FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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

For the quarterly period ended June 30, 1998

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

For the transition period from to

Commission file number 1-7324

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

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

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

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

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

Yes X No

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

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

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

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

	June 30, 1998	December 31, 1997
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 42	$ 43
Accounts receivable, (net)	81,424	66,654
Advances to parent company (net)	43,805	72,558
Inventories and supplies, at average cost	41,773	41,019
Prepaid expenses and other	29,727	17,165
Total Current Assets	196,771	197,439
PROPERTY, PLANT AND EQUIPMENT (net)	2,535,660	2,565,175
OTHER ASSETS:		
Regulatory assets	275,656	278,568
Other	55,004	75,926
Total Other Assets	330,660	354,494
TOTAL ASSETS	$3,063,091	$3,117,108
LIABILITIES AND SHAREOWNERS' EQUITY		
CURRENT LIABILITIES:		
Short-term debt	$ -	$ 45,000
Accounts payable	88,614	81,986
Accrued liabilities	32,729	32,745
Accrued income taxes	7,544	4,212
Other	5,912	4,032
Total Current Liabilities	134,799	167,975
LONG-TERM LIABILITIES:		
Long-term debt (net)	684,105	684,128
Deferred income taxes and investment tax credits	808,551	820,838
Deferred gain from sale-leaseback	215,865	221,779
Other	84,370	87,909
Total Long-term Liabilities	1,792,891	1,814,654
COMMITMENTS AND CONTINGENCIES		
SHAREOWNERS' EQUITY (See Statements):		
Common stock, without par value, authorized and issued 1,000 shares	1,065,634	1,065,634
Retained earnings	69,767	68,845
Total Shareowners' Equity	1,135,401	1,134,479
TOTAL LIABILITIES AND SHAREOWNERS' EQUITY	$3,063,091	$3,117,108

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

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

	Three Months Ended June 30, 1998	1997
SALES	$ 162,816	$ 148,826
COST OF SALES	36,791	26,540
GROSS PROFIT	126,025	122,286
OPERATING EXPENSES:		
Operating and maintenance expense	39,117	48,123
Depreciation and amortization	24,676	28,569
Selling, general and administrative expense	18,120	13,173
Total Operating Expenses	81,913	89,865
INCOME FROM OPERATIONS	44,112	32,421
OTHER INCOME (EXPENSE)	6,635	606
INCOME BEFORE INTEREST AND TAXES	50,747	33,027
INTEREST EXPENSE:		
Interest expense on long-term debt	11,505	11,525
Interest expense on short-term debt and other	828	999
Total Interest Expense	12,333	12,524
INCOME BEFORE INCOME TAXES	38,414	20,503
INCOME TAXES	9,907	5,011
NET INCOME	$ 28,507	$ 15,492

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

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

	Six Months Ended June 30, 1998	1997
SALES	$ 297,382	$ 292,617
COST OF SALES	62,711	52,764
GROSS PROFIT	234,671	239,853
OPERATING EXPENSES:		
Operating and maintenance expense	74,661	93,301
Depreciation and amortization	49,109	57,492
Selling, general and administrative expense	30,756	26,275
Total Operating Expenses	154,526	177,068
INCOME FROM OPERATIONS	80,145	62,785
OTHER INCOME (EXPENSE)	11,478	(831)
INCOME BEFORE INTEREST AND TAXES	91,623	61,954
INTEREST EXPENSE:		
Interest expense on long-term debt	22,994	23,007
Interest expense on short-term debt and other	1,698	2,556
Total Interest Expense	24,692	25,563
INCOME BEFORE INCOME TAXES	66,931	36,391
INCOME TAXES	16,009	9,727

NET INCOME	$ 50,922	$ 26,664

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

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

	Twelve Months Ended June 30,	
	1998	1997
SALES	$ 619,210	$ 639,115
COST OF SALES	139,541	117,854
GROSS PROFIT	479,669	521,261
OPERATING EXPENSES:		
Operating and maintenance expense	161,513	174,255
Depreciation and amortization	115,040	115,711
Selling, general and administrative expense	61,748	54,254
Total Operating Expenses	338,301	344,220
INCOME FROM OPERATIONS	141,368	177,041
OTHER INCOME (EXPENSE)	8,287	3,549
INCOME BEFORE INTEREST AND TAXES	149,655	180,590
INTEREST EXPENSE:		
Interest expense on long-term debt	46,049	46,012
Interest expense on short-term debt and other	3,530	9,945
Total Interest Expense	49,579	55,957
INCOME BEFORE INCOME TAXES	100,076	124,633
INCOME TAXES	23,690	34,648
NET INCOME	$ 76,386	$ 89,985

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

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

	Three Months Ended June 30,	
	1998	1997
Net income	$ 28,507	$ 15,492
Other comprehensive income	-	-
Comprehensive income	$ 28,507	$ 15,492

	Six Months Ended June 30,	
	1998	1997
Net income	$ 50,922	$ 26,664

Other comprehensive income.	-	-
Comprehensive income.	$ 50,922	$ 26,664

	Twelve Months Ended June 30, 1998	1997
Net income.	$ 76,386	$ 89,985
Other comprehensive income.	-	-
Comprehensive income.	$ 76,386	$ 89,985

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

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

	Six Months Ended June 30, 1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income.	$ 50,922	$ 26,664
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	49,109	57,492
Amortization of gain from sale-leaseback.	(5,914)	(5,367)
Changes in working capital items:		
Accounts receivable, (net).	(14,770)	2,068
Inventories and supplies.	(754)	27
Prepaid expenses and other.	(12,562)	(17,046)
Accounts payable.	6,628	22,112
Accrued liabilities	(16)	(4,215)
Accrued income taxes.	3,332	4,651
Other	1,880	130
Changes in other assets and liabilities	16,592	14,802
Net cash flows from operating activities.	94,447	101,318
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Additions to property, plant and equipment (net).	(28,116)	(45,541)
Net cash flows (used in) investing activities	(28,116)	(45,541)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Short-term debt (net)	(45,000)	(212,300)
Advances to parent company (net).	28,753	206,579
Retirements of long-term debt	(85)	(65)
Dividends to parent company	(50,000)	(50,000)
Net cash flows (used in) financing activities.	(66,332)	(55,786)
NET (DECREASE) IN CASH AND CASH EQUIVALENT.	(1)	(9)
CASH AND CASH EQUIVALENTS:		
Beginning of period	43	44
End of period	$ 42	$ 35
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
CASH PAID FOR:		
Interest on financing activities (net of amount capitalized)	$ 51,694	$ 54,342
Income taxes	19,220	20,100

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

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

	Twelve Months Ended June 30, 1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income.	$ 76,386	$ 89,985
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	115,040	115,711
Amortization of gain from sale-leaseback.	(11,828)	(10,187)
Changes in working capital items:		
Accounts receivable, (net).	(7,821)	8,049
Inventories and supplies.	1,846	1,821
Prepaid expenses and other.	4,310	(3,610)
Accounts payable.	17,683	12,453
Accrued liabilities	489	(4,981)
Accrued income taxes.	(8,335)	21,745
Other	1,936	191
Changes in other assets and liabilities	(9,223)	21,206
Net cash flows from operating activities.	180,483	252,383
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Additions to property, plant and equipment (net).	(70,740)	(82,520)
Net cash flows (used in) investing activities	(70,740)	(82,520)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Short-term debt (net)	(10,000)	(240,000)
Advances to parent company (net).	349	170,149
Retirements of long-term debt	(85)	(65)
Dividends to parent company	(100,000)	(100,000)
Net cash flows (used in) financing activities.	(109,736)	(169,916)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.	7	(53)
CASH AND CASH EQUIVALENTS:		
Beginning of period	35	88
End of period	$ 42	$ 35
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
CASH PAID FOR:		
Interest on financing activities (net of amount capitalized)	$ 71,770	$ 82,402
Income taxes	51,220	34,600

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

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

	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income (net)
BALANCE DECEMBER 31, 1995, 1,000 shares.	$1,065,634	$ 120,443	$ -
Net income		96,274	
Dividend to parent company		(100,000)	
BALANCE DECEMBER 31, 1996, 1,000 shares.	1,065,634	116,717	-
Net Income		52,128	
Dividend to parent company		(100,000)	

BALANCE DECEMBER 31, 1997, 1,000 shares.	1,065,634	68,845	-
Net Income		50,922	
Dividend to parent company		(50,000)	
BALANCE JUNE 30, 1998, 1,000 shares.	$1,065,634	$ 69,767	$ -

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business: Kansas Gas and Electric Company (the company, KGE) is a rate-regulated electric utility and wholly-owned subsidiary of Western Resources, Inc. (Western Resources). The company is engaged principally in the production, purchase, transmission, distribution, and sale of electricity. The company serves approximately 280,000 electric customers in southeastern Kansas. At December 31, 1997, the company had no employees. All employees are provided by the company's parent, Western Resources which allocates costs related to the employees of the company.

The company owns 47% of Wolf Creek Nuclear Operating Corporation (WCNOC), the operating company for Wolf Creek Generating Station (Wolf Creek). The company records its proportionate share of all transactions of WCNOC as it does other jointly-owned facilities.

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

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

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

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

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

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

On March 18, 1998, Western Resources and KCPL announced a restructuring of their February 7, 1997 merger agreement which will result in the formation of Westar Energy, a new regulated electric utility company. Under the terms of the merger agreement, the electric utility operations of Western Resources will be transferred to the company, and KCPL and the company will be merged into NKC, Inc., a subsidiary of Western Resources. NKC, Inc. will be renamed Westar Energy. In addition, under the merger agreement, KCPL shareowners will receive $23.50 of Western Resources common stock per KCPL share, subject to a collar mechanism, and one share of Westar Energy common stock per KCPL share. Upon consummation of the combination, Western Resources will own approximately 80.1% of the outstanding equity of Westar Energy and KCPL shareowners will own approximately 19.9%. As part of the combination, Westar Energy will assume all of the electric utility related assets and liabilities of Western Resources, KCPL, and the company.

Westar Energy will assume $2.7 billion in debt, consisting of $1.9 billion of indebtedness for borrowed money of Western Resources and the company, and $800 million from KCPL. Long-term debt of Western Resources and the company was $2.1 billion at June 30, 1998. Under the terms of the merger agreement, it is intended that Western Resources will be released from its obligations with respect to the company's debt to be assumed by Westar Energy.

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

On August 7, 1998 Western Resources and KCPL filed an amended application with the Federal Energy Regulatory Commission (FERC) to approve the Western Resources/KCPL merger and the formation of Westar Energy.

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

At June 30, 1998, Western Resources had deferred approximately $7 million related to the KCPL transaction. These costs will be included in the determination of total consideration upon consummation of the transaction.

3. COMMITMENTS AND CONTINGENCIES

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

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

4. INCOME TAXES

Total income tax expense included in the Statements of Income reflects the Federal statutory rate of 35%. The Federal statutory rate produces effective income tax rates of 25.8% and 24.4% for the three month periods, 23.9% and 26.7% for the six month periods, and 23.7% and 27.8% for the twelve month periods ended June 30, 1998 and 1997, respectively. The effective income tax rates vary from the Federal statutory rate due to the permanent differences, including the amortization of investment tax credits, and accelerated amortization of certain deferred income taxes.

KANSAS GAS AND ELECTRIC COMPANY

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

INTRODUCTION

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

- What factors affect our business
- What our earnings and costs were for the three, six and twelve month periods ended June 30, 1998 and 1997
- Why these earnings and costs differed from period to period

- How our earnings and costs affect our overall financial condition
- Any other items that particularly affect our financial condition or earnings

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

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

FINANCIAL CONDITION

General: Net income for the three and six months ended June 30, 1998 of $28.5 million and $50.9 million increased substantially from net income of $15.5 million and $26.7 million for the same periods in 1997, respectively. The increases in net income were primarily due to increased electric sales because of warmer than normal weather, lower operating and maintenance costs, the completion of the amortization of phase-in revenues in December 1997, and increased other income.

Net income for the twelve months ended June 30, 1998, of $76.4 million, decreased from net income of $90.0 million for the comparable period of 1997. The decrease was primarily attributable to a $36.3 million rate reduction on February 1, 1997, and increased cost of sales.

OPERATING RESULTS

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

Sales: Sales are based on sales volumes and rates authorized by the Kansas Corporation Commission (KCC) and the Federal Energy Regulatory Commission (FERC). Rates charged for the sale and delivery of electricity are designed to recover the cost of service and allow investors a fair rate of return. Our sales vary with levels of energy deliveries. Changing weather affects the amount of energy our customers use. Very hot summers and very cold winters prompt more demand, especially among our residential customers. Mild weather reduces demand.

Many things will affect our future sales. They include:

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

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

	3 Months Ended	6 Months Ended	12 Months Ended
Residential	20.1%	11.4%	7.0%
Commercial	11.2%	7.6%	5.3%
Industrial	1.8%	2.9%	3.4%
Total Retail	9.4%	6.6%	5.0%

Sales increased 9.4% for the three months and 1.6% for the six months ended June 30, 1998, primarily due to the increase in residential energy deliveries as a result of warmer spring temperatures.

Partially offsetting these increases in sales was the implementation of an electric rate reduction of $10.0 million on June 1, 1998.

Sales decreased 3.1% for the twelve months ended June 30, 1998, primarily due to electric rate decreases we implemented on February 1, 1997. Although energy deliveries increased, it was not enough to compensate for our lower electric rates. Also contributing to the decrease in sales was the decrease in wholesale and interchange sales.

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

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

Due to warmer than normal weather throughout the Midwest and lack of power available for purchase on the wholesale market, the wholesale power market has seen extreme volatility in prices and availability. This volatility could impact our cost of power purchases.

Actual cost of fuel to generate electricity (coal, nuclear fuel, natural gas or oil) and the amount of power purchased from other utilities increased for each of the three periods ending June 30, 1998. Cost of sales were $10.3 million, $9.9 million, and $21.7 million higher for the three, six and twelve months ended June 30, 1998, respectively. With an increase in customer demand for electricity and the availability of our La Cygne coal generation station during 1998, we produced more electricity during the first six months of 1998 than in 1997. The increase in net generation caused our fossil fuel costs to increase for the three and six month periods ended June 30, 1998.

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

OPERATING EXPENSES

Operating and Maintenance Expense: Total operating and maintenance expense decreased $9.0 million, $18.6 million, and $12.7 million for the three, six and twelve months ended June 30, 1998, respectively. The decreases were attributable to a decrease in KGE's portion of costs shared with Western Resources which are associated with the dispatching of electric power.

Depreciation and Amortization Expense: Depreciation and amortization expense decreased $3.9 million and $8.4 million for the three and six months ended June 30, 1998 from the same periods in 1997, respectively, due to the completion of the amortization of phase-in revenues in December 1997. During the first six months of 1997, we recorded $8.8 million of amortization for phase-in revenues. Depreciation and amortization expense for the twelve months ended June 30, 1998 decreased less than $0.7 million from 1997 due to the additional amortization of $8.8 million relating to phase-in revenues recorded during the fourth quarter of 1997.

Selling, General and Administrative Expense: Selling, general and administrative expense increased $4.9 million, $4.5 million, and $7.5 million for the three, six and twelve months ended June 30, 1998, respectively. Storm related restoration expenses and increased labor costs attributed to the increases.

Other Income and Deductions: Other income (expense) includes miscellaneous income and expenses not directly related to our operations. Other income and (expense) for the second quarter of 1998 increased $6.0 million. Other income and (expense) for the six and twelve months ended June 30, 1998, increased $12.3 million and $4.7 million, respectively.

Interest Expense: Interest expense includes the interest we paid on outstanding debt. We realized a decrease in interest expense for each of the three periods ending June 30, 1998. Our average outstanding short-term debt balances were lower during all three periods which attributed to the decreases in interest expense. The interest we paid on long-term debt remained virtually unchanged for all three periods.

LIQUIDITY AND CAPITAL RESOURCES:

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

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

MERGERS AND ACQUISITIONS

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

On March 18, 1998, Western Resources and KCPL announced a restructuring of their February 7, 1997 merger agreement which will result in the formation of Westar Energy, a new regulated electric utility company. Under the terms of the merger agreement, the electric utility operations of Western Resources will be transferred to the company, and KCPL and the company will be merged into NKC, Inc., a subsidiary of Western Resources. NKC, Inc. will be renamed Westar Energy. In addition, under the merger agreement, KCPL shareowners will receive $23.50 of Western Resources common stock per KCPL share, subject to a collar mechanism, and one share of Westar Energy common stock per KCPL share. Upon consummation of the combination, Western Resources will own approximately 80.1% of the outstanding equity of Westar Energy and KCPL shareowners will own approximately 19.9%. As part of the combination Westar Energy will assume all of the electric utility related assets and liabilities of Western Resources, KCPL, and the company.

Westar Energy will assume $2.7 billion in debt, consisting of $1.9 billion of indebtedness for borrowed money of Western Resources and the company, and $800 million from KCPL. Long-term debt of Western Resources and the company was $2.1 billion at June 30, 1998. Under the terms of the merger agreement, it is intended that Western Resources will be released from its obligations with respect to the company's debt to be assumed by Westar Energy.

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

On August 7, 1998 Western Resources and KCPL filed an amended application with the Federal Energy Regulatory Commission (FERC) to approve the Western Resources/KCPL merger and the formation of Westar Energy.

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

At June 30, 1998, Western Resources had deferred approximately $7 million related to the KCPL transaction. These costs will be included in the determination of total consideration upon consummation of the transaction.

OTHER INFORMATION

YEAR 2000 ISSUE: We are currently addressing the effect of the Year 2000 Issue on our reporting systems and operations. We face the Year 2000 Issue because many computer systems and applications abbreviate dates by eliminating the first two digits of the year, assuming that these two digits are always

"19". On January 1, 2000, some computer programs may incorrectly recognize the date as January 1, 1900. Some computer systems may incorrectly process critical financial and operational information, or stop processing altogether because of the date abbreviation. Calculations using the year 2000 will affect computer applications before January 1, 2000.

We have recognized the potential adverse effects the Year 2000 Issue could have on our company. In 1996, we established a formal Year 2000 remediation program to investigate and correct these problems in the main computer systems of our company. In 1997, we expanded the program to include all business units and departments of our company. The goal of our program is to identify and assess every critical system potentially affected by the Year 2000 date change and to repair or replace those systems found to be incompatible with Year 2000 dates.

We have completed approximately 75% of our contingency plan for all business units and departments of our company with the exception of WCNOC. WCNOC is currently pursuing their own contingency plan and their management does not believe that WCNOC will be substantially impacted. Our contingency plan includes pre-established action plans to work around any unforeseen operational impacts surrounding the century date change.

We have identified four major areas of risk: 1) Vendors and suppliers, 2) Banks and Financial Institutions, 3) Telecommunications, including phone systems and cellular phones and 4) Large customers. We are addressing these risks in our contingency plan and expect no significant operational impact on our ability to serve our customers, pay suppliers, or operate other areas of our business.

We plan to have our Year 2000 readiness efforts substantially completed by the end of 1998, excluding WCNOC. WCNOC is pursuing their own Year 2000 plan. Western Resources currently estimates that total costs to update all of its and our systems for year 2000 compliance will be approximately $12 million. As of June 30, 1998 Western Resources has expensed approximately $3 million of these costs and based on what they now know, they expect to incur an additional $9 million in 1998 to complete our efforts. Western Resources has allocated a portion of these costs to our company.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

KANSAS GAS AND ELECTRIC COMPANY
Part II Other Information

Item 3. Defaults Upon Senior Securities

None

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

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

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

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

Exhibit 27 - Financial Data Schedule (filed electronically)

(b) Reports on Form 8-K:

None

SIGNATURE

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

KANSAS GAS AND ELECTRIC COMPANY

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

Exhibit 12

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

	Unaudited Twelve Months Ended June 30,	Year Ended December 31,				
	1998	1997	1996	1995	1994	1993
Net Income.	$ 76,386	$ 52,128	$ 96,274	$110,873	$104,526	$108,103
Taxes on Income	23,690	17,408	36,258	51,787	55,349	46,896
Net Income Plus Taxes.	100,076	69,536	132,532	162,660	159,875	154,999
Fixed Charges:						
Interest on Long-Term Debt. . . .	46,049	46,062	46,304	47,073	47,827	53,908
Interest on Other Indebtedness. .	3,530	4,388	11,758	5,190	5,183	6,075
Interest on Corporate-owned Life Insurance Borrowings . . .	33,630	31,253	27,636	25,357	20,990	11,865
Interest Applicable to Rentals. .	24,904	25,143	25,539	25,375	25,096	24,967
Total Fixed Charges	108,113	106,846	111,237	102,995	99,096	96,815
Earnings (1).	$208,189	$176,382	$243,769	$265,655	$258,971	$251,814
Ratio of Earnings to Fixed Charges.	1.93	1.65	2.19	2.58	2.61	2.60

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

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

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6-MOS
DEC-31-1998
JUN-30-1998
42
0
83,285
1,861
41,773
196,771
3,626,965
1,091,305
3,063,091
134,799
684,105
0
0
1,065,634
69,767
3,063,091
297,382
297,382
62,711
217,237
0
0
24,692
66,931
16,009
50,922
0
0
0
50,922
0
0