2000 readiness, excluding costs associated with WCNOC discussed below, to be approximately $7 million, of which $4 million represents IT costs and $3 million represents non-IT costs. As of September 30, 1998 Western Resources has expensed approximately $3.5 million of these costs, of which $3 million represent IT costs and $0.5 million represent non-IT costs. Based on what they know, they expect to incur the remaining $3.5 million, of which $1 million represents IT costs and $2.5 million represents non-IT costs, by the end of 1999. These costs include labor costs for both company employees and contract personnel used in our Year 2000 program, and non-labor costs for software tools used in our remediation and testing efforts, replacement software, replacement hardware, replacement embedded devices, and miscellaneous costs associated with their testing and replacement. Western Resources has allocated approximately $1.4 million of the expensed costs to our company and we expect an additional $1.4 million to be allocated for the remaining costs to be incurred.

We have identified the following major areas of risk relating to our Year 2000 Issue exposure: 1) vendors and suppliers, 2) internal plant controls and systems, 3) telecommunications, including phone systems and cellular phones, 4) large customers, and 5) rail transportation. We consider vendors and suppliers a risk because of the lack of control we have over their operations. We are in the process of contacting by letter each vendor or supplier critical to our operations for information pertaining to their Year 2000 readiness. We consider our plant controls and systems a risk due to the complexity, variety, and extent of the embedded systems. We consider telecommunications a risk because it performs a critical function in a large number of our business processes and plant control functions. We consider large customers a risk because of the influence their electrical usage patterns have on our electrical generation and distribution systems. We consider rail transportation a risk because of our dependence for delivery of coal used at our coal-fired generating plants.

The most reasonably likely worst case scenario we anticipate is the loss or partial interruption of local and long-distance telephone service, the interruption or significant delay to rail service effecting the coal deliveries to our generating plants, the unscheduled shut-down of the Wolf Creek nuclear operating plant, the potential loss of load from one or more large customers, and the loss of minimal generating capacity in the region for brief periods of time. Approximately 44% of our generating capacity utilizes coal as fuel and 22% of our generating capacity is attributed to Wolf Creek.

We are addressing these risks in our contingency plans, and have or will be implementing a number of action plans in advance to mitigate these and other potential risks. Our contingency plans include pre-established actions to deal with potential operational impacts. For example, we have installed a company-wide trunked radio system which can be used in place of the commercial telecommunications systems, in the event those systems are interrupted. We plan to place in service, at reduced output, generating units which would normally not be in service to help accommodate load shifts that would be caused by a large customer suddenly dropping or significantly reducing their electricity usage, or in the event of unexpected loss of some of our generation capacity or generation capacity of others in the region. In addition, we generally maintain more than a 30-day supply of coal at each of our coal-fired generating plants, reducing the effect of any temporary interruption of rail transportation and an unscheduled temporary shut-down of the Wolf Creek nuclear operating plant discussed below.

While all business units and departments have developed contingency plans to cover essential business functions and anticipated possible Year 2000-related failure or interruption, these plans are continually reviewed and updated based on information learned as our Year 2000 readiness efforts proceed.

WOLF CREEK NUCLEAR OPERATING CORPORATION (WCNOC): WCNOC has been evaluating and adjusting all known date-sensitive systems and equipment for Year 2000 compliance. WCNOC is developing a plan to effect the readiness of the plant for the coming of the Year 2000. This plan is designed to closely parallel the guidance provided by the Nuclear Energy Institute and the Nuclear Regulatory Commission (NRC). WCNOC is partnering with several industry groups to share information regarding evaluating items that are Year 2000 sensitive. As applications and devices are confirmed to be Year 2000 non-compliant, business decisions are being made to repair or retire the item.

On May 11,1998 the NRC issued Generic Letter 98-01 entitled "Year 2000 Readiness of Computer Systems at Nuclear Power Plants." This letter expressed the NRC's expectations with regard to Year 2000 readiness. The letter also requires the licensee to file its Year 2000 plan and status report no later than July 1, 1999.

In order to access the licensees progress in preparing for Year 2000, the NRC has scheduled audits at various nuclear power plant facilities during 1998 and early 1999. One of these audits will be conducted at WCNOC during the month of November, 1998. The objectives of this audit are as follows:

- To assess the effectiveness of licensee programs for achieving Year 2000 readiness and in addressing compliance with the terms and conditions of their license and NRC regulations and continued safe operation.

- To evaluate program implementation activities to assure that licensees are on schedule to achieve Year 2000 readiness in accordance with General Letter 98-01 guidelines.

- To assess the licensee contingency planning for addressing risks associated with events resulting from Year 2000 problems.

Any open items resulting from the audit will be discussed with the licensee along with the avenue to achieve resolution.

Since Wolf Creek was designed during the 1970 and 1980s, most of the originally installed electronic plant equipment did not contain microprocessors. During this time frame, the NRC would not allow components required for safe shutdown of the plant to contain microprocessors. For these reasons, there is minimal Year 2000 risk associated with being able to safely shutdown the plant and maintain it in a safe shutdown condition. During the years since original construction, microprocessor based electronic components have been added in non-safe shutdown applications. Some of these (only two identified thus far and no others are anticipated) could shutdown the plant. Special attention will be paid to these devices to ensure that there is minimal Year 2000 risk associated with them.

In the original design and through plant modifications, microprocessor based components were installed in plant monitoring applications such as the radiation monitoring equipment and the plant information computer. Similarly, in the area of non-plant operation computers and applications, WCNOC has several items which will require remediation. There is a possibility that these devices could cause a Year 2000 problem. Failure to adequately remediate any Year 2000 problems could require the plant's operations be limited or shutdown.

WCNOC is developing contingency plans to address risk associated with Year 2000 Issues. These plans generally follow the guidance contained in NUCLEAR ENERGY INSTITUTE/NUCLEAR UTILITY SOFTWARE MANAGEMENT GROUP 98-07, NUCLEAR UTILITY READINESS CONTINGENCY PLANNING. The steps to be taken involve the determination of which items present a critical risk to the facility, review of the identified risks, determining mitigation strategies, and ensuring that each responsible organization develops appropriate contingency plans.

WCNOC estimates that the most reasonably likely worse case scenario would be a temporary plant shutdown due to external electrical grid disturbances. While these disturbances may result in a temporary shutdown, the safety of the plant will not be compromised and the unit should restart shortly after the grid disturbance has been corrected.

The table below sets forth estimates of the status of the components of WCNOC's Year 2000 readiness program at September 30, 1998.

Phase	Estimated Completion Date	Percentage Completion
Identification and assessment of plant components	Mar 99	75%
Identification and assessment of computers/software (Note 1)	Jun 99	20%
Identification and Assessment of Other Areas (Note 2)	Jun 99	10%
Identified remediations complete (Note 3)	Sep 99	10%
Comprehensive testing guidelines		100%
Comprehensive testing	Jun 99	0%
Contingency planning guidelines		100%
Contingency planning individual plans	Mar 99	0%

Note 1 - Several computers are on three year lease and will not be obtained until 1999.
Note 2 - Includes items such as measuring/test and telecommunications equipment.
Note 3 - Two major modifications are currently scheduled to be completed after June 1999, the remaining remediations are presently scheduled for completion prior to July 1999.

WCNOC has established a goal of completing all assessments of affected systems by the end of the second quarter of 1999, with remediations being completed by the end of the third quarter. Remediations are being planned and initiated as the detailed assessment phase identifies the need, not at the end of the assessment period. The areas where the greatest potential for necessary remediations and/or more complex remediations could result were the first ones targeted for assessment so remediation planning could be started earlier. Many remediations will be completed before the end of the assessment period. In addition, WCNOC is communicating with others with which its systems interface or on which they rely with respect to those companies' Year 2000 compliance. Letters have been sent to all pertinent vendors to acquire this information.

WCNOC has estimated the costs to complete the Year 2000 project at $4.6 million ($2.1 million, company's share). As of September 30, 1998, $0.6 million ($0.3 million, company's share) had been spent on the project. A summary of the projected costs and actual costs through September 30, 1998 is as follows:

	Projected Costs	Actual Costs
	(Dollars in Thousands)	
Wolf Creek Labor and Expenses	$ 494	$191
Contractor Costs	646	262
Remediation Costs	3,493	160
Total	$4,633	$613

Approximately $3.5 million ($1.6 million, company's share) of WCNOC's total Year 2000 cost is associated with remediation. Of these remediation costs, $2.4 million ($1.1 million, company's share) are associated with 7 major jobs which are in the initial stages. All of these costs are being expensed as they are incurred and are being funded on a daily basis along with our normal costs of operations. In order to minimize the effects of delaying other information technology projects, WCNOC has and will continue to augment staffing during the identification and remediation phases of the project. This staffing, which will include both programmers and technical support personnel, will also be available during the testing and initial operating phases of the various systems.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

KANSAS GAS AND ELECTRIC COMPANY
Part II Other Information

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

Information required by Item 4 is omitted pursuant to General Instruction H(2)(b) to Form 10-Q.

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

Exhibit 12 - Computation of Ratio of Earnings to Fixed Charges for 12 Months Ended September 30, 1998 (filed electronically)

Exhibit 27 - Financial Data Schedule (filed electronically)

(b) Reports on Form 8-K:

None

SIGNATURE

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

KANSAS GAS AND ELECTRIC COMPANY

Date November 12, 1998 By /s/ Richard D. Terrill
Richard D. Terrill
Secretary, Treasurer and
General Counsel

Exhibit 12

KANSAS GAS AND ELECTRIC COMPANY
Computations of Ratio of Earnings to Fixed Charges and
Computation of Ratio of Earnings to Combined Fixed Charges
and Preferred and Preference Dividend Requirements
(Dollars in Thousands)

	Unaudited Twelve Months Ended Sept 30,	Year Ended December 31,				
	1998	1997	1996	1995	1994	1993
Net Income.	$ 87,940	$ 52,128	$ 96,274	$110,873	$104,526	$108,103
Taxes on Income	27,195	17,408	36,258	51,787	55,349	46,896
Net Income Plus Taxes.	115,135	69,536	132,532	162,660	159,875	154,999
Fixed Charges:						
Interest on Long-Term Debt. . . .	46,030	46,062	46,304	47,073	47,827	53,908
Interest on Other Indebtedness. .	3,368	4,388	11,758	5,190	5,183	6,075
Interest on Corporate-owned Life Insurance Borrowings . . .	33,217	31,253	27,636	25,357	20,990	11,865
Interest Applicable to Rentals. .	24,783	25,143	25,539	25,375	25,096	24,967
Total Fixed Charges	107,398	106,846	111,237	102,995	99,096	96,815
Earnings (1).	$222,533	$176,382	$243,769	$265,655	$258,971	$251,814
Ratio of Earnings to Fixed Charges.	2.07	1.65	2.19	2.58	2.61	2.60

(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.

5

This schedule contains summary financial information extracted from the Balance Sheet at September 30, 1998 and the Statement of Income for the nine months ended September 30, 1998 and is qualified in its entirety by reference to such financial statements.

1,000

9-MOS
DEC-31-1998
SEP-30-1998
42
0
99,434
2,062
41,162
233,845
3,630,285
1,108,820
3,097,603
149,972
684,136
0
0
1,065,634
88,096
3,097,603
513,416
513,416
121,307
352,208
0
0
37,012
134,671
40,420
94,251
0
0
0
94,251
0
0