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

FORM 10-Q

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

For the quarterly period ended September 30, 2001

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 Number)

P.O. Box 208
Wichita, Kansas 67201
(316) 261-6611

(Address, including zip code and telephone number, including area code, of registrant's principal executive offices)

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 November 12, 2001
Common Stock (No par value)	1,000 Shares

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

KANSAS GAS AND ELECTRIC COMPANY

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KANSAS GAS AND ELECTRIC COMPANY

FORWARD-LOOKING STATEMENTS

Certain matters discussed here and elsewhere in this Form 10-Q are "forward-looking statements." The Private Securities Litigation Reform Act of 1995 has established that these statements qualify for safe harbors from liability. Forward-looking statements may include words like we "believe," "anticipate," "expect" or words of similar meaning. Forward-looking statements describe our future plans, objectives, expectations or goals. Such statements address future events and conditions concerning capital expenditures, earnings, liquidity and capital resources, litigation, rate and other regulatory matters, including the impact of the order to reduce our rates issued on July 25, 2001 by the Kansas Corporation Commission and the impact of the Kansas Corporation Commission's order issued July 20, 2001 with respect to the proposed separation of Western Resources' electric utility businesses (including us) from Westar Industries, possible corporate restructurings, mergers, acquisitions, dispositions, compliance with debt and other restrictive covenants, changes in accounting requirements and other accounting matters, interest and dividends, environmental matters, changing weather, nuclear operations and the overall economy of our service area. What happens in each case could vary materially from what we expect because of such things as electric utility deregulation, ongoing municipal, state and federal activities, such as the Wichita municipalization effort; future economic conditions; the impact of the September 11, 2001 terrorist attack on our service territory; legislative and regulatory developments; our competitive markets; the consummation of the acquisition of the electric operations of Western Resources (including us) by Public Service Company of New Mexico and related litigation; and other circumstances affecting anticipated operations, sales and costs. See Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2000 for additional information on these and other matters that may affect our business and financial results. Any forward-looking statement speaks only as of the date such statement was made, and we do not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement was made.

KANSAS GAS AND ELECTRIC COMPANY

CONSOLIDATED BALANCE SHEETS
(In Thousands)

	September 30, 2001 (Unaudited)	December 31, 2000
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,457	$ 7,101
Accounts receivable, net	62,995	87,921
Receivable from affiliates	63,148	53,107
Inventories and supplies, net	55,860	46,388
Energy trading contracts	8,117	--
Prepaid expenses	32,989	20,591
Total Current Assets	225,566	215,108
PROPERTY, PLANT & EQUIPMENT, NET	2,422,394	2,450,061
OTHER ASSETS:		
Regulatory assets	221,980	225,479
Other	104,478	97,925
Total Other Assets	326,458	323,404
TOTAL ASSETS	$ 2,974,418	$ 2,988,573
LIABILITIES AND SHAREHOLDER'S EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 44,556	$ 51,149
Accrued liabilities	60,626	28,245
Energy trading contracts	17,664	--
Other	49,437	32,809
Total Current Liabilities	172,283	112,203
LONG-TERM LIABILITIES:		
Long-term debt, net	684,329	684,366
Deferred income taxes and investment tax credits	706,001	736,436
Deferred gain from sale-leaseback	177,423	186,294
Other	158,766	160,061
Total Long-Term Liabilities	1,726,519	1,767,157
COMMITMENTS AND CONTINGENCIES (Note 5)		
SHAREHOLDER'S EQUITY:		
Common stock, without par value; authorized and issued 1,000 shares	1,065,634	1,065,634
Accumulated other comprehensive loss, net	(11,367)	--
Retained earnings	21,349	43,579
Total Shareholder's Equity	1,075,616	1,109,213
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	$ 2,974,418	$ 2,988,573

The accompanying notes are an integral part of these consolidated financial statements.

KANSAS GAS AND ELECTRIC COMPANY

CONSOLIDATED STATEMENTS OF INCOME
AND COMPREHENSIVE INCOME (LOSS)
(In Thousands)
(Unaudited)

	Three Months Ended September 30, 2001	Three Months Ended September 30, 2000
SALES	$ 206,926	$ 229,456
COST OF SALES	58,958	56,960
GROSS PROFIT	147,968	172,496
OPERATING EXPENSES:		
Operating and maintenance expense	46,804	46,653
Depreciation and amortization	26,356	25,687
Selling, general and administrative expense	16,962	15,488
Total Operating Expenses	90,122	87,828
INCOME FROM OPERATIONS	57,846	84,668
OTHER EXPENSE	2,558	2,821
EARNINGS BEFORE INTEREST AND TAXES	55,288	81,847
INTEREST EXPENSE:		
Interest expense on long-term debt	11,363	11,568
Interest expense on short-term debt and other	1,349	841
Total Interest Expense	12,712	12,409
EARNINGS BEFORE INCOME TAXES	42,576	69,438
Income tax expense	10,731	20,043
NET INCOME	$ 31,845	$ 49,395
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX:		
Unrealized holding losses on cash flow hedges arising during the period	$ (19,738)	$ --
Reclassification adjustment for activity included in net income	863	--
Income tax benefit	7,508	--
Total other comprehensive income (loss), net of tax	(11,367)	--
COMPREHENSIVE INCOME	$ 20,478	$ 49,395

The accompanying notes are an integral part of these consolidated financial statements.

KANSAS GAS AND ELECTRIC COMPANY

CONSOLIDATED STATEMENTS OF INCOME
AND COMPREHENSIVE INCOME (LOSS)
(In Thousands)
(Unaudited)

	Nine Months Ended September 30, 2001	Nine Months Ended September 30, 2000
SALES	$ 536,884	$ 544,337
COST OF SALES	170,909	129,030
GROSS PROFIT	365,975	415,307
OPERATING EXPENSES:		
Operating and maintenance expense	147,025	141,400
Depreciation and amortization	78,577	78,328
Selling, general and administrative expense	47,695	43,138
Total Operating Expenses	273,297	262,866
INCOME FROM OPERATIONS	92,678	152,441
OTHER EXPENSE	6,311	4,705
EARNINGS BEFORE INTEREST AND TAXES	86,367	147,736
INTEREST EXPENSE:		
Interest expense on long-term debt	34,352	34,653
Interest expense on short-term debt and other	3,126	2,497
Total Interest Expense	37,478	37,150
EARNINGS BEFORE INCOME TAXES	48,889	110,586
Income tax expense	9,017	32,216
NET INCOME BEFORE ACCOUNTING CHANGE	39,872	78,370
Cumulative effect of accounting change, net of tax of $8,520	12,898	--
NET INCOME	$ 52,770	$ 78,370
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX:		
Unrealized holding losses on cash flow hedges arising during the period	$ (19,738)	$ --
Reclassification adjustment for activity included in net income	863	--
Income tax benefit	7,508	--
Total other comprehensive income (loss), net of tax	(11,367)	--
COMPREHENSIVE INCOME	$ 41,403	$ 78,370

The accompanying notes are an integral part of these consolidated financial statements.

KANSAS GAS AND ELECTRIC COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

(Unaudited)

	Nine Months Ended September 30, 2001	Nine Months Ended September 30, 2000
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:		
Net income	$ 52,770	$ 78,370
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	78,577	78,328
Amortization of nuclear fuel	12,665	12,487
Amortization of deferred gain from sale-leaseback	(8,871)	(8,871)
Changes in working capital items:		
Accounts receivable, net	47,191	22,440
Inventories and supplies, net	(9,473)	(612)
Prepaid expenses and other	(9,663)	(13,540)
Energy trading contracts	(1,821)	--
Accounts payable	(6,593)	8,889
Accrued liabilities	18,992	31,509
Other current liabilities	30,017	33,769
Changes in other assets and liabilities	(71,051)	44,233
Cash flows from operating activities	132,740	287,002
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:		
Additions to property, plant and equipment, net	(52,213)	(63,549)
Cash flows used in investing activities	(52,213)	(63,549)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:		
Retirements of long-term debt	(130)	--
Advances to parent company, net	(10,041)	(142,580)
Dividends to parent company	(75,000)	(75,000)
Cash flows used in financing activities	(85,171)	(217,580)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,644)	5,873
CASH AND CASH EQUIVALENTS:		
Beginning of the period	7,101	37
End of the period	$ 2,457	$ 5,910
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
CASH PAID FOR:		
Interest on financing activities, net of amount capitalized	$ 69,334	$ 65,065
Income taxes	--	11,000

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2001
(Unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business: Kansas Gas and Electric Company (KGE, the company, we, us or our) is a rate-regulated electric utility and wholly owned subsidiary of Western Resources, Inc. We are engaged principally in the production, purchase, transmission, distribution and sale of electricity and serve approximately 293,000 electric customers in southeastern Kansas. We have no employees. All employees we utilize are provided by our parent, Western Resources, which allocates costs to us.

We own 47% of Wolf Creek Nuclear Operating Corporation (WCNOC), the operating company for Wolf Creek Generating Station (Wolf Creek). We record our proportionate share of all transactions of WCNOC as we do other jointly owned facilities.

Consolidation Policy: Our unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) for interim financial information and in accordance with the instructions to Form 10-Q. Accordingly, certain information and footnote disclosures normally included in financial statements presented in accordance with GAAP have been condensed or omitted. These financial statements and notes should be read in conjunction with the financial statements and the notes included in our Annual Report on Form 10-K for the year ended December 31, 2000. Our accounting and rates are subject to requirements of the Kansas Corporation Commission (KCC) and the Federal Energy Regulatory Commission (FERC).

Many items, including such things as the weather, operating costs, market conditions and generation availability, can have a great impact on our results for interim periods. Therefore, the results of interim periods do not necessarily represent results to be expected for the full year. In our opinion, all adjustments, consisting only of normal recurring adjustments considered necessary for a fair presentation of the financial statements, have been included.

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

2. ACCOUNTING CHANGE

Effective January 1, 2001, we adopted Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS Nos. 137 and 138 (collectively, SFAS No. 133). Western Resources uses derivative instruments (primarily swaps, options and futures) to manage the commodity price risk inherent in fossil fuel purchases and electricity sales. We are allocated our proportionate share of the benefits and costs of Western Resources' commodity price risk management program based on fuel forecasts for Western Resources and us. These allocated benefits and costs are recognized in our financial statements.

Under SFAS No. 133, all derivative instruments, including our energy trading contracts, are recorded on the balance sheet as either an asset or liability measured at fair value. Changes in a derivative's fair value must be recognized currently in earnings unless specific hedge accounting criteria are met. Cash flows from derivative instruments are presented in net cash flow from operating activities.

Derivative instruments used to manage commodity price risk inherent in fuel purchases and electricity sales are classified as energy trading contracts on the balance sheet. Energy trading contracts representing unrealized gain positions are reported as assets; energy trading contracts representing unrealized loss positions are reported as liabilities.

Prior to January 1, 2001, gains and losses on derivatives used for managing commodity price risk were deferred until settlement. These derivatives had not been designated as hedges under SFAS No. 133. Accordingly, in the first quarter of 2001, we recognized an unrealized gain of $12.9 million, net of $8.5 million tax, on these derivatives as a cumulative effect of a change in accounting principle.

After January 1, 2001, changes in fair value of all derivative instruments used for managing commodity price risk that are not designated as hedges are recognized currently as a cost of sales. For the quarter ended September 30, 2001, we recognized an unrealized gain of $0.2 million, net of $0.1 million tax, associated with these derivative instruments. For the nine months ended September 30, 2001, we recognized an unrealized loss of $12.6 million, net of $8.3 million tax benefit, excluding the cumulative effect of a change in accounting principle discussed above, associated with these derivative instruments. Accounting for derivatives under SFAS No. 133 will increase volatility of our future earnings.

Gas Hedge: During the third quarter of 2001, we entered into hedging relationships to manage commodity price risk associated with future natural gas purchases. We are using futures contracts with a total notional volume of 28,980,000 MMBtu and terms extending through July 2004 to hedge this risk. We have designated these hedging relationships as cash flow hedges in accordance with SFAS No. 133.

The effective portion of the gain or loss on a derivative instrument designated as a cash flow hedge is reported as a component of accumulated other comprehensive income (loss) and is reclassified into earnings in the period during which the hedged transaction affects earnings (the fuel is burned). Effectiveness is the degree to which gains and losses on the hedging instruments offset the gains and losses on the hedged item. The ineffective portion of the hedging relationship is recognized currently in earnings. Settlement gains or losses are included within the line items in the statements of income to which they relate.

The following table reflects amounts recorded in assets, liabilities and accumulated other comprehensive income (loss) as of September 30, 2001 for the futures contracts designated as cash flow hedges:

	Gas Futures Contracts (In Thousands)
Current derivative asset (a)	$ --
Long-term derivative asset (b)	--
Total Derivative Assets	$ --
Current derivative liability (c)	$ 8,092
Long-term derivative liability (d)	10,809
Total Derivative Liabilities	$ 18,901
Total comprehensive loss	$ (19,738)
Reclassification adjustment for activity included in net income	863
Estimated income tax benefit	7,508
Net Comprehensive Loss	$ (11,367)

(a) Included in Energy trading contracts (asset)
(b) Included in Other assets
(c) Included in Energy trading contracts (liability)
(d) Included in Other liabilities

Amounts recognized in earnings as a result of hedge ineffectiveness were insignificant for the period ended September 30, 2001. The maximum length of time over which we are hedging our exposure to the variability in future cash flows for forecasted natural gas purchases is 34 months as of September 30,

2001. We estimate that, based on market prices as of September 30, 2001, pretax losses of $8.1 million will be reclassified from accumulated other comprehensive income (loss) into earnings during the next twelve months as the hedged transactions affect earnings. The actual amounts that will be reclassified to earnings could vary materially from this estimated amount due to changes in market conditions.

3. RATE MATTERS AND REGULATION

KCC Rate Case: On November 27, 2000, Western Resources and we filed applications with the KCC for a change in retail rates. On July 25, 2001, the KCC ordered an annual reduction in our electric rates of $41.2 million. Effective the date of the order, we began to recognize a liability for amounts currently being collected from customers that will be subject to refund, with interest, pursuant to the order.

On August 9, 2001, we filed a petition with the KCC requesting reconsideration of the July 25, 2001 order. The petition specifically asked for the reconsideration of changes in depreciation, reductions in rate base related to deferred income taxes associated with the acquisition premium and a deferred gain on the sale and leaseback of one of our generating stations and several other issues. On September 5, 2001, the KCC issued an order denying our motion for reconsideration, which did not change our rate reduction. We began billing customers according to the new rates in September. On November 9, 2001, we filed an appeal of the KCC decisions to the Kansas Court of Appeals, in an action captioned "Western Resources, Inc. and Kansas Gas and Electric Company vs. The State Corporation Commission of the State of Kansas." The Court of Appeals will have 120 days to make a decision.

KCC Investigation: See Note 4 for discussion of an investigation by the KCC of the separation of Western Resources' electric utility businesses (including us) from its non-utility businesses and other aspects of Western Resources' unregulated businesses.

FERC Proceeding: In September 1999, the City of Wichita filed a complaint with FERC against us alleging improper affiliate transactions between Western Resources' KPL division and us. The City of Wichita asked that FERC equalize the generation costs between KPL and us, in addition to other matters. After hearings on the case, a FERC administrative law judge ruled in our favor confirming that no change in rates was required. On December 13, 2000, the City of Wichita filed a brief with FERC asking that the Commission overturn the judge's decision. On January 5, 2001, we filed a brief opposing the City's position. We cannot predict when FERC may make a decision. A decision requiring equalization of rates could have a material adverse effect on our results of operations and financial position.

4. PNM MERGER

On November 8, 2000, Western Resources entered into an agreement under which Public Service Company of New Mexico (PNM) is to acquire its electric utility businesses (including us) in a stock-for-stock transaction. Under the terms of the agreement, both PNM and Western Resources are to become subsidiaries of a new holding company, subject to customary closing conditions including regulatory and shareholder approvals. The split-off of Westar Industries, a wholly owned subsidiary of Western Resources, to Western Resources' shareholders immediately prior to closing is a condition to closing the transaction. At the same time Western Resources entered into the agreement with PNM, Westar Industries and Western Resources entered into an Asset Allocation and Separation Agreement which, among other things, provides for the split-off of Westar Industries and for a payable owed by Western Resources to Westar Industries to be converted by Westar Industries into certain of Western Resources' securities.

On May 8, 2001, the KCC opened an investigation of the separation of Western Resources' electric utility businesses (including us) from its non-utility businesses and other aspects of its unregulated businesses. The order opening the investigation indicated that the investigation would focus on whether the separation and other transactions involving Western Resources' unregulated businesses are consistent with its obligation to provide efficient and sufficient electric service at just and reasonable rates to its electric utility customers. The KCC staff was directed to investigate, among other matters, the basis for and the effect of the Asset Allocation and Separation Agreement and the payable owed by Western Resources to Westar Industries, the split-off of Westar Industries, the effect of business difficulties faced by Western Resources' unregulated businesses and whether they should continue to be affiliated with Western Resources' electric utility business, and Western Resources present and prospective capital structures. On May 22, 2001, the KCC issued an order nullifying the Asset Allocation and Separation Agreement as not having been filed with and approved by the KCC, prohibiting Western Resources and Westar Industries from taking any action to complete a rights offering for common stock of Westar Industries, which was to be a first step in the separation, and scheduling a hearing to consider whether to make the order permanent.

On July 20, 2001, the KCC issued an order that, among other things, (1) confirmed its May 22, 2001 order prohibiting Western Resources and Westar Industries from taking any action to complete the proposed rights offering and nullifying the Asset Allocation and Separation Agreement; (2) directed Western Resources and Westar Industries not to take any action or enter into any agreement not related to normal utility operations that would directly or indirectly increase the share of debt in Western Resources' capital structure applicable to its electric utility operations, which has the effect of prohibiting Western Resources from borrowing to make a loan or capital contribution to Westar Industries; and (3) directed Western Resources to present a plan consistent with parameters established by the KCC's order, to restore financial health, achieve a balanced capital structure and protect ratepayers from the risks of Western Resources' non-utility businesses. In its order, the KCC also acknowledged that Western Resources is presently operating efficiently and at reasonable cost and stated that it was not disapproving the PNM transaction or a split-off of Westar Industries. Western Resources filed a petition for general reconsideration of the order.

On October 3, 2001, the KCC issued an order on reconsideration that upheld the July 20, 2001 order. On October 3, 2001 and November 1, 2001, Western Resources filed petitions in the District Court of Shawnee County, Kansas, seeking judicial review and reversal of the orders issued by the KCC.

On October 12, 2001, PNM filed a lawsuit in the Supreme Court of the State of New York captioned "Public Service Company of New Mexico et al. v. Western Resources, Inc." The lawsuit seeks among other things, declaratory judgment that PNM is not obligated to proceed to close the transaction because of orders issued by the KCC. PNM believes the orders constitute a material adverse effect and make the condition that the split-off of Westar Industries occur prior to closing incapable of satisfaction. PNM also seeks unspecified monetary damages for breach of representation. Western Resources intends to file a timely response.

On November 6, 2001, Western Resources filed a financial plan with the KCC as required by the July 20, 2001 KCC order. The principal objective of the financial plan is to reduce by approximately $1.0 billion Western Resources' total debt as calculated by the KCC. The KCC calculation excludes Protection One debt and certain other debt. Approximately $100 million to $175 million of debt would be repaid in the next several months from the proceeds of an offering of common stock by Westar Industries, which would be advanced to Western Resources for this purpose. Following the initial offering, if the common stock of Westar Industries trades for 45 consecutive trading days at a price that is 25% above the price necessary to reduce Western Resources' total debt to less than $1.8 billion, Western Resources would be required to use its best efforts to sell enough shares of the common stock of Westar Industries that Western Resources owns, or shares of Western Resources' common stock, to reduce total debt to $1.8 billion. Western Resources expects this transaction would occur within three years. The initial offering would take place following approval of the plan by the KCC. The KCC has indicated information about the regulatory process for approval of the plan would be made available within approximately ten days after the plan was filed.

Western Resources is unable to predict the outcome of these matters or their impact on Western Resources' strategic plans, including the PNM/split-off transaction, financial condition or results of operations. Western Resources can give no assurance as to whether or when the PNM transaction or a split-off may occur.

5. COMMITMENTS AND CONTINGENCIES

Manufactured Gas Sites: We have been associated with three former manufactured gas sites located in Kansas that may contain coal tar and other potentially harmful materials. We and the Kansas Department of Health and Environment entered into a consent agreement governing all future work at these sites. The terms of the consent agreement will allow us to investigate these sites and set remediation priorities based on the results of the investigations and risk analyses. As of September 30, 2001, the costs incurred for preliminary site investigation and risk assessment have been immaterial.

Asset Retirement Obligations: The Financial Accounting Standards Board (FASB) issued SFAS No. 143, "Accounting for Asset Retirement Obligations." The standard requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When it is initially recorded, we will capitalize the estimated asset retirement obligation by increasing the carrying amount of the related long-lived asset. The liability will be accreted to its present value each period, and the capitalized cost will be depreciated over the life of the asset. The standard is effective for fiscal years beginning after June 15, 2002 with earlier adoption encouraged. We are reviewing what impact this pronouncement will have on current accounting practices including nuclear power plant decommissioning and our results of operations.

Additional Information: For additional information regarding Commitments and Contingencies, see Note 8 of the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2000.

6. INCOME TAXES

We have recorded income tax benefits and expenses for the interim periods using the effective tax rate method. Under this method, we compute the tax related to year-to-date income, except for significant unusual or extraordinary items, at an estimated annual effective tax rate. We individually compute and recognize, when the transaction occurs, income tax expense related to significant unusual or extraordinary items. Our effective income tax rate for the three and nine months ended September 30, 2001, was a tax expense of 25% and 18%, respectively, compared to 29% for each of the similar periods of 2000.

The difference between our effective tax rate and the statutory rate is primarily attributable to the tax benefit of excluding from taxable income, in accordance with IRS rules, the income from corporate-owned life insurance and certain expenses for depreciation, amortization and state income taxes.

7. SEGMENTS OF BUSINESS

We have segmented our business according to differences in products and services, production processes and management responsibility. Based on this approach, we have identified two reportable segments: Electric Operations and Nuclear Generation.

Electric Operations involve the production, transmission and distribution of electric power for sale to approximately 293,000 retail and wholesale customers in Kansas. Nuclear Generation represents our 47% ownership in the Wolf Creek nuclear generating facility. This segment has only internal sales because it provides all of its power to its co-owners.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies in our Annual Report on Form 10-K for the year ended December 31, 2000. We evaluate segment performance based on earnings before interest and taxes (EBIT).

Three Months Ended September 30, 2001:

	Electric Operations	Nuclear Generation	Eliminating Items	Total
		(In Thousands)		
External sales	$ 206,926	$ --	$ --	$ 206,926
Internal sales	--	29,531	(29,531)	--
Earnings (loss) before interest and taxes	61,160	(5,872)	--	55,288
Interest expense				12,712
Earnings before income taxes				42,576

Three Months Ended September 30, 2000:

	Electric Operations	Nuclear Generation	Eliminating Items	Total
		(In Thousands)		
External sales	$ 229,456	$ --	$ --	$ 229,456
Internal sales	--	27,940	(27,940)	--
Earnings (loss) before interest and taxes	87,578	(5,731)	--	81,847
Interest expense				12,409
Earnings before income taxes				69,438

Nine Months Ended September 30, 2001:

	Electric Operations (a)	Nuclear Generation	Eliminating Items	Total
		(In Thousands)		
External sales	$ 536,884	$ --	$ --	$ 536,884
Internal sales	--	87,894	(87,894)	--
Earnings (loss) before interest and taxes and cumulative effect of accounting change	100,929	(14,562)	--	86,367
Interest expense				37,478
Earnings before income taxes				48,889

Nine Months Ended September 30, 2000:

	Electric Operations	Nuclear Generation	Eliminating Items	Total
		(In Thousands)		
External sales	$ 544,337	$ --	$ --	$ 544,337
Internal sales	--	86,733	(86,733)	--
Earnings (loss) before interest and taxes	161,671	(13,935)	--	147,736
Interest expense				37,150
Earnings before income taxes				110,586

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(a) EBIT shown above for Electric Operations does not include the unrealized gain on derivatives reported as a cumulative effect of a change in accounting principle. If the effect had been included, EBIT for the Electric Operations segment for the nine months ended September 30, 2001 would have been $122,347.

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

INTRODUCTION

The following Management's Discussion and Analysis of Financial Condition and Results of Operations updates the information provided in our Annual Report on Form 10-K for the year ended December 31, 2000 and should be read in conjunction with that report. In this section we discuss our general financial condition, significant changes and operating results. We explain:

- what factors impact our business,
- what our earnings and costs were for the three and nine months ended September 30, 2001 and 2000,
- why these earnings and costs differed from period to period,
- how our earnings and costs affect our overall financial condition and
- any other items that particularly affect our financial condition or earnings.

SUMMARY OF SIGNIFICANT ITEMS

KCC Rate Case: On November 27, 2000, Western Resources and we filed applications with the Kansas Corporation Commission (KCC) for a change in retail rates. On July 25, 2001, the KCC ordered an annual reduction in our electric rates of $41.2 million. Effective the date of the order, we began to recognize a liability for amounts currently being collected from customers that will be subject to refund, with interest, pursuant to the order.

On August 9, 2001, we filed a petition with the KCC requesting reconsideration of the July 25, 2001 order. The petition specifically asked for the reconsideration of changes in depreciation, reductions in rate base related to deferred income taxes associated with the acquisition premium and a deferred gain on the sale and leaseback of one of our generating stations and several other issues. On September 5, 2001, the KCC issued an order denying our motion for reconsideration, which did not change our rate reduction. We began billing customers according to the new rates in September. On November 9, 2001, we filed an appeal of the KCC decisions to the Kansas Court of Appeals, in an action captioned "Western Resources, Inc. and Kansas Gas and Electric Company vs. The State Corporation Commission of the State of Kansas." The Court of Appeals will have 120 days to make a decision.

OPERATING RESULTS

Sales

The following tables reflect the changes in electric sales volumes, as measured by megawatt hours (MWh), for the three and nine months ended September 30, 2001, from the comparable periods of 2000. System hedging transactions are excluded because they do not have any physical sales volumes associated with them.

Three Months Ended September 30,

	2001	2000	% Change
	(Thousands of MWh)		
Residential..........	928	1,088	(14.7)
Commercial...........	817	796	2.6
Industrial...........	958	981	(2.3)
Other	11	11	--
Total retail.....	2,714	2,876	(5.6)
Wholesale............	451	452	(0.2)
Total............	3,165	3,328	(4.9)

Nine Months Ended September 30,

	2001	2000	% Change
	(Thousands of MWh)		
Residential..........	2,238	2,327	(3.8)
Commercial...........	2,015	1,965	2.5
Industrial...........	2,692	2,704	(0.4)
Other................	33	33	--
Total retail.....	6,978	7,029	(0.7)
Wholesale............	1,730	1,831	(5.5)
Total............	8,708	8,860	(1.7)

Business Segments

Our business is segmented according to differences in products and services, production processes and management responsibility. Based on this approach, we have identified two reportable segments: Electric Operations and Nuclear Generation.

The following table reflects key information for our business segments:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2001	2000	2001	2000
	(In Thousands)		(In Thousands)	
Electric Operations:				
External sales.......	$ 206,926	$ 229,456	$ 536,884	$ 544,337
EBIT (a).............	61,160	87,578	100,929	161,671
Nuclear Generation (b):				
Internal sales.......	$ 29,531	$ 27,940	$ 87,894	$ 86,733
EBIT.................	(5,872)	(5,731)	(14,562)	(13,935)

(a) EBIT shown above for Electric Operations does not include the unrealized gain on derivatives reported as a cumulative effect of a change in accounting principle. If the effect had been included, EBIT for the Electric Operations segment for the nine months ended September 30, 2001 would have been $122,347.

(b) Nuclear Generation amounts represent our 47% share of Wolf Creek's operating results.

Electric Operations

Three Months Ended September 30, 2001 Compared to Three Months Ended September 30, 2000: External sales consist of the power produced and purchased for sale to wholesale and retail customers. External sales decreased approximately 10% primarily due to lower retail residential sales. Retail sales were lower due to cooler weather than normal. Cooling degree days were down 51% over the same quarter of 2000 and were 40% less than normal for this period. The rate reductions ordered by the KCC in July 2001 also contributed to the decrease in revenues.

Cost of sales increased $1.6 million, or 3%, mainly because of the higher costs associated with the dispatching of electric power. Operating expenses increased $2.3 million, or 3%, primarily due to higher selling, general and administrative expenses as a result of increased allocated employee benefits costs. EBIT decreased $26.4 million as a result of these increases and the decrease in retail sales.

Nine Months Ended September 30, 2001 Compared to Nine Months Ended September 30, 2000: External sales decreased approximately 1% primarily due to a reduction in retail sales and system hedging transactions and the rate reductions ordered by the KCC in July 2001. These reductions were partially offset by higher wholesale and interchange sales as a result of higher market prices, even though volumes were down 6%.

Cost of sales increased $41.6 million, or 37%, primarily due to a $20.9 million non-cash mark-to-market adjustment on fuel derivatives as prescribed by SFAS No. 133, a $2.3 million increase in fuel expense, a $6.9 million increase in purchased power costs and an $11.5 million increase in costs associated with the dispatching of electric power. Gross profit decreased $49.1 million, or 11%. Operating expenses increased $8.9 million, or 5%, because of higher operating and maintenance expenses associated with planned outages and increased selling, general and administrative expenses. As a result of the higher cost of sales and operating expenses discussed above and reduced revenues, EBIT decreased $60.7 million. Excluding the mark-to-market adjustment on fuel derivatives, EBIT would have decreased $39.8 million.

Nuclear Generation

Nuclear Generation has only internal sales because it provides all of its power to its co-owners: Kansas City Power and Light Company, Kansas Electric Power Cooperative, Inc., and us. We own 47% of Wolf Creek Nuclear Operating Corporation, the operating company for Wolf Creek Generating Station (Wolf Creek). Internal sales are priced at the internal transfer price that Nuclear Generation charges to Electric Operations. Internal sales and EBIT did not materially change for the three and nine months ended September 30, 2001, compared to the same periods in 2000, because there were no major Wolf Creek refueling outages in either period. EBIT is negative because internal sales are less than Wolf Creek's costs.

LIQUIDITY AND CAPITAL RESOURCES

Our internally generated cash is generally sufficient to fund our operations and debt service payments. We do not maintain independent short-term credit facilities and rely on Western Resources for our short-term cash needs. If Western Resources was not able to borrow under its credit facilities or sell its long-term debt or equity securities, we could have a short-term liquidity issue that could require us to obtain a credit facility for our short-term cash needs.

Future Cash Requirements: Our business requires significant capital investments. See our Annual Report on Form 10-K for the year ended December 31, 2000 for additional information about anticipated capital expenditures for years 2001 through 2003. The KCC's order reducing our annual rates by $41.2 million and the combined rates of Western Resources and us by $15.6 million will also reduce Western Resources' and our annual cash flow. We and Western Resources are evaluating the extent to which these reductions in cash flow will, among other things, require us to take steps to reduce our currently planned capital needs and operating expenses or increase our cost of financing.

Credit Ratings: Standard & Poor's (S&P), Fitch Investors Service (Fitch) and Moody's Investors Service (Moody's) are independent credit-rating agencies that rate Western Resources' and our debt securities. These ratings indicate the agencies' assessment of our ability to pay interest and principal on these securities. On October 19, 2001, S&P removed us from its CreditWatch listing and changed the ratings outlook of Western Resources and us to "negative."

As of November 7, 2001, ratings with these agencies are as follows:

	Western Resources Mortgage Bond Rating	Western Resources Unsecured Debt	KGE Mortgage Bond Rating
S&P..........	BBB-	BB-	BB+
Fitch........	BB+	BB	BB+
Moody's......	Ba1	Ba2	Ba1

In general, declines in Western Resources' and our credit ratings make debt financing more costly and more difficult to obtain on terms which are economically favorable to us.

OTHER INFORMATION

KCC Investigation

See Note 4 of the Notes to the Consolidated Financial Statements for discussion of an investigation by the KCC of the separation of Western Resources' electric utility businesses (including us) from its non-utility businesses and other aspects of Western Resources' unregulated businesses.

FERC Proceeding

In September 1999, the City of Wichita filed a complaint with the Federal Energy Regulatory Commission (FERC) against us alleging improper affiliate transactions between Western Resources' KPL division and us. The City of Wichita asked that FERC equalize the generation costs between KPL and us, in addition to other matters. After hearings on the case, a FERC administrative law judge ruled in our favor confirming that no change in rates was required. On December 13, 2000, the City of Wichita filed a brief with FERC asking that the Commission overturn the judge's decision. On January 5, 2001, we filed a brief opposing the City's position. We cannot predict when FERC may make a decision. A decision requiring equalization of rates could have a material adverse effect on our results of operations and financial position.

PNM Merger

On November 8, 2000, Western Resources entered into an agreement under which Public Service Company of New Mexico (PNM) is to acquire its electric utility businesses (including us) in a stock-for-stock transaction. Under the terms of the agreement, both PNM and Western Resources are to become subsidiaries of a new holding company, subject to customary closing conditions including regulatory and shareholder approvals. The split-off of Westar Industries, a wholly owned subsidiary of Western Resources, to Western Resources' shareholders immediately prior to closing is a condition to closing the transaction. At the same time Western Resources entered into the agreement with PNM, Westar Industries and Western Resources entered into an Asset Allocation and Separation Agreement which, among other things, provides for the split-off of Westar Industries and for a payable owed by Western Resources to Westar Industries to be converted by Westar Industries into certain of Western Resources' securities.

On May 8, 2001, the KCC opened an investigation of the separation of Western Resources' electric utility businesses (including us) from its non-utility businesses and other aspects of its unregulated businesses. The order opening the investigation indicated that the investigation would focus on whether the separation and other transactions involving Western Resources' unregulated businesses are consistent with its obligation to provide efficient and sufficient electric service at just and reasonable rates to its electric utility customers. The KCC staff was directed to investigate, among other matters, the basis for and the effect of the Asset Allocation and Separation

Agreement and the payable owed by Western Resources to Westar Industries, the split-off of Westar Industries, the effect of business difficulties faced by Western Resources' unregulated businesses and whether they should continue to be affiliated with Western Resources' electric utility business, and Western Resources present and prospective capital structures. On May 22, 2001, the KCC issued an order nullifying the Asset Allocation and Separation Agreement as not having been filed with and approved by the KCC, prohibiting Western Resources and Westar Industries from taking any action to complete a rights offering for common stock of Westar Industries, which was to be a first step in the separation, and scheduling a hearing to consider whether to make the order permanent.

On July 20, 2001, the KCC issued an order that, among other things, (1) confirmed its May 22, 2001 order prohibiting Western Resources and Westar Industries from taking any action to complete the proposed rights offering and nullifying the Asset Allocation and Separation Agreement; (2) directed Western Resources and Westar Industries not to take any action or enter into any agreement not related to normal utility operations that would directly or indirectly increase the share of debt in Western Resources' capital structure applicable to its electric utility operations, which has the effect of prohibiting Western Resources from borrowing to make a loan or capital contribution to Westar Industries; and (3) directed Western Resources to present a plan consistent with parameters established by the KCC's order, to restore financial health, achieve a balanced capital structure and protect ratepayers from the risks of Western Resources' non-utility businesses. In its order, the KCC also acknowledged that Western Resources is presently operating efficiently and at reasonable cost and stated that it was not disapproving the PNM transaction or a split-off of Westar Industries. Western Resources filed a petition for general reconsideration of the order.

On October 3, 2001, the KCC issued an order on reconsideration that upheld the July 20, 2001 order. On October 3, 2001 and November 1, 2001, Western Resources filed petitions in the District Court of Shawnee County, Kansas, seeking judicial review and reversal of the orders issued by the KCC.

On October 12, 2001, PNM filed a lawsuit in the Supreme Court of the State of New York captioned "Public Service Company of New Mexico et al. v. Western Resources, Inc." The lawsuit seeks among other things, declaratory judgment that PNM is not obligated to proceed to close the transaction because of orders issued by the KCC. PNM believes the orders constitute a material adverse effect and make the condition that the split-off of Westar Industries occur prior to closing incapable of satisfaction. PNM also seeks unspecified monetary damages for breach of representation. Western Resources intends to file a timely response.

On November 6, 2001, Western Resources filed a financial plan with the KCC as required by the July 20, 2001 KCC order. The principal objective of the financial plan is to reduce by approximately $1.0 billion Western Resources' total debt as calculated by the KCC. The KCC calculation excludes Protection One debt and certain other debt. Approximately $100 million to $175 million of debt would be repaid in the next several months from the proceeds of an offering of common stock by Westar Industries, which would be advanced to Western Resources for this purpose. Following the initial offering, if the common stock of Westar Industries trades for 45 consecutive trading days at a price that is 25% above the price necessary to reduce Western Resources' total debt to less than $1.8 billion, Western Resources would be required to use its best efforts to sell enough shares of the common stock of Westar Industries that Western Resources owns, or shares of Western Resources' common stock, to reduce total debt to $1.8 billion. Western Resources expects this transaction would occur within three years. The initial offering would take place following approval of the plan by the KCC. The KCC has indicated information about the regulatory process for approval of the plan would be made available within approximately ten days after the plan was filed.

Western Resources is unable to predict the outcome of these matters or their impact on Western Resources' strategic plans, including the PNM/split-off transaction, financial condition or results of operations. Western Resources can give no assurance as to whether or when the PNM transaction or a split-off may occur.

Nuclear Insurance

As of November 15, 2001, Nuclear Electric Insurance Limited (NEIL), the provider of insurance for the owners of Wolf Creek, is increasing the potential retrospective assessments in its nuclear insurance policies. If losses incurred at any of the nuclear plants insured under the NEIL policies exceed premiums, reserves and other NEIL resources, we may be subject to retrospective assessments under the amended NEIL policies of approximately $10.7 million per year. For additional information regarding our nuclear insurance coverage, see Note 8 of the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2000.

Accounting Change

Effective January 1, 2001, we adopted Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS Nos. 137 and 138 (collectively, SFAS No. 133). Western Resources uses derivative instruments (primarily swaps, options and futures) to manage the commodity price risk inherent in fossil fuel purchases and electricity sales. We are allocated our proportionate share of the benefits and costs of Western Resources' commodity price risk management program based on fuel forecasts for Western Resources and us. These allocated benefits and costs are recognized in our financial statements.

Under SFAS No. 133, all derivative instruments, including our energy trading contracts, are recorded on the balance sheet as either an asset or liability measured at fair value. Changes in a derivative's fair value must be recognized currently in earnings unless specific hedge accounting criteria are met. Cash flows from derivative instruments are presented in net cash flow from operating activities.

Derivative instruments used to manage commodity price risk inherent in fuel purchases and electricity sales are classified as energy trading contracts on the balance sheet. Energy trading contracts representing unrealized gain positions are reported as assets; energy trading contracts representing unrealized loss positions are reported as liabilities.

Prior to January 1, 2001, gains and losses on derivatives used for managing commodity price risk were deferred until settlement. These derivatives had not been designated as hedges under SFAS No. 133. Accordingly, in the first quarter of 2001, we recognized an unrealized gain of $12.9 million, net of $8.5 million tax, on these derivatives as a cumulative effect of a change in accounting principle.

After January 1, 2001, changes in fair value of all derivative instruments used for managing commodity price risk that are not designated as hedges are recognized currently as a cost of sales. For the quarter ended September 30, 2001, we recognized an unrealized gain of $0.2 million, net of $0.1 million tax, associated with these derivative instruments. For the nine months ended September 30, 2001, we recognized an unrealized loss of $12.6 million, net of $8.3 million tax benefit, excluding the cumulative effect of a change in accounting principle discussed above, associated with these derivative instruments. Accounting for derivatives under SFAS No. 133 will increase volatility of our future earnings.

Gas Hedge: During the third quarter of 2001, we entered into hedging relationships to manage commodity price risk associated with future natural gas purchases. We are using futures contracts with a total notional volume of 28,980,000 MMBtu and terms extending through July 2004 to hedge this risk. We have designated these hedging relationships as cash flow hedges in accordance with SFAS No. 133.

The effective portion of the gain or loss on a derivative instrument designated as a cash flow hedge is reported as a component of accumulated other comprehensive income (loss) and is reclassified into earnings in the period during which the hedged transaction affects earnings (the fuel is burned). Effectiveness is the degree to which gains and losses on the hedging instruments offset the gains and losses on the hedged item. The ineffective portion of the hedging relationship is recognized currently in earnings. Settlement gains or losses are included within the line items in the statements of income to which they relate.

The following table reflects amounts recorded in assets, liabilities and accumulated other comprehensive income (loss) as of September 30, 2001 for the futures contracts designated as cash flow hedges:

	Gas Futures Contracts (In Thousands)
Current derivative asset (a)	$ --
Long-term derivative asset (b)	--
Total Derivative Assets	$ --
Current derivative liability (c)	$ 8,092
Long-term derivative liability (d)	10,809
Total Derivative Liabilities	$ 18,901
Total comprehensive loss	$ (19,738)
Reclassification adjustment for activity included in net income	863
Estimated income tax benefit	7,508
Net Comprehensive Loss	$ (11,367)

(a) Included in Energy trading contracts (asset)
(b) Included in Other assets
(c) Included in Energy trading contracts (liability)
(d) Included in Other liabilities

Amounts recognized in earnings as a result of hedge ineffectiveness were insignificant for the period ended September 30, 2001. The maximum length of time over which we are hedging our exposure to the variability in future cash flows for forecasted natural gas purchases is 34 months as of September 30, 2001. We estimate that, based on market prices as of September 30, 2001, pretax losses of $8.1 million will be reclassified from accumulated other comprehensive income (loss) into earnings during the next twelve months as the hedged transactions affect earnings. The actual amounts that will be reclassified to earnings could vary materially from this estimated amount due to changes in market conditions.

Market Risk Disclosure

We have not experienced any significant changes in our exposure to market risk since December 31, 2000. For additional information on our market risk, see our Annual Report on Form 10-K for the year ended December 31, 2000.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information relating to the market risk disclosure is set forth in Other Information of Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

KANSAS GAS AND ELECTRIC COMPANY

Part II Other Information

Item 1. Legal Proceedings

See Note 3 of the Notes to Consolidated Financial Statements for a discussion of proceedings before the KCC and FERC proceedings involving the City of Wichita. The Notes to the Consolidated Financial Statements are incorporated herein by reference.

Item 2. Changes in Securities and Use of Proceeds

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

Item 3. Defaults Upon Senior Securities

Information required by Item 3 is omitted pursuant to General Instruction H(2)(b) to Form 10-Q.

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

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

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits: None.

(b) Reports on Form 8-K filed during the three months ended September 30, 2001: None.

SIGNATURE

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

KANSAS GAS AND ELECTRIC COMPANY

Date: November 14, 2001

By: /s/ Ronald W. Holt

Ronald W. Holt
Chairman of the Board and President