FORM U-3A-2

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C.

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

Kansas Gas and Electric Company

Kansas Gas and Electric Company ("KG&E") hereby files with the Securities and Exchange Commission, pursuant to Rule 2, its statement claiming exemption as a holding company from the provisions of the Public Utility Holding Company Act of 1935 (the "Act") by reason of the provisions of Section 3(a)(2) of the Act. In support of such claim for exemption the following information is submitted:

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

KG&E provides electric services to customers in the southeastern portion of Kansas, including the Wichita metropolitan area. At December 31, 1993, it rendered electric services at retail to 269,446 residential, commercial and industrial customers and at wholesale to 27 communities and 12 other electric utilities. Neither KG&E nor any subsidiary of KG&E owns or operates any gas properties.

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

Name and Location		Accredited Capability - MW (KG&E's Share)
Nuclear		
Wolf Creek, near Burlington		533
Coal		
LaCygne Unit 1, near LaCygne	342	
LaCygne Unit 2, near LaCygne	335	
JEC Unit 1, near St. Mary's	140	
JEC Unit 2, near St. Mary's	135	
JEC Unit 3, near St. Mary's	140	
Subtotal		1,092
Gas/Oil		
Gordon Evans, Wichita	517	
Murray Gill, Wichita	327	
Subtotal		844
Diesel		
Wichita, Wichita		3
Total Active Capability		2,472 MW

KG&E maintains fifteen interconnections with other public utilities to permit direct extra-high voltage interchange. It is a member of the MOKAN Power Pool consisting of eleven utilities in Kansas and western Missouri which have agreed to coordinate the planning of electric generation and transmission facilities, the sharing of reserve capacity and electric interchange transactions, including economy and emergency service. KG&E is also a member of the Southwest Power Pool, the regional coordinating council for electric utilities throughout the south-central United States.

KG&E owns a transmission and distribution system which enables it to supply its service area. Transmission and distribution lines, in general, are located by permit or easement on public roads and streets or the lands of others. All such transmission and distribution systems are located within the State of Kansas.

3(a). For the year ended December 31, 1993, KG&E sold 7,744,969 Kwh of electric energy at retail and 796,367 Kwh of electric energy at wholesale, all of which was sold within the State of Kansas. WCNOC operates and maintains Wolf Creek on behalf of the Wolf Creek Owners and does not engage in the sale of electricity. During 1993 neither KG&E or its subsidiaries distributed or sold any natural or manufactured gas at retail.

(b) and (c). During 1993 KG&E sold, at wholesale, 1,207,740 Kwh of electric energy to adjoining public utilities through interconnections at the Kansas state line. During 1993, neither KG&E or its subsidiaries distributed or sold electric energy at retail outside the State of Kansas. During 1993, neither KG&E or its subsidiaries distributed or sold natural gas outside the State of Kansas or at the Kansas state line.

(d) During 1993, KG&E purchased 386,887,000 Kwh of electric energy from outside the State of Kansas or at the Kansas state line. During 1993, neither KG&E or any of its subsidiaries engaged in the purchase for resale of natural or manufactured gas inside or outside the State of Kansas.

KG&E hereby reserves the right to assert that WCNOC is not a Public Utility for purposes of the Act, and that KG&E is not, by virtue of its ownership interest in WCNOC, required to seek or file an exemption under the Act as a public utility holding Company. KG&E makes this filing at this time in order to preserve all rights it may have under the Act.

The above-named claimant has caused this statement to be duly executed on its behalf by its authorized officer on this 28th day of February, 1994.

KANSAS GAS AND ELECTRIC COMPANY

By:___________________________
Richard D. Terrill
Secretary, Treasurer and
General Counsel

Corporate Seal

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

Richard D. Terrill
Secretary, Treasurer and General Counsel
Kansas Gas and Electric Company
c/o Western Resources, Inc.
P.O. Box 889
818 Kansas Avenue
Topeka, Kansas 66601

EXHIBIT A

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

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

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

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

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

	December 31, 1993	1992
ASSETS		
UTILITY PLANT:		
Electric plant in service (Notes 1, 6, and 12).	$3,339,832	$3,293,365
Less - Accumulated depreciation	790,843	724,188
	2,548,989	2,569,177
Construction work in progress	28,436	29,634
Nuclear fuel (net).	29,271	33,312
Net utility plant	2,606,696	2,632,123
OTHER PROPERTY AND INVESTMENTS:		
Decommissioning trust (Note 3).	13,204	9,272
Other	10,941	13,855
	24,145	23,127
CURRENT ASSETS:		
Cash and cash equivalents (Note 2).	63	892
Accounts receivable and unbilled revenues (net)(Note 6) .	11,112	10,543
Advances to parent company (Note 14).	192,792	74,289
Fossil fuel, at average cost, ...	7,594	16,101
Materials and supplies, at average cost	29,933	31,453
Prepayments and other current assets.	14,995	7,820
	256,489	141,098
DEFERRED CHARGES AND OTHER ASSETS:		
Deferred future income taxes (Note 9)	113,479	138,361
Deferred coal contract settlement costs (Note 4).	21,247	24,520
Phase-in revenues (Note 4).	78,950	96,495
Other deferred plant costs.	32,008	32,212
Corporate-owned life insurance (net) (Note 2)	45	144,547
Other	54,420	46,749
	300,149	482,884
TOTAL ASSETS	$3,187,479	$3,279,232
CAPITALIZATION AND LIABILITIES		
CAPITALIZATION (see statement).	$1,899,221	$2,009,227
CURRENT LIABILITIES:		
Short-term debt (Note 5).	155,800	93,500
Long-term debt due within one year (Note 6)	238	228
Accounts payable.	51,095	60,908
Accrued taxes	12,185	17,684
Accrued interest.	7,381	10,935
Other	9,427	5,963
	236,126	189,218
DEFERRED CREDITS AND OTHER LIABILITIES:		
Deferred income taxes (Notes 1 and 9)	646,159	671,196
Deferred investment tax credits (Note 9).	78,048	73,939
Deferred gain from sale-leaseback (Note 7).	261,981	271,621
Other	65,944	64,031
	1,052,132	1,080,787
COMMITMENTS AND CONTINGENCIES (Notes 3 and 10)		
TOTAL CAPITALIZATION AND LIABILITIES	$3,187,479	$3,279,232

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

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

	Year Ended December 31,		1992		
	1993	Pro Forma 1992	April 1 to Dec. 31 (Successor)	January 1 to March 31 (Predecessor)	1991 (Predecessor)
OPERATING REVENUES (Notes 2 and 4). . . .	$ 616,997	$ 554,251	$ 423,538	$ 130,713	$ 594,968
OPERATING EXPENSES:					
Fuel used for generation:					
Fossil fuel	93,388	73,785	53,701	20,084	97,159
Nuclear fuel.	13,275	12,558	10,126	2,432	8,593
Power purchased	9,864	8,746	3,207	5,539	7,811
Other operations.	118,948	129,083	91,436	37,647	148,312
Maintenance	46,740	46,702	35,956	10,746	52,934
Depreciation and amortization	75,530	74,696	55,547	19,149	75,115
Amortization of phase-in revenues . . .	17,545	17,544	13,158	4,386	17,545
Taxes (see statement):					
Federal income.	39,553	16,305	17,523	(1,218)	17,569
State income	9,570	4,264	4,732	(468)	5,307
General	45,203	40,406	30,155	10,251	38,540
Total operating expenses.	469,616	424,089	315,541	108,548	468,885
OPERATING INCOME.	147,381	130,162	107,997	22,165	126,083
OTHER INCOME AND DEDUCTIONS:					
Investment income	629	1,367	953	414	3,147
Corporate-owned life insurance (net). .	7,841	10,724	9,308	1,416	4,615
Miscellaneous (net) (Note 3).	8,642	6,506	8,464	(1,958)	(12,844)
Income taxes (net) (see statement). . .	2,227	191	(1,296)	1,487	6,921
Total other income and deductions .	19,339	18,788	17,429	1,359	1,839
INCOME BEFORE INTEREST CHARGES.	166,720	148,950	125,426	23,524	127,922
INTEREST CHARGES:					
Long-term debt.	53,908	57,862	42,889	14,973	59,668
Other	6,075	15,121	11,777	3,344	17,838
Allowance for borrowed funds used during construction (credit)	(1,366)	(2,014)	(1,181)	(833)	(3,186)
Total interest charges.	58,617	70,969	53,485	17,484	74,320
NET INCOME.	108,103	77,981	71,941	6,040	53,602
PREFERRED DIVIDENDS	-	-	-	205	821
EARNINGS APPLICABLE TO COMMON STOCK . . .	$ 108,103	$ 77,981	$ 71,941	$ 5,835	$ 52,781

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

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

	1993 (Successor)	1992 March 31 to Dec. 31 (Successor)	1992 January 1 to March 31 (Predecessor)	1991 (Predecessor)
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income	$ 108,103	$ 71,941	$ 6,040	$ 53,602
Depreciation and amortization	75,530	55,547	19,149	75,115
Other amortization (incl. nuclear fuel)	11,254	8,929	1,352	6,014
Deferred taxes and investment tax credits (net)	22,572	9,326	(2,851)	3,525
Amortization of phase-in revenues	17,545	13,158	4,386	17,545
Corporate-owned life insurance	(21,650)	(14,704)	(3,295)	(11,986)
Coal contract settlements (Note 4)	-	-	-	(8,500)
Amortization of gain from sale-leaseback	(9,640)	(7,231)	(2,409)	(9,641)
Changes in working capital items:				
Accounts receivable and unbilled revenues (net) (Note 2)	(569)	1,079	1,272	346
Fossil fuel	8,507	4,425	(1,858)	3,631
Accounts payable	(9,813)	(7,216)	(6,100)	15,421
Interest and taxes accrued	(9,053)	(14,345)	10,598	1,296
Other	(2,191)	(8,456)	1,689	(5,832)
Changes in other assets and liabilities	(16,530)	(41,401)	(5,479)	3,947
Net cash flows from operating activities	174,065	71,052	22,494	144,483
CASH FLOWS USED IN INVESTING ACTIVITIES:				
Additions to utility plant	66,886	53,138	11,496	74,348
Corporate-owned life insurance policies	27,268	20,233	6,802	27,349
Death proceeds of corporate-owned life insurance	(10,160)	(6,789)	-	-
Purchase of short-term investments	-	-	-	742
Proceeds from short-term investments	-	-	-	(22,097)
Other investments	-	-	(552)	1,142
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	83,994	518,290	17,746	81,484
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:				
Short-term debt (net)	62,300	49,900	5,800	7,800
Advances to parent company (net)	(118,503)	(74,289)	-	-
First mortgage bonds issued	65,000	135,000	-	323,406
First mortgage bonds retired	(140,000)	(125,000)	-	(57,000)
Other long-term debt (net)	7,043	14,498	(3,810)	(377,031)
Borrowings against life insurance policies (net)	183,260	(5,649)	6,398	3,590
Revolving credit agreement (net)	(150,000)	-	-	80,000
Special deposits (net)	-	-	-	13,263
Other (net)	-	-	(17)	31
Dividends on preferred and common stock	-	-	(13,535)	(54,143)
Financing expenses	-	-	-	(8,508)
Issuance of KCA common stock	-	453,670	-	-
Net cash flows from (used in) financing activities	(90,900)	448,130	(5,164)	(68,592)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(829)	892	(416)	(5,593)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	892	-	2,378	7,971
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 63	$ 892	$ 1,962	$ 2,378
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION				
CASH PAID FOR:				
Interest on financing activities (net of amount capitalized)	$ 77,653	$ 63,451	$ 11,635	$ 89,901
Income taxes	29,354	14,225	-	11,350

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

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

	1993 (Successor)	1992 April 1 to Dec. 31 (Successor)	1992 January 1 to March 31 (Predecessor)	1991 (Predecessor)
	Year Ended December 31,			
FEDERAL INCOME TAXES:				
Payable currently	$ 19,220	$ 11,356	$ (322)	$ 11,023
Deferred (net).	16,691	8,633	(1,785)	64
Investment tax credit-Deferral.	4,900	946	-	3,622
-Amortization.	(3,114)	(2,400)	(777)	(2,913)
Total Federal income taxes	37,697	18,535	(2,884)	11,796
Income taxes applicable to non-operating items. . . .	1,856	(1,012)	1,666	5,773
Total Federal income taxes charged to operations	39,553	17,523	(1,218)	17,569
STATE INCOME TAXES:				
Payable currently	5,104	2,869	-	1,407
Deferred (net).	4,095	2,147	(289)	2,752
Total state income taxes	9,199	5,016	(289)	4,159
Income taxes applicable to non-operating items. . .	371	(284)	(179)	1,148
Total state income taxes charged to operations .	9,570	4,732	(468)	5,307
GENERAL TAXES:				
Property.	38,432	26,380	8,622	32,755
Payroll and other taxes	6,771	3,775	1,629	5,785
Total general taxes charged to operations. . . .	45,203	30,155	10,251	38,540
TOTAL TAXES CHARGED TO OPERATIONS	$ 94,326	$ 52,410	$ 8,565	$ 61,416

	Year Ended December 31,	Pro Forma	
	1993 (Successor)	1992	1991 (Predecessor)
EFFECTIVE INCOME TAX RATE	30%	21%	23%
Effect of:			
Additional depreciation	(2)	(4)	(8)
Accelerated amortization of deferred income tax credits.	7	11	15
State income taxes, net of Federal benefit.	(4)	(2)	(4)
Amortization of investment tax credits.	2	2	4
Corporate-owned life insurance.	5	6	6
Other items (net)	(3)	-	(2)
STATUTORY FEDERAL INCOME TAX RATE	35%	34%	34%

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

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

				December 31, 1993		December 31, 1992	
COMMON STOCK EQUITY (Note 1):							
(see statement)							
Common stock, without par value, authorized and issued 1,000 shares				$1,065,634	56.1%	$1,065,634	53.0%
Retained earnings				180,044	9.5	71,941	3.6
Total common stock equity				1,245,678	65.6	1,137,575	56.6
LONG-TERM DEBT (Note 6):							
First Mortgage Bonds:							
Series	Due	1993	1992				
5-5/8%	1996	$ 16,000	$ 16,000				
8-1/8%	2001	-	35,000				
7-3/8%	2002	-	25,000				
7.6%	2003	135,000	135,000				
6.5%	2005	65,000	-				
8-3/8%	2006	-	25,000				
8-1/2%	2007	-	25,000				
8-7/8%	2008	-	30,000				
				216,000		291,000	
Pollution Control Bonds:							
5-7/8%	2007	21,940	21,940				
6%	2007	10,000	10,000				
6.8%	2004	14,500	14,500				
7%	2031	327,500	327,500				
				373,940		373,940	
Total bonds				589,940		664,940	
Other Long-Term Debt:							
Pollution control obligations:							
5-3/4% series	2003	13,980	14,205				
Revolving credit agreement	1993	-	150,000				
Other long-term agreement	1995	53,913	46,640				
Total other long-term debt				67,893		210,845	
Unamortized premium and discount (net)				(4,052)		(3,905)	
Long-term debt due within one year				(238)		(228)	
Total long-term debt				653,543	34.4	871,652	43.4
TOTAL CAPITALIZATION				$1,899,221	100.0%	$2,009,227	100.0%

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 Stock Shares	Common Stock Amount	Other Paid-in Capital	Retained Earnings	Treasury Stock Shares	Treasury Stock Amount	Total
BALANCE DECEMBER 31, 1990. . (Predecessor)	40,996,185	636,986	270	171,139	(9,996,426)	(199,255)	609,140
Net income				53,602			53,602
Cash dividends:							
Common stock				(53,322)			(53,322)
Preferred stock.				(821)			(821)
Employee stock plans . . .	1,560	17	14				31
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

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 has 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 $294 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 sheet. For income tax purposes the tax basis of KG&E assets was not changed as the result of the Merger. 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. The pro forma effects on the Company's net income for 1991 presented giving effect to the Merger as if it had occurred at the beginning of the earliest period presented would not be materially different from that shown in the income statements included herein.

In the November 1991 KCC order approving the Merger, a mechanism was approved to share equally between the shareholders and ratepayers the cost savings generated by the Merger in excess of the revenue requirement needed to allow recovery of the amortization of a portion of the acquisition adjustment, including income tax, calculated on the basis of a purchase price of KG&E's common stock at $29.50 per share. The order provides an amortization period for the acquisition adjustment of 40 years commencing in August 1995, at which time the full amount of cost savings is expected to have been implemented. Merger savings will be measured by application of an inflation index to certain pre-merger operating and maintenance costs at the time of the next Kansas rate case. While the Company has achieved savings from the Merger, there is no assurance that the savings achieved will be sufficient to, or the cost savings sharing mechanism will operate as to fully offset the amortization of the acquisition adjustment. The order further provides a moratorium on increases, with certain exceptions, in the Company's Kansas electric 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. The first refund was made in April 1992 and amounted to approximately $4.9 million for the Company. A refund of approximately $4.9 million was made in December 1993 and an additional refund of approximately $8.7 million will be made in September 1994.

The KCC order approving the Merger requires the legal reorganization of the Company so that it is no longer held as a separate subsidiary after January 1, 1995, unless good cause is 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 Utilities Holding Company Act until January 1, 1995. In connection with a requested ruling that a merger of the Company into Western Resources would not adversely affect the tax structure of the merger, the Company received a response from the Internal Revenue Service that the IRS would not issue the requested ruling. In light of the IRS response, the Company withdrew its request for a ruling. The Company will consider alternative forms of combination or seek regulatory approvals to waive the requirements for a combination. There is no certainty as to whether a combination will occur or as to the form or timing thereof.

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 5.5% for 1993, 6.51% for the nine months ended December 31, 1992, 6.70% for the three months ended March 31, 1992, and 7.74% for 1991. 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 2.9% during 1993, 2.9% during the nine months ended December 31, 1992, 3.0% during the three months ended March 31, 1992, and 3.0% during 1991 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 SFAS 109 (see Note 9).

Investment tax credits are deferred as realized and 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 $22.3 and $16.6 million at December 31, 1993 and 1992, respectively, are recorded as a component of accounts receivable on the balance sheets. Certain amounts of unbilled revenues have been sold (see Note 6).

The Company had reserves for doubtful accounts receivable of $3.0 and $2.4 million at December 31, 1993 and 1992, 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, 1993 and 1992 was $17.4 and $26.0 million, respectively.

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

	1993	1992
Cash surrender value of contracts. . .	$269.1	$230.3
Prepaid COLI	9.5	4.8

Borrowings against contracts	(269.0)	(85.8)
COLI net	$ 9.6	$149.3

The decrease in COLI (net) is a result of increased borrowings against the accumulated cash surrender value of the COLI policies. The COLI borrowings will be repaid with proceeds from death benefits. Management expects to realize increases in cash surrender value of contracts resulting from premiums and investment earnings on a tax free basis upon receipt of net proceeds from death benefits under the contracts. Interest expense included in corporate-owned life insurance (net) on the statements of income was $11.9 million for 1993, $5.3 million for the nine months ended December 31, 1992, $1.9 million for the three months ended March 31, 1992, and $7.3 for 1991.

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

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

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 of net nuclear generation. These fees are included as part of nuclear fuel expense and amounted to $3.5 million for 1993, $1.6 million for the nine months ended December 31, 1992, $.5 million for the three months ended March 31, 1992, and $2.8 million for 1991.

Decommissioning: The Company's share of Wolf Creek decommissioning costs, currently authorized in rates, was estimated to be approximately $97 million in 1988 dollars. Decommissioning costs are being charged to operating expenses. Amounts so expensed are deposited in an external trust fund and will be used solely for the physical decommissioning of the plant. Electric rates charged to customers provide for recovery of these decommissioning costs over the estimated life of Wolf Creek. At December 31, 1993 and 1992, $13.2 and $9.3 million respectively, were on deposit in the decommissioning fund. On September 1, 1993, WCNOC filed an application with the KCC for an order approving a 1993 Wolf Creek Decommissioning Cost Study which estimates the Company's share of Wolf Creek decommissioning costs at approximately $174 million in 1993 dollars. If approved by the KCC, management expects substantially all such cost increases to be recovered through the ratemaking process.

The Company carries $164 million in premature decommissioning insurance in the event of a shortfall in the trust fund. 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 $9.4 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 insurable 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 condition 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 nitrous oxide 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 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 nitrous oxide 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 nitrous oxide regulations for Phase I group 1 units. Nitrous oxide 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 nitrous oxide 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 nitrous oxide regulations are final, 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.

Other Investments: In prior years, the Company routinely purchased short-term investment grade commercial paper for special deposit interest accounts associated with tax-exempt pollution control bonds. On February 1, 1990, the Company purchased $6.6 million of Drexel Burnham Lambert Group Inc. (Drexel) commercial paper. On February 13, 1990, Drexel filed for bankruptcy. In 1990, additional claims being filed and potential lengthy litigation indicated full recovery would be unlikely; accordingly, the investment was written off in 1990. The Company recognized the recovery of approximately $4.2 million during the nine months ended December 31, 1992, of the investment, which is included in miscellaneous income.

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 are $666 million and $20.4 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 will be 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.

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.

Cost of Service Audit Appeal: In September 1991, the KCC ordered the Company to refund (which the Company has done) $5.6 million of revenues plus $0.6 million in interest, for the period July 2, 1990 through January 31, 1991. This order concluded the appeal of the February 1990 KCC order to reduce rates by $8.7 million. The Company had previously recorded reserves totalling $10.8 million; however, as the order also made rates permanent, the excess reserves of $3.3 million were reversed in September 1991.

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 is recorded as a deferred charge on the balance sheets. The settlement resulted in the termination of a long-term coal contract. In June 1991, the KCC permitted the Company to recover this settlement as follows: 76% of the settlement plus a return through its ECA 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.

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, through the ECA over the remaining term of the terminated contract (through 1996).

Storm Damage Recovery: In October 1990, the Company asked the KCC for approval of a plan to recover the cost of damage primarily from the March 13 and June 19, 1990 storms. Approximately $15 million of capital expenditures were incurred. These costs have been included in the Company's electric plant accounts. In May 1991, the Company amended this request to include the estimated $5 million of capital expenditures associated with an April 1991 storm. In November 1991 and January 1992, the KCC approved the deferral and recovery of the capital expenditures of the 1990 and 1991 storms, respectively, as well as carrying charges thereon.

5. SHORT-TERM BORROWINGS

At December 31, 1993, the Company had bank credit arrangements available of $35 million. In addition, the Company has uncommitted loan participation agreements. Maximum short-term borrowings outstanding during 1993 and 1992 were $175.8 million on December 14, 1993 and $128 million on October 6, 1992. The weighted average interest rates, including fees, were 3.5% for 1993, 6.4% for the nine months ended December 31, 1992, 7.1% for the three months ended March 31, 1992, and 7.8% for 1991.

6. LONG-TERM DEBT

The amount of first mortgage bonds authorized by the KG&E Mortgage and Deed of Trust dated April 1, 1940, as supplemented, is limited to a maximum of $2 billion. Amounts of additional bonds which may be issued are subject to property, earnings, and certain restrictive provisions of the Mortgage. Electric plant is subject to the lien of the Mortgage except for transportation equipment. During 1993, the Company refinanced $65 million of first mortgage bonds by issuing $65 million of First Mortgage Bonds, 6 1/2% Series due 2005. In 1992, the Company refinanced $125 million of first mortgage bonds by issuing $135 million of First Mortgage Bonds, 7.60% Series due 2003.

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.

The 6.8% series, due 2004, the 6% and 5 7/8% series due 2007 and the 7% series due 2031 are pledged as collateral for pollution control revenue bonds issued by Kansas municipalities.

On September 20, 1993, the Company terminated a long-term revolving credit agreement which provided for borrowings of up to $150 million. The loan agreement, which was effective through October 1994, was repaid without penalty. The weighted average interest rate, including fees, was 3.7% for 1993, 6.8% for the nine months ended December 31, 1992, 7.7% for the three months ended March 31, 1992, and 8.4% for 1991.

The Company has a long-term 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 December 31, 1993 and 1992, outstanding receivables amounting to $56.8 and $47.7 million, respectively, are considered sold under the agreement. The credit risk associated with the sale of customer accounts receivable is considered minimal. The weighted average interest rate, including fees, on this agreement was 3.7% for 1993, 6.6% for the nine months ended December 31, 1992, 7.9% for the three months ended March 31, 1992, and 7.8% for 1991. At December 31, 1993, an additional $16.4 million was available under the agreement.

Bonds maturing and acquisition and retirement of bonds for sinking fund requirements for the five years subsequent to December 31, 1993 are as follows:

Year	Maturing Bonds	Retiring Bonds
	(Dollars in Thousands)	
1994.	$ -	$ 238
1995.	-	253
1996.	16,000	270
1997.	-	833
1998.	-	1,050

7. SALE-LEASEBACK OF LA CYGNE 2

In 1987, the Company sold and leased back its 50 percent undivided interest in 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.

Future minimum annual lease payments required under the lease agreement are approximately $34.6 million for each year through 1998 and $715 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 the one-time payment in 1992, was approximately $22.5 million for 1993, $20.6 million for the nine months ended December 31, 1992, $7.5 million for the three months ended March 31, 1992, and $30 million for 1991.

8. EMPLOYEE BENEFIT PLANS

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

The following table provides information on the components of pension cost for the Company's pension plans (millions of dollars):

	1993	1992 April 1 to Dec.31	1992 Jan.1 to March 31	1991
	(Successor)		(Predecessor)	
Pension Cost:				
Service cost	$ 3.2	$ 2.5	$ .8	$ 3.1
Interest cost on projected benefit obligation	9.5	6.7	2.1	7.4
Return on plan assets.	(14.1)	(5.8)	(9.0)	(14.0)
Net amortization & deferral. . . .	4.9	(1.0)	6.7	5.4
Net pension cost	$ 3.5	$ 2.4	$ .6	$ 1.9

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

	1993	1992
Funded Status:		
Actuarial present value of benefit obligations:		
Vested.	$ 95.2	$ 82.9
Non-vested.	6.1	3.6
Total	$101.3	$ 86.5
Plan assets at November 30 (principally debt and equity securities) at fair value.	$119.9	$113.7
Projected benefit obligation at November 30 . . .	(125.5)	(110.8)
Plan assets in excess of projected benefit obligation at November 30	(5.6)	2.9
Unrecognized transition asset	(1.7)	(2.0)
Unrecognized prior service costs.	12.4	12.1
Unrecognized net gain	(20.6)	(26.1)
Accrued pension costs at December 31.	$(15.5)	$(13.1)

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

Early 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: The Company adopted the provisions of Statement of Financial Accounting Standards No. 106 (SFAS 106) in the first quarter of 1993. This statement requires the accrual of postretirement benefits other than pensions, primarily medical 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 under SFAS 106 was approximately $3.4 million in 1993 (as compared to approximately $1.8 million of a cash basis) and the Company's total obligation was approximately $23.9 million at December 31, 1993. To mitigate the impact of SFAS 106 expense, the Company has implemented programs to reduce health care costs. In addition, the Company has received an order from the KCC permitting the initial deferral of SFAS 106 expense. To mitigate the impact SFAS 106 expense will have on rate increases, the Company will include in the future computation of cost of service the actual SFAS 106 expense and an income stream generated from 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.

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, $0.2 million for the three months ended March 31, 1992, and $2.0 million for 1991.

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,	1993
	(Dollars in Millions)
Actuarial present value of postretirement benefit obligations:	
Retirees	$ 12.4
Active employees fully eligible	8.4
Active employees not fully eligible	3.1
Unrecognized prior service cost	(.1)
Unrecognized transition obligation	(20.4)
Unrecognized net loss	(1.7)
Balance sheet liability	$ 1.7

For measurement purposes, an annual health care cost growth rate of 13% was assumed for 1994, decreasing to 6% by 2002 and thereafter. The accumulated post retirement benefit obligation was calculated using a weighted-average discount rate of 7.75%, a weighted-average compensation increase rate of 5.0%, and a weighted-average expected rate of return of 8.5%. 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 $.6 million and the aggregate of the service and interest cost components by $.1 million.

Postemployment: The FASB has issued Statement of Financial Accounting Standards No. 112 (SFAS 112), which establishes accounting and reporting standards for postemployment benefits. The new statement will require the Company to recognize the liability to provide postemployment benefits when the liability has been incurred. The Company adopted SFAS 112 effective January 1, 1994. To mitigate the impact adopting SFAS 112 will have on rate increases, the Company will file an application with the KCC for an order permitting the initial deferral of SFAS 112 transition costs and expenses and its inclusion in the future computation of cost of service net of an income stream generated from COLI. At December 31, 1993, the Company estimates SFAS 112 liability to total approximately $700,000.

Savings Plans: The Company maintains a 401(k) savings plans in which substantially all employees participate. The Company matches employees' contributions up to a maximum limit of 3 percent of the employees' salary. Prior to the Merger, the Company's matching contribution was based on the Company's performance during the prior year and the level of employee contributions. The funds of the plans are deposited with a trustee and invested at each employee's option in one or more investment funds, including a Western Resources common stock fund. The Company's contributions were $2.9 for 1993, $1.7 million for the nine months ended December 31, 1992, $0.2 million for the three months ended March 31, 1992, and $2.0 million for 1991.

9. INCOME TAXES

The Company adopted SFAS No. 96, Accounting for Income Taxes (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, 1993, the Company had unused investment tax credits of approximately $7.1 million available for carryforward to future years which, if not utilized, will expire in the years 2000 through 2002 (see Note 3). In addition, the Company has alternative minimum tax credits generated prior to April 1, 1992, which carryforward without expiration, of $53.9 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, 1993.

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,	1993		
	Debits	Credits	Total
	(Dollars in Thousands)		
Sources of Deferred Income Taxes:			
Accelerated depreciation and other property items	$ -	$ (350,105)	$ (350,105)
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 . . .	-	(109,178)	(109,178)
Other.	-	(12,873)	(12,873)
Total Deferred Income Taxes.	$ 170,181	$ (816,340)	$ (646,159)

December 31,	1992		
	Debits	Credits	Total
	(Dollars in Thousands)		
Sources of Deferred Income Taxes:			
Accelerated depreciation and other property items	$ -	$ (324,972)	$ (324,972)
Energy and purchased gas adjustment clauses	2,691	-	2,691
Phase-in revenues.	-	(37,564)	(37,564)
Deferred gain on sale-leaseback. .	104,573	-	104,573
Alternative minimum tax credits. .	39,882	-	39,882
Deferred coal contract settlements.	-	(9,263)	(9,263)
Deferred compensation/pension liability.	11,002	-	11,002
Acquisition premium.	-	(313,721)	(313,721)
Deferred future income taxes . . .	-	(146,962)	(146,962)
Other.	3,138	-	3,138
Total Deferred Income Taxes.	$ 161,286	$ (832,482)	$ (671,196)

10. LEGAL PROCEEDINGS

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

A provision of $12 million was recorded in miscellaneous expenses on the 1991 statement of income with respect to various legal matters.

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, 1993 and 1992.

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 1993	Carrying Value 1992	Fair Value 1993	Fair Value 1992
	(Dollars in Thousands)			
Cash and cash equivalents.	$ 63	$ 892	$ 63	$ 892
Decommissioning trust. . .	13,204	9,272	13,929	9,500
Variable-rate debt	478,743	375,909	478,743	375,909
Fixed-rate debt.	603,920	679,145	660,750	705,970

12. JOINT OWNERSHIP OF UTILITY PLANTS

	Company's Ownership at December 31, 1993				
	In-Service Dates	Investment	Accumulated Depreciation	Net (MW)	Percent
		(Dollars in Thousands)			
La Cygne 1 (a)	Jun 1973	$ 150,265	$ 91,175	342	50
Jeffrey 1 (b)	Jul 1978	65,803	28,717	140	20
Jeffrey 2 (b)	May 1980	64,375	25,552	135	20
Jeffrey 3 (b)	May 1983	95,336	31,084	140	20
Wolf Creek (c)	Sep 1985	1,366,387	281,819	533	47

(a) Jointly owned with Kansas City Power & Light Company (KCPL)
(b) Jointly owned with Western Resources, UtiliCorp United Inc., and a third party
(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.

1993	4th Qtr.	3rd Qtr.	2nd Qtr.	1st. Qtr.
	(Successor)			
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
Earnings applicable to common stock	13,692	46,406	24,274	23,731

1992	4th Qtr.	3rd Qtr.	2nd Qtr.	1st. Qtr.
	(Successor)			(Predecessor)
Operating revenues.	$127,058	$167,825	$128,655	$130,713
Operating income.	29,282	49,541	29,174	22,165
Net income.	15,528	35,987	20,426	6,040
Earnings applicable to common stock	15,528	35,987	20,426	5,835

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, 1993, resulted in a net advance by KG&E to Western Resources of $192.8 million.