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 June 30, 1994

OR

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

For the transition period from ________ to ________

Commission File Number 1-7324

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)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO

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

Class	Outstanding at August 11, 1994
Common Stock (No par value)	1,000

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

	June 30, 1994 (Unaudited)	December 31, 1993
ASSETS		
UTILITY PLANT:		
Electric plant in service	$3,362,910	$3,339,832
Less - Accumulated depreciation	829,511	790,843
	2,533,399	2,548,989
Construction work in progress	34,597	28,436
Nuclear fuel (net)	39,173	29,271
Net utility plant	2,607,169	2,606,696
OTHER PROPERTY AND INVESTMENTS:		
Decommissioning trust	15,077	13,204
Other	11,957	10,941
	27,034	24,145
CURRENT ASSETS:		
Cash and cash equivalents	77	63
Accounts receivable and unbilled revenues (net) (Note 8)	57,323	11,112
Advances to parent company	115,578	192,792
Fossil fuel, at average cost,	13,073	7,594
Materials and supplies, at average cost	31,379	29,933
Prepayments and other current assets	25,963	14,995
	243,393	256,489
DEFERRED CHARGES AND OTHER ASSETS:		
Deferred future income taxes	115,280	113,479
Deferred coal contract settlement costs	19,599	21,247
Phase-in revenues	70,178	78,950
Other deferred plant costs	31,896	32,008
Corporate-owned life insurance (net)	8,352	45
Other	45,495	54,420
	290,800	300,149
TOTAL ASSETS	$3,168,396	$3,187,479
CAPITALIZATION AND LIABILITIES		
CAPITALIZATION (see statement)	$1,982,446	$1,899,221
CURRENT LIABILITIES:		
Short-term debt	25,200	155,800
Long-term debt due within one year	-	238
Accounts payable	60,103	51,095
Accrued taxes	24,933	12,185
Accrued interest	8,303	7,381
Other	9,721	9,427
	128,260	236,126
DEFERRED CREDITS AND OTHER LIABILITIES:		
Deferred income taxes	638,072	646,159
Deferred investment tax credits	76,444	78,048
Deferred gain from sale-leaseback	257,161	261,981
Other	86,013	65,944
	1,057,690	1,052,132
COMMITMENTS AND CONTINGENCIES (Notes 3 and 4)		
TOTAL CAPITALIZATION AND LIABILITIES	$3,168,396	$3,187,479

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

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

	Three Months Ended June 30, 1994	Three Months Ended June 30, 1993
OPERATING REVENUES.	$ 154,987	$ 150,478
OPERATING EXPENSES:		
Fuel used for generation:		
Fossil fuel	23,096	20,788
Nuclear fuel.	4,232	2,142
Power purchased	2,241	1,362
Other operations.	27,954	35,171
Maintenance	13,890	11,101
Depreciation and amortization	19,142	18,837
Amortization of phase-in revenues	4,386	4,386
Taxes:		
Federal income.	11,604	8,035
State income.	2,875	1,798
General	12,019	11,313
Total operating expenses.	121,439	114,933
OPERATING INCOME.	33,548	35,545
OTHER INCOME AND DEDUCTIONS:		
Corporate-owned life insurance (net).	(758)	1,899
Miscellaneous (net)	1,950	1,242
Income taxes (net).	1,451	511
Total other income and deductions	2,643	3,652
INCOME BEFORE INTEREST CHARGES.	36,191	39,197
INTEREST CHARGES:		
Long-term debt.	12,005	13,897
Other	1,119	1,407
Allowance for borrowed funds used during construction (credit)	(556)	(381)
Total interest charges.	12,568	14,923
NET INCOME.	$ 23,623	$ 24,274

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

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

	Six Months Ended June 30, 1994	Six Months Ended June 30, 1993
OPERATING REVENUES	$ 291,591	$ 288,959
OPERATING EXPENSES:		
Fuel used for generation:		
Fossil fuel	43,935	42,017
Nuclear fuel	8,095	4,849
Power purchased	3,493	3,369
Other operations	58,585	62,709
Maintenance	25,230	21,966
Depreciation and amortization	38,261	37,675
Amortization of phase-in revenues	8,772	8,772
Taxes:		
Federal income	18,073	13,252
State income	4,585	3,215
General	24,136	22,816
Total operating expenses	233,165	220,640
OPERATING INCOME	58,426	68,319
OTHER INCOME AND DEDUCTIONS:		
Corporate-owned life insurance (net)	(1,993)	3,368
Miscellaneous (net)	2,808	7,518
Income taxes (net)	3,238	(1,043)
Total other income and deductions	4,053	9,843
INCOME BEFORE INTEREST CHARGES	62,479	78,162
INTEREST CHARGES:		
Long-term debt	24,098	28,001
Other	2,472	2,964
Allowance for borrowed funds used during construction (credit)	(924)	(808)
Total interest charges	25,646	30,157
NET INCOME	$ 36,833	$ 48,005

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

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

	Twelve Months Ended June 30, 1994	Twelve Months Ended June 30, 1993
OPERATING REVENUES	$ 619,629	$ 583,842
OPERATING EXPENSES:		
Fuel used for generation:		
Fossil fuel	95,306	78,707
Nuclear fuel	16,521	12,808
Power purchased	9,988	5,975
Other operations	114,824	122,008
Maintenance	50,004	46,673
Depreciation and amortization	76,116	74,431
Amortization of phase-in revenues	17,545	17,544
Taxes:		
Federal income	44,374	28,203
State income	10,940	7,704
General	46,523	42,647
Total operating expenses	482,141	436,700
OPERATING INCOME	137,488	147,142
OTHER INCOME AND DEDUCTIONS:		
Corporate-owned life insurance (net)	2,480	7,377
Miscellaneous (net)	4,561	13,033
Income taxes (net)	6,508	(2,192)
Total other income and deductions	13,549	18,218
INCOME BEFORE INTEREST CHARGES	151,037	165,360
INTEREST CHARGES:		
Long-term debt	50,005	56,411
Other	5,583	10,949
Allowance for borrowed funds used during construction (credit)	(1,482)	(1,520)
Total interest charges	54,106	65,840
NET INCOME	$ 96,931	$ 99,520

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

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

	Six Months Ended June 30, 1994	Six Months Ended June 30, 1993
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 36,833	$ 48,005
Depreciation and amortization	38,261	37,675
Other amortization (including nuclear fuel)	5,867	3,391
Deferred income taxes and investment tax credits (net)	4,319	5,495
Amortization of phase-in revenues	8,772	8,772
Corporate-owned life insurance	(8,830)	(8,101)
Amortization of gain from sale-leaseback	(4,820)	(4,820)
Changes in working capital items:		
Accounts receivable and unbilled revenues (net) (Note 8)	(46,211)	(12,142)
Fossil fuel	(5,479)	4,055
Accounts payable	9,008	(4,067)
Interest and taxes accrued	13,670	4,323
Other	(12,120)	(257)
Changes in other assets and liabilities	(1,436)	(21,326)
Net cash flows from operating activities	37,834	61,003
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Additions to utility plant	47,306	22,513
Corporate-owned life insurance policies	24,008	24,624
Net cash flows used in investing activities	71,314	47,137
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:		
Short-term debt (net)	(130,600)	(7,300)
Advances to parent company (net)	77,214	40,791
Bonds issued	160,422	-
Bonds retired	(46,440)	-
Other long-term debt (net)	(67,893)	(46,870)
Borrowings against life insurance policies (net)	40,791	621
Net cash flows from (used in) financing activities	33,494	(12,758)
NET INCREASE IN CASH AND CASH EQUIVALENTS	14	1,108
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	63	892
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 77	$ 2,000
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
CASH PAID FOR:		
Interest on financing activities (net of amount capitalized)	$ 43,809	$ 38,921
Income taxes	18,400	7,500

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

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

	Twelve Months Ended June 30, 1994	Twelve Months Ended June 30, 1993
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income.	$ 96,931	$ 99,520
Depreciation and amortization	76,116	74,431
Other amortization (including nuclear fuel)	13,730	9,363
Deferred income taxes and investment tax credits (net). . .	21,396	10,046
Amortization of phase-in revenues	17,545	17,544
Corporate-owned life insurance.	(22,379)	(15,972)
Amortization of gain from sale-leaseback.	(9,640)	(9,640)
Changes in working capital items:		
Accounts receivable and unbilled revenues (net) (Note 8).	(34,638)	(10,635)
Fossil fuel	(1,027)	7,760
Accounts payable.	3,262	1,168
Interest and taxes accrued.	294	2,477
Other	(14,054)	(5,393)
Changes in other assets and liabilities	3,360	(61,142)
Net cash flows from operating activities.	150,896	119,527
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Additions to utility plant.	91,679	63,713
Corporate-owned life insurance policies	26,650	20,632
Death proceeds of corporate-owned life insurance policies .	(10,158)	(754)
Net cash flows used in investing activities.	108,171	83,591
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:		
Short-term debt (net)	(61,000)	(3,800)
Advances to parent company (net).	(82,080)	(28,025)
Bonds issued.	225,422	135,000
Bonds retired	(186,440)	(125,000)
Other long-term debt (net).	(13,980)	(14,860)
Revolving credit agreement (net).	(150,000)	-
Borrowings against life insurance policies (net).	223,430	(3,959)
Net cash flows from (used in) financing activities . .	(44,648)	(40,644)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.	(1,923)	(4,708)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD.	2,000	6,708
CASH AND CASH EQUIVALENTS AT END OF PERIOD.	$ 77	$ 2,000
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
CASH PAID FOR:		
Interest on financing activities (net of amount capitalized).	$ 82,541	$ 76,659
Income taxes.	40,254	21,725

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

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

			June 30, 1994 (Unaudited)		December 31, 1993	
COMMON STOCK EQUITY:						
(See Statements of Common Stock Equity)						
Common stock, without par value, authorized and issued 1,000 shares			$1,065,634		$1,065,634	
Retained earnings.			216,877		180,044	
Total common stock equity.			1,282,511	65%	1,245,678	66%
LONG-TERM DEBT:						
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	216,000	
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%	2031	327,500	327,500			
Variable (a)	2032	14,500	-			
Variable (a)	2032	10,000	-			
				387,922	373,940	
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)				3,987	4,052	
Long-term debt due within one year				-	238	
Total long-term debt.				699,935 35%	653,543	34%
TOTAL CAPITALIZATION				$1,982,446 100%	$1,899,221	100%

(a) Market-Adjusted Tax Exempt Securities (MATES). The interest rate is being reset periodically via an auction process. As of June 30, 1994, the rate was 2.86% for these bonds.

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)
(Unaudited)

	Common Stock		Other	Retained	Treasury Stock		
	Shares	Amount	Paid-in Capital	Earnings	Shares	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-$0.43 per share.				(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)
MARCH 31, 1992 Subtotal-KG&E (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. . (Successor)	1,000	$1,065,634	$ -	$ 180,044	-	$ -	$1,245,678
Net Income				36,833			36,833
BALANCE JUNE 30, 1994. . . . (Successor)	1,000	$1,065,634	$ -	$ 216,877	-	$ -	$1,282,511

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

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

1. ACCOUNTING POLICIES AND OTHER INFORMATION

General. On March 31, 1992, Western Resources, Inc., formerly The Kansas Power and Light Company, (Western Resources, Parent Company) 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).

The Company owns 47% of the Wolf Creek Nuclear Operating Corporation (WCNOC), the operating company for the 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 financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. In the opinion of the Company, the accompanying condensed financial statements reflect all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the financial position of the Company as of June 30, 1994, and December 31, 1993, and the results of its operations for the three, six and twelve month periods ended June 30, 1994 and 1993. These condensed financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company's 1993 Annual Report on Form 10-K.

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

Cash Surrender Value of Life Insurance Contracts. The following amounts related to corporate-owned life insurance (COLI) contracts, primarily with one highly rated major insurance company, are recorded on the balance sheets (millions of dollars):

	June 30, 1994	December 31, 1993
Cash surrender value of contracts	$318.2	$269.0
Borrowings against contracts	(309.8)	(269.0)
COLI (net)	$ 8.4	$ 0.0

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

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

2. SHORT-TERM DEBT

The Company's short-term financing requirements are satisfied through short-term bank loans and borrowings under unsecured lines of credit maintained with banks. At June 30, 1994, the Company had bank credit arrangements available of $35 million.

3. COMMITMENTS AND CONTINGENCIES

Environmental. The Company and the Kansas Department of Health and Environment entered into a consent agreement to perform preliminary assessments of six former manufactured gas sites. The preliminary assessments of these sites have been completed at minimal cost. Until such time that risk assessments are completed at these sites, it will be impossible to predict the cost of remediation. However, 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. The Company is also aware that the KCC has permitted another Kansas utility to recover a portion of the 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.

The Company along with the other co-owners of Wolf Creek are among 14 companies that filed a lawsuit 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 issue to be decided in this case is whether DOE must begin accepting spent fuel in 1998 or at a future date.

Decommissioning. In 1988 the Company estimated that it would expend approximately $725 million for its share of Wolf Creek decommissioning costs primarily during the period from 2025 through 2031. Such costs, estimated to be approximately $97 million in 1988 dollars, are currently authorized in rates. These costs were calculated using an assumed inflation rate of 5.15% over the remaining service life, in 1988, of 37 years.

Decommissioning costs, calculated in the 1988 estimate, are being charged to operating expenses. Amounts so expensed ($3.5 million in 1993 increasing annually to $5.5 million is 2024) and earnings on trust fund assets are deposited in an external trust fund which, when fully funded (assuming a return on trust assets of 7%) will be used solely for the physical decommissioning of Wolf Creek (immediate dismantlement method). Electric rates charged to customers provide for recovery of these decommissioning costs over the life of Wolf Creek.

The Company's investment in the decommissioning fund, including reinvested earnings was $15.1 and $13.2 million at June 30, 1994, and December 31, 1993, respectively. These amounts are reflected in OTHER PROPERTY AND INVESTMENTS, Decommissioning Trust, and the related liability is included in DEFERRED CREDITS AND OTHER LIABILITIES, Other, on the balance sheets.

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

The KCC also scheduled a hearing to review the funding level for the decommissioning trust. Management believes the current level of funding will meet the requirements of the 1993 cost study and is requesting no change to the current funding level.

The Company carries $164 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 $9.2 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 nuclear incident involving any of the nation's licensed reactors. This assessment is subject to an inflation adjustment based on the Consumer Price Index. 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" ($1.3 billion) and Nuclear Electric Insurance Limited (NEIL) ($1.5 billion). In the event of an accident, insurance proceeds must first be used for reactor stabilization and site decontamination. The remaining proceeds from the $2.8 billion insurance coverage ($1.3 billion, Company's share), if any, can be used for property damage up to $1.1 billion (Company's share) and premature decommissioning costs up to $117.5 million (Company's share) in excess of funds previously collected for decommissioning (as discussed under "Decommissioning"), with the remaining $47 million (Company's share) available for either property damage or premature decommissioning costs.

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 $9 million per year.

There can be no assurance that all potential losses or liabilities will be insured or that the amount of insurance will be sufficient to cover them. Any substantial losses not covered by insurance, to the extent not recoverable through rates, could 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 is installing continuous emission monitoring and reporting equipment at a total cost of approximately $2.3 million. At December 31, 1993, the Company had completed approximately $850 thousand of these capital expenditures with the remaining $1.4 million of capital expenditures to be completed in 1994 and 1995. The Company does not expect additional equipment to reduce sulfur emissions to be necessary under Phase II. The Company currently has no Phase I affected units.

The NOx and toxic limits, which were not set in the law, will be specified in future EPA regulations. The EPA has issued for public comment preliminary NOx regulations for Phase I group 1 units. NOx regulations for Phase II units and Phase I group 2 units are mandated in the Act to be promulgated by January 1, 1997. Although the Company has no Phase I units, the final regulations for Phase I group 1 may allow for early compliance for Phase II group 1 units. Until such time as the Phase I group 1 NOx regulations are final, the Company will be unable to determine its compliance options or related compliance costs.

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, 1993, WCNOC's nuclear fuel commitments (Company's share) were approximately $18.0 million for uranium concentrates expiring at various times through 1997, $123.6 million for enrichment expiring at various times through 2014 and $45.5 million for fabrication through 2012. At December 31, 1993, the Company's coal and natural gas contract commitments in 1993 dollars under the remaining term of the contracts were $666 million and $20.4 million, respectively. The largest coal contract was renegotiated early in 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 purchase will be made to obtain adequate fuel supplies.

For additional information with respect to Commitments and Contingencies see Note 3, COMMITMENTS AND CONTINGENCIES of the Notes to Financial Statements in the Company's 1993 Annual Report on Form 10-K.

4. LEGAL PROCEEDINGS

For information with respect to Legal Proceedings see Note 10, LEGAL PROCEEDINGS of the Notes to Financial Statements in the Company's 1993 Annual Report on Form 10-K.

5. RATE MATTERS AND REGULATION

For information with respect to Rate Matters and Regulation see Note 4 RATE MATTERS AND REGULATION of the Notes to Financial Statements in the Company's 1993 Annual Report on Form 10-K.

6. INCOME TAXES

Total income tax expense included in the Statements of Income reflects the Federal statutory rate of 35% since January 1, 1993 and 34% for all prior periods. The Federal statutory rate produces effective income tax rates of 35.5% and 27.7% for the three month periods, and 34.5% and 26.7% for the six month periods and 33.5% and 27.7% for the twelve month periods ended June 30, 1994 and 1993, respectively. The effective income tax rates vary from the Federal statutory rate due to the permanent differences, including the amortization of investment tax credits.

For additional information with respect to Income Taxes see Note 9, INCOME TAXES of the Notes to Financial Statements in the Company's 1993 Annual Report on Form 10-K.

7. EMPLOYEE BENEFIT PLANS

Postemployment. The Company adopted the provisions of Statement of Financial Accounting Standards No. 112 (SFAS 112), in the first quarter of 1994. This statement requires the Company to recognize the liability to provide postemployment benefits when the liability has been incurred. To mitigate the impact adopting SFAS 112 will have on rate increases, the Company received an order from the KCC permitting the initial deferral of SFAS 112 transition costs and expenses and its inclusion in the future computation of cost of service net of and income stream generated from corporate-owned life insurance. At June 30, 1994, the Company's SFAS 112 liability recorded on the balance sheet was approximately $585,000.

8. LONG-TERM DEBT

The Company has a long-term debt agreement, expiring in 1995, which contains 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 are accounted for as sales while those related to phase-in revenues are accounted for as collateralized borrowings. Additional receivables are continually sold to replace those collected. At June 30, 1994 and December 31, 1993, outstanding receivables amounting to $20.1 million and $56.8 million, respectively, were considered sold under the agreement.

For additional information with respect to Long-Term Debt see Note 6, LONG-TERM DEBT of the Notes to Financial Statements in the Company's 1993 Annual Report on Form 10-K.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with Item 7 of the Company's Annual Report on Form 10-K for 1993.

The following updates the information provided in the 1993 Form 10-K, and analyzes the changes in the results of operations between the three, six and twelve month periods ended June 30, 1994 and comparable periods of 1993.

FINANCIAL CONDITION

General. The Company had net income for the second quarter of 1994 of $23.6 million compared to $24.3 million for the same period of 1993. The decrease in income can be attributed to an increase in maintenance expense due to the major boiler overhaul of the Company's coal fired La Cygne 1 and higher income taxes as a result of the completion of the accelerated amortization of certain deferred income tax reserves.

As of December 31, 1993, the Company had fully amortized these deferred income tax reserves related to the allowance for borrowed funds used during construction capitalized for Wolf Creek. The absence of the amortization of these deferred income tax reserves reduces net income by approximately $3 million per quarter or approximately $12 million per year.

Net income for the six and twelve months ending June 30, 1994, of $36.8 million and $96.9 million, decreased from net income of $48.0 and $99.5 million for the comparable periods of 1993, respectively. The decrease in net income is primarily due to increases in income taxes as a result of the absence of the amortization of the above mentioned deferred income tax reserves and higher maintenance expense as a result of the major boiler overhaul of the Company's coal fired La Cygne 1.

Partially offsetting the increased expenses for the three, six and twelve months ended June 30, 1994, was lower interest expense.

Liquidity and Capital Resources. 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.

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 rate is being reset periodically via an auction process. As of June 30, 1994, the rate on these bonds was 2.86% for each series. 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%.

In 1986 the Company purchased corporate-owned life insurance policies (COLI) on certain of its employees. For the six months ended June 30, 1994, the Company increased its borrowings against the accumulated cash surrender values of the policies by $39.2 million and received $1.6 million from increased borrowings on Wolf Creek Nuclear Operating Company policies.

OPERATING RESULTS

The following discussion explains variances for the three, six and twelve months ended June 30, 1994 to the comparable periods of 1993.

Revenues. The Company's revenues vary with levels of usage as a result of changing weather conditions during comparable periods and are sensitive to seasonal fluctuations between consecutive periods.

Changes in electric sales volumes:

	3 Months Ended	6 Months Ended	12 Months Ended
Residential	15.6%	2.6%	4.9%
Commercial	0.0%	1.2%	(0.5)%
Industrial	3.5%	(1.1)%	(1.1)%
Total Retail	5.8%	0.6%	0.8%
Wholesale & interchange	(3.7)%	57.7%	66.4%
Total electric sales	4.4%	8.6%	11.0%

Revenues for the second quarter of 1994, of $155.0 million, increased three percent from the 1993 second quarter revenues of $150.5 million, due to the warmer temperatures experienced in the Company's service territory, primarily in the month of June, which resulted in a greater customer demand for air conditioning load compared to last year.

Revenues for the six months ended June 30, 1994, of $291.6 million, increased slightly from revenues of $289.0 million for the comparable period of 1993. The increase in revenues is primarily a result of increased residential sales due to the higher air conditioning load during 1994 as compared to 1993 and higher wholesale and interchange sales due to increased interchange demand.

Revenues for the twelve months ended June 30, 1994, of $619.6 million, increased approximately six percent from revenues of $583.8 million for the comparable period of 1993. The increase can be attributed primarily to a $22.6 million increase in wholesale and interchange revenues as a result of additional interchange customers and other utilities' need for power to meet peak demand periods while those utilities' units were down due to the 1993 summer flooding. Residential customers also experienced an increase in sales volume as summer temperatures returned to near normal levels during the third quarter of 1993.

Operating Expenses. Total operating expenses increased approximately six percent for the three and the six months ended June 30, 1994 compared the same periods of 1993. The increases can be attributed to increases during the second quarter of $2.8 million in maintenance expense primarily due to the major boiler overhaul of the Company's coal fired La Cygne 1, a $4.6 million increase in federal and state income taxes, and a $4.4 million increase in fuel expense as a result of increased electric generation to meet customer demand.

The increase in federal income taxes for the three and six months ended June 30, 1994 was due to the completion at December 31, 1993, of the accelerated amortization of deferred income tax reserves relating 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 taxes and thereby reduced net income by approximately $3 million and $6 million for the quarter and six months ended June 30, 1994, respectively.

Total operating expenses increased approximately 10 percent for the twelve months ended June 30, 1994 compared to the same period of 1993. The increase is primarily the result of a $24.3 million increase in fuel expense and purchased power due to increased electric generation caused by the increase in customer demand, a $19.4 million increase in federal and state income taxes, and higher general taxes of $3.9 million. The increase in income taxes is a result of the completion of the amortization of certain deferred income taxes discussed previously. Higher property taxes due to increases in plant and higher mill levies contributed to increased general taxes.

Other Income and Deductions. Other income and deductions, net of taxes, decreased significantly for the three, six and twelve months ended June 30, 1994, compared to the same period in 1993 primarily as a result of increased interest expense on higher COLI borrowings.

Interest Expense. Interest expense decreased $2.4 million, $4.5 million and $11.7 million for the three, six and twelve months ended June 30, 1994 compared to the same periods of 1993, respectively. The decreases resulted primarily from lower interest rates on variable-rate debt and the refinancing of higher cost fixed-rate debt. Also accounting for the decrease in interest expense 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.

KANSAS GAS AND ELECTRIC COMPANY
Part II Other Information

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

None

(b) Reports on Form 8-K:

None

SIGNATURES

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 August 10, 1994 By Richard D. Terrill
Richard D. Terrill,
Secretary, Treasurer and
General Counsel