SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
X QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 1996

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 1-3523

WESTERN RESOURCES, INC.
(Exact Name of Registrant as Specified in Its Charter)

KANSAS	48-0290150
(State or Other Jurisdiction of Incorporation or Organization)	(Employer Identification No.)

818 KANSAS AVENUE, TOPEKA, KANSAS	66612
(Address of Principal Executive Offices)	(Zip Code)

Registrant's Telephone Number Including Area Code (913) 575-6300

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 October 25, 1996
Common Stock, $5.00 par value	64,401,042

WESTERN RESOURCES, INC.
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WESTERN RESOURCES, INC.
CONSOLIDATED BALANCE SHEETS
(Dollars in Thousands)
(Unaudited)

	September 30, 1996	December 31, 1995
ASSETS		
UTILITY PLANT:		
Electric plant in service	$5,429,669	$5,341,074
Natural gas plant in service	819,864	787,453
	6,249,533	6,128,527
Less - Accumulated depreciation	2,027,759	1,926,520
	4,221,774	4,202,007
Construction work in progress	83,321	100,401
Nuclear fuel (net)	44,072	53,942
Net utility plant	4,349,167	4,356,350
OTHER PROPERTY AND INVESTMENTS:		
Net non-utility investments	628,521	99,269
Decommissioning trust	30,627	25,070
	659,148	124,339
CURRENT ASSETS:		
Cash and cash equivalents	969	2,414
Accounts receivable and unbilled revenues (net)	232,682	257,292
Fossil fuel, at average cost	44,191	54,742
Gas stored underground, at average cost	47,665	28,106
Materials and supplies, at average cost	62,160	57,996
Prepayments and other current assets	38,008	20,973
	425,675	421,523
DEFERRED CHARGES AND OTHER ASSETS:		
Deferred future income taxes	282,476	282,476
Deferred coal contract settlement costs	22,599	27,274
Phase-in revenues	30,703	43,861
Corporate-owned life insurance (net)	86,484	44,143
Other deferred plant costs	31,339	31,539
Unamortized debt expense	56,931	56,681
Other	138,669	102,491
	649,201	588,465
TOTAL ASSETS	$6,083,191	$5,490,677
CAPITALIZATION AND LIABILITIES		
CAPITALIZATION (see statement):		
Common stock equity	$1,615,060	$1,553,110
Cumulative preferred and preference stock	74,858	174,858
Western Resources obligated mandatorily redeemable preferred securities of subsidiary trust holding solely subordinated debentures	220,000	100,000
Long-term debt (net)	1,466,526	1,391,263
	3,376,444	3,219,231
CURRENT LIABILITIES:		
Short-term debt	646,400	203,450
Long-term debt due within one year	-	16,000
Accounts payable	111,878	149,194
Accrued taxes	106,884	68,569
Accrued interest and dividends	59,918	62,157
Other	38,655	40,266
	963,735	539,636
DEFERRED CREDITS AND OTHER LIABILITIES:		
Deferred income taxes	1,167,550	1,167,470
Deferred investment tax credits	127,218	132,286
Deferred gain from sale-leaseback	235,470	242,700
Other	212,774	189,354
	1,743,012	1,731,810

	1996	1995
COMMITMENTS AND CONTINGENCIES (Notes 3 and 5)		
TOTAL CAPITALIZATION AND LIABILITIES	$6,083,191	$5,490,677

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

WESTERN RESOURCES, INC.
CONSOLIDATED STATEMENTS OF INCOME
(Dollars in Thousands)
(Unaudited)

	Three Months Ended September 30, 1996	1995
OPERATING REVENUES:		
Electric.	$ 355,459	$ 371,153
Natural gas	134,713	99,136
Total operating revenues.	490,172	470,289
OPERATING EXPENSES:		
Fuel used for generation:		
Fossil fuel	69,046	70,001
Nuclear fuel.	6,299	5,084
Power purchased	7,584	5,992
Natural gas purchases	36,229	29,146
Other operations.	146,486	121,651
Maintenance	17,039	26,851
Depreciation and amortization	46,179	38,934
Amortization of phase-in revenues	4,386	4,386
Taxes:		
Federal income.	29,892	35,421
State income.	8,021	8,725
General	25,424	24,617
Total operating expenses.	396,585	370,808
OPERATING INCOME.	93,587	99,481
OTHER INCOME AND DEDUCTIONS:		
Corporate-owned life insurance (net).	2,648	(2,248)
Miscellaneous (net)	5,766	3,235
Income taxes (net).	399	2,585
Total other income and deductions	8,813	3,572
INCOME BEFORE INTEREST CHARGES.	102,400	103,053
INTEREST CHARGES:		
Long-term debt.	25,464	24,193
Other	14,763	8,091
Allowance for borrowed funds used during construction (credit)	(776)	(1,136)
Total interest charges.	39,451	31,148
NET INCOME.	62,949	71,905
PREFERRED AND PREFERENCE DIVIDENDS.	6,900	3,355
EARNINGS APPLICABLE TO COMMON STOCK	$ 56,049	$ 68,550
AVERAGE COMMON SHARES OUTSTANDING	64,161,329	62,243,794
EARNINGS PER AVERAGE COMMON SHARE OUTSTANDING	$ .87	$ 1.10
DIVIDENDS DECLARED PER COMMON SHARE	$ .515	$ .505

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

WESTERN RESOURCES, INC.
CONSOLIDATED STATEMENTS OF INCOME
(Dollars in Thousands)
(Unaudited)

	Nine Months Ended September 30, 1996	1995

OPERATING REVENUES:		
Electric	$ 918,675	$ 886,921
Natural gas	563,240	399,038
Total operating revenues	1,481,915	1,285,959
OPERATING EXPENSES:		
Fuel used for generation:		
Fossil fuel	190,634	164,092
Nuclear fuel	13,674	14,848
Power purchased	22,481	11,636
Natural gas purchases	236,313	171,482
Other operations	425,732	344,826
Maintenance	72,030	81,315
Depreciation and amortization	131,594	116,219
Amortization of phase-in revenues	13,158	13,158
Taxes:		
Federal income	56,700	60,027
State income	15,784	15,808
General	75,935	73,735
Total operating expenses	1,254,035	1,067,146
OPERATING INCOME	227,880	218,813
OTHER INCOME AND DEDUCTIONS:		
Corporate-owned life insurance (net)	(1,101)	(5,785)
Miscellaneous (net)	16,835	9,921
Income taxes (net)	1,384	4,891
Total other income and deductions	17,118	9,027
INCOME BEFORE INTEREST CHARGES	244,998	227,840
INTEREST CHARGES:		
Long-term debt	78,568	72,042
Other	32,338	23,516
Allowance for borrowed funds used during construction (credit)	(2,392)	(2,914)
Total interest charges	108,514	92,644
NET INCOME	136,484	135,196
PREFERRED AND PREFERENCE DIVIDENDS	13,609	10,064
EARNINGS APPLICABLE TO COMMON STOCK	$ 122,875	$ 125,132
AVERAGE COMMON SHARES OUTSTANDING	63,598,963	61,960,602
EARNINGS PER AVERAGE COMMON SHARE OUTSTANDING	$ 1.93	$ 2.02
DIVIDENDS DECLARED PER COMMON SHARE	$ 1.545	$ 1.515

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

WESTERN RESOURCES, INC.
CONSOLIDATED STATEMENTS OF INCOME
(Dollars in Thousands)
(Unaudited)

	Twelve Months Ended September 30, 1996	1995
OPERATING REVENUES:		
Electric	$1,177,649	$1,139,888
Natural gas	761,583	557,191
Total operating revenues	1,939,232	1,697,079
OPERATING EXPENSES:		
Fuel used for generation:		
Fossil fuel	238,536	212,102
Nuclear fuel	18,251	16,677
Power purchased	26,584	17,418
Natural gas purchases	328,621	233,169
Other operations	563,358	465,111
Maintenance	99,356	112,741
Depreciation and amortization	172,186	152,201
Amortization of phase-in revenues	17,545	17,544
Taxes:		
Federal income	69,276	74,119

State income.	18,571	19,510
General	99,039	95,195
Total operating expenses.	1,651,323	1,415,787
OPERATING INCOME.	287,909	281,292
OTHER INCOME AND DEDUCTIONS:		
Corporate-owned life insurance (net).	2,016	(7,418)
Miscellaneous (net)	26,593	11,737
Income taxes (net).	4,298	6,184
Total other income and deductions	32,907	10,503
INCOME BEFORE INTEREST CHARGES.	320,816	291,795
INTEREST CHARGES:		
Long-term debt.	102,488	95,830
Other	39,070	30,732
Allowance for borrowed funds used during construction (credit)	(3,706)	(3,351)
Total interest charges.	137,852	123,211
NET INCOME.	182,964	168,584
PREFERRED AND PREFERENCE DIVIDENDS.	16,964	13,418
EARNINGS APPLICABLE TO COMMON STOCK	$ 166,000	$ 155,166
AVERAGE COMMON SHARES OUTSTANDING	63,385,462	61,874,216
EARNINGS PER AVERAGE COMMON SHARE OUTSTANDING	$ 2.62	$ 2.51
DIVIDENDS DECLARED PER COMMON SHARE	$ 2.05	$ 2.01

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

WESTERN RESOURCES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)
(Unaudited)

	Nine Months Ended September 30, 1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income.	$ 136,484	$ 135,196
Depreciation and amortization	120,324	114,653
Other amortization (including nuclear fuel)	10,793	11,274
Gain on sales of utility plant (net of tax)	-	(951)
Deferred taxes and investment tax credits (net)	(79)	(9,216)
Amortization of phase-in revenues	13,158	13,158
Corporate-owned life insurance.	(23,334)	(39,102)
Amortization of gain from sale-leaseback.	(7,230)	(7,231)
Amortization of acquisition adjustment.	19,806	1,724
Noncash earnings in equity of investees	(19,359)	-
Changes in working capital items:		
Accounts receivable and unbilled revenues (net)	24,610	7,781
Fossil fuel	10,551	(6,501)
Gas stored underground.	(19,559)	(971)
Accounts payable	(37,316)	(29,208)
Accrued taxes	38,315	38,687
Other	6,252	(752)
Changes in other assets and liabilities	(41,895)	12,150
Net cash flows from operating activities.	231,521	240,691
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Additions to utility plant.	137,980	166,743
Sales of utility plant.	-	(1,723)
Non-utility investments (net)	522,092	14,127
Corporate-owned life insurance policies	53,265	54,046
Death proceeds of corporate-owned life insurance policies	(9,010)	(854)
Net cash flows used in investing activities	704,327	232,339
CASH FLOWS FROM FINANCING ACTIVITIES:		
Short-term debt (net)	442,950	19,415
Bonds retired	(16,135)	(105)
Revolving credit agreements (net)	75,000	-

Other long-term debt issued	200	-
Other mandatorily redeemable securities	120,000	-
Redemption of preference stock.	(100,000)	-
Borrowings against life insurance policies.	45,136	47,727
Repayment of borrowings against life insurance policies .	(4,611)	(115)
Common stock issued (net)	21,554	26,707
Dividends on preferred, preference and common stock . . .	(112,733)	(103,014)
Net cash flows from (used in) financing activities. .	471,361	(9,385)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,445)	(1,033)
CASH AND CASH EQUIVALENTS:		
Beginning of the period	2,414	2,715
End of the period	$ 969	$ 1,682
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
CASH PAID FOR:		
Interest on financing activities (net of amount capitalized).	$ 136,479	$ 111,871
Income taxes.	67,333	69,995

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

WESTERN RESOURCES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)
(Unaudited)

	Twelve Months Ended September 30, 1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income.	$ 182,964	$ 168,584
Depreciation and amortization	155,936	150,687
Other amortization (including nuclear fuel)	14,712	13,789
Gain on sales of utility plant (net of tax)	-	(951)
Deferred taxes and investment tax credits (net)	24,109	9,234
Amortization of phase-in revenues	17,545	17,544
Corporate-owned life insurance.	(12,780)	(42,748)
Amortization of gain from sale-leaseback.	(9,639)	(9,641)
Amortization of acquisition adjustment.	24,811	1,724
Noncash earnings in equity of investees	(19,359)	-
Changes in working capital items:		
Accounts receivable and unbilled revenues (net)	(20,703)	(49,886)
Fossil fuel	1,072	(8,856)
Gas stored underground.	(1,472)	(3,592)
Accounts payable.	10,470	(2,433)
Accrued taxes	(19,396)	(14,565)
Other	15,183	19,128
Changes in other assets and liabilities	(65,679)	26,520
Net cash flows from operating activities	297,774	274,538
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Additions to utility plant.	208,064	249,510
Sales of utility plant.	-	(1,723)
Non-utility investments (net)	523,373	18,488
Corporate-owned life insurance policies	54,394	55,876
Death proceeds of corporate-owned life insurance policies .	(19,343)	(854)
Net cash flows used in investing activities	766,488	321,297
CASH FLOWS FROM FINANCING ACTIVITIES:		
Short-term debt (net)	318,785	108,315
Bonds retired	(16,135)	(105)
Revolving credit agreement (net).	125,000	-
Other long-term debt issued	200	-
Other mandatorily redeemable securities	220,000	-
Redemption of preference stock.	(100,000)	-
Borrowings against life insurance policies (net).	46,688	48,390
Repayment of borrowings against life insurance policies . .	(9,880)	(107)
Common stock issued (net)	31,008	26,707
Dividends on preferred, preference and common stock	(147,665)	(136,870)
Net cash flows from financing activities.	468,001	46,330
NET DECREASE IN CASH AND CASH EQUIVALENTS.	(713)	(429)
CASH AND CASH EQUIVALENTS:		
Beginning of the period	1,682	2,111
End of the period	$ 969	$ 1,682

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

CASH PAID FOR:		
Interest on financing activities (net of amount capitalized).	$ 161,156	$ 137,552
Income taxes.	82,149	88,020

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

WESTERN RESOURCES, INC.
CONSOLIDATED STATEMENTS OF CAPITALIZATION
(Dollars in Thousands)
(Unaudited)

	September 30, 1996		December 31, 1995	
COMMON STOCK EQUITY (see statement):				
Common stock, par value $5 per share, Authorized 85,000,000 shares, outstanding 64,236,915 and 62,855,961 shares, respectively .	$ 321,184		$ 314,280	
Paid-in capital.	729,716		697,962	
Retained earnings.	564,160		540,868	
	1,615,060	48%	1,553,110	48%
CUMULATIVE PREFERRED AND PREFERENCE STOCK:				
Preferred stock not subject to mandatory redemption, Par value $100 per share, authorized 600,000 shares, outstanding -				
4 1/2% Series, 138,576 shares.	13,858		13,858	
4 1/4% Series, 60,000 shares	6,000		6,000	
5% Series, 50,000 shares	5,000		5,000	
	24,858		24,858	
Preference stock subject to mandatory redemption, Without par value, $100 stated value, Authorized 4,000,000 shares, outstanding -				
7.58% Series, 500,000 shares	50,000		50,000	
8.50% Series, 1,000,000 shares	-		100,000	
	50,000		150,000	
	74,858	2%	174,858	6%
WESTERN RESOURCES OBLIGATED MANDATORILY REDEEMABLE PREFERRED SECURITIES OF SUBSIDIARY TRUST HOLDING SOLELY COMPANY SUBORDINATED DEBENTURES.	220,000	7%	100,000	3%
LONG-TERM DEBT:				
First mortgage bonds	825,000		841,000	
Pollution control bonds.	521,682		521,817	
Revolving credit agreements.	125,000		50,000	
Other long-term debt	200		-	
Less:				
Unamortized premium and discount (net)	5,356		5,554	
Long-term debt due within one year	-		16,000	
	1,466,526	43%	1,391,263	43%
Total Capitalization.	$3,376,444	100%	$3,219,231	100%

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

WESTERN RESOURCES, INC.
CONSOLIDATED STATEMENTS OF COMMON STOCK EQUITY
(Dollars in Thousands)
(Unaudited)

	Common Stock	Paid-in Capital	Retained Earnings
BALANCE DECEMBER 31, 1994, 61,617,873 shares.	$308,089	$667,992	$498,374

Net income.			135,196
Cash dividends:			
Preferred and preference stock.			(10,064)
Common stock, $1.515 per share.			(94,027)
Expenses on common stock.		(693)	
Issuance of 910,907 shares of common stock.	4,555	22,845	
BALANCE SEPTEMBER 30, 1995, 62,528,780 shares	312,644	690,144	529,479
Net income.			46,480
Cash dividends:			
Preferred and preference stock.			(3,355)
Common stock, $.505 per share			(31,736)
Expenses on common stock.		(79)	
Issuance of 327,181 shares of common stock.	1,636	7,897	
BALANCE DECEMBER 31, 1995, 62,855,961 shares.	314,280	697,962	540,868
Net income.			136,484
Cash dividends:			
Preferred and preference stock.			(13,609)
Common stock, $1.545 per share.			(98,336)
Issuance of 1,380,954 shares of common stock.	6,904	31,754	(1,247)
BALANCE SEPTEMBER 30, 1996, 64,236,915 shares	$321,184	$729,716	$564,160

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

WESTERN RESOURCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. ACCOUNTING POLICIES AND OTHER INFORMATION

General: The Consolidated Financial Statements of Western Resources, Inc. (the Company) and its wholly-owned subsidiaries, include KPL, a rate-regulated electric and gas division of the Company, Kansas Gas and Electric Company (KGE), a rate-regulated electric utility and wholly-owned subsidiary of the Company, the Westar companies and The Wing Group, non-utility subsidiaries, and Mid Continent Market Center, Inc., a regulated gas transmission service provider. KGE 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. All significant intercompany transactions have been eliminated.

The Company prepares its financial statements in conformity with generally accepted accounting principles as applied to regulated public utilities. The accounting and rates of the Company are subject to requirements of the Kansas Corporation Commission (KCC), the Oklahoma Corporation Commission (OCC), and the Federal Energy Regulatory Commission (FERC). The financial statements require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, to disclose contingent assets and liabilities at the balance sheet date, and to report amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. These consolidated financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company's 1995 Annual Report on Form 10-K and the KGE Annual Report on Form 10-K incorporated by reference in the Company's 1995 Annual Report on Form 10-K.

On April 24, 1996, FERC issued its final rule on Order No. 888, Promoting Wholesale Competition Through Open Access Non-discriminatory

Transmission Services by Public Utilities; Recovery of Stranded Costs by Public Utilities and Transmitting Utilities. The Company has analyzed the effect of this order on its operations and does not expect it to have a material adverse effect.

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

Cash Surrender Value of Life Insurance Contracts: The following amounts related to corporate-owned life insurance contracts (COLI) are recorded in Corporate-owned Life Insurance (net) on the Consolidated Balance Sheets:

	September 30, 1996	December 31, 1995
	(Dollars in Millions)	
Cash surrender value of contracts. . .	$562.8	$479.9
Borrowings against contracts	(476.3)	(435.8)
COLI (net).	$ 86.5	$ 44.1

Income is recorded for increases in cash surrender value and net death proceeds. Interest expense is recognized for COLI borrowings except for certain contracts entered into in 1993 and 1992. The net income generated from COLI contracts purchased prior to 1992 including the tax benefit of the interest deduction and premium expenses are recorded as Corporate-owned Life Insurance (net) on the Consolidated Statements of Income. The income from increases in cash surrender value and net death proceeds was $9.5 million, $19.7 million, and $29.6 million for the three, nine, and twelve months ended September 30, 1996, respectively, compared to $4.6 million, $12.7 million, and $16.7 million for the three, nine, and twelve months ended September 30, 1995, respectively. The interest expense deduction taken was $6.9 million, $20.8 million, and $27.6 million for the three, nine, and twelve months ended September 30, 1996, respectively, compared to $6.9 million, $18.5 million, and $24.1 million for the three, nine, and twelve months ended September 30, 1995, respectively.

The COLI contracts entered into in 1993 and 1992 were established to mitigate the cost of postretirement and postemployment benefits. As approved by the KCC, the Company is using the net income stream generated by these COLI policies to offset the costs of postretirement and postemployment benefits. A significant portion of this income stream relates to the tax deduction currently taken for interest incurred on contract borrowings under these COLI policies. The amount of the interest deduction used to offset these benefits costs was $1.8 million, $5.7 million, and $8.0 million for the three, nine, and twelve months ended September 30, 1996, respectively, compared to $1.8 million, $4.7 million, and $6.0 million for the three, nine, and twelve months ended September 30, 1995, respectively.

On August 2, 1996, Congress passed the Health Insurance Portability and Accountability Act of 1996 which was signed into law by President Clinton on August 21, 1996. This act eliminates tax benefits associated with the 1993 and 1992 COLI contracts after 1998. With the enactment of this legislation or should the income stream generated by the 1993 and 1992 COLI contracts not be sufficient to offset postretirement and postemployment benefit costs on an accrual basis, the KCC order allows the Company to seek recovery of a deficiency through the ratemaking process. Regulatory precedents established by the KCC generally permit the accrual costs of postretirement and postemployment benefits to be recovered in rates. The act has minimal impact on the Company's COLI contracts entered into prior to 1992. See Note 5 to the Consolidated Financial Statements of the Company's 1995 Form 10-K for additional disclosure.

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

2. PROPOSED MERGER WITH KANSAS CITY POWER & LIGHT COMPANY

On April 14, 1996, in a letter to Mr. A. Drue Jennings, Chairman of the Board, President and Chief Executive Officer of Kansas City Power & Light Company (KCPL), the Company proposed an offer to merge with KCPL.

On April 22, 1996, KCPL's Board of Directors rejected the Company's proposal and announced its intention to proceed with a merger agreement entered into on January 19, 1996 with UtiliCorp United Inc. (UCU). Following the rejection of the April 14 offer, the Company filed proxy materials with the Securities and Exchange Commission (SEC) for use in soliciting proxies from KCPL shareholders against the approval of the UCU/KCPL merger. On April 22, 1996, the Company announced its intention to commence an offer to exchange shares of Company common stock for each KCPL share (the Offer) and filed with the SEC a registration statement on Form S-4 relating to such exchange offer. On July 3, the registration statement became effective and on July 8, exchange offer materials were mailed to KCPL shareholders. The Company's exchange offer for KCPL is set to expire at 5 p.m. EDT October 25, 1996 unless extended by the Company.

The number of shares of Company common stock to be delivered per KCPL share pursuant to the Offer would be equal to the quotient (rounded to the nearest 1/100,000) determined by dividing $31 by the average of the high and low sales prices of Company common stock on the New York Stock Exchange for each of the twenty consecutive trading days ending with the second trading day immediately preceding the expiration of the Offer (the Exchange Ratio), provided that the Exchange Ratio would not have been less than 0.91 nor greater than 0.985.

On May 20, 1996, KCPL announced that it had reached a restructured merger agreement with UCU. On May 20, 1996 KCPL also filed suit against the Company and a KCPL shareholder in the Federal District Court for the Western District of Missouri (the Court) for a declaratory order, among other things, determining that the restructured transaction was legal pursuant to Missouri law, that its adoption was not a breach of fiduciary duty, and that a simple majority of shares voted would be required to approve the transaction rather than the vote of two-thirds of all outstanding shares required for approval of the original proposal.

On August 2, 1996, the Court denied KCPL's request with respect to the requisite vote, holding a two-thirds vote of outstanding shares would be required to approve the restructured transaction. As a result, KCPL postponed the special shareholder meeting until August 16, 1996.

On September 16, 1996, The Corporation Trust Company, the independent, third-party company hired by KCPL to count votes cast by KCPL shareowners at the KCPL August 16 special meeting, certified that of the 61.9 million KCPL shares outstanding, 23.5 million (or about 38%) voted for the UCU/KCPL merger. Consequently, KCPL terminated its merger agreement with UCU on September 17, 1996.

The Company intends to acquire, after consummation of the Offer the remaining KCPL shares pursuant to a merger of the Company and KCPL (the "KCPL Merger").

The Company has filed applications with the KCC, Missouri Public Service Commission (MPSC), and FERC seeking approval of the KCPL Merger. The Company will also need approval from the Nuclear Regulatory Commission (NRC). See Note 4 for discussion of rate proceedings.

The Company's proposal is designed to qualify as a pooling of interests for financial reporting purposes. Under this method, the recorded assets and liabilities of the Company and KCPL would be carried forward at historical amounts to a combined balance sheet. Prior period operating results and the consolidated statements of financial position, cash flows and capitalization would be restated to effect the combination for all periods presented.

KCPL is a public utility company engaged in the generation, transmission, distribution, and sale of electricity to approximately 430,000 customers in western Missouri and eastern Kansas. KCPL and the Company have joint interests in certain electric generating assets, including Wolf Creek.

Completion of the Offer and the KCPL Merger are subject to various conditions, including approvals from shareholders, regulatory and other governmental agencies.

As of September 30, 1996, the Company estimates it has incurred approximately $28 million of transaction costs associated with the KCPL Merger. The Company anticipates expensing all of these costs upon either the closing or termination of the Offer.

The KCPL Merger proposal contains certain analyses and statements with respect to the financial condition, results of operations and business of the Company following the consummation of the Offer and the KCPL Merger, including statements relating to the cost savings that will be realized from the KCPL Merger. Such analyses and statements include forward looking statements with respect to, among other things: (1) expected cost savings from the KCPL Merger; (2) normal weather conditions; (3) future national and regional economic and competitive conditions; (4) inflation rates; (5) regulatory treatment; (6) future financial market conditions; (7) interest rates; (8) future business decisions; and (9) other uncertainties, which though considered reasonable by the Company, are beyond the Company's control and difficult to predict.

3. LEGAL PROCEEDINGS

The Company and its subsidiaries are involved in various legal, environmental, and regulatory proceedings. Management believes that adequate provision has been made within the Consolidated Financial Statements for these other matters and accordingly believes their ultimate dispositions will not have a material adverse effect upon the Company's overall financial position or results of operations.

4. RATE MATTERS AND REGULATION

The Company, under rate orders from the KCC, OCC, and FERC, recovers increases in fuel and natural gas costs through fuel adjustment clauses for wholesale and certain retail electric customers and various purchased gas adjustment clauses (PGA) for natural gas customers. The KCC and the OCC require the annual difference between actual gas cost incurred and cost recovered through the application of the PGA be deferred and amortized through rates in subsequent periods.

KCC Rate Proceedings: On August 17, 1995, the Company and KGE filed three proceedings with the KCC. The first sought a $36 million increase in revenues from the Company's natural gas distribution business. In separate dockets, the Company and KGE filed with the KCC a request to more rapidly recover KGE's investment in its assets of Wolf Creek over the next seven years by increasing depreciation by $50 million each year and a request to reduce annual depreciation expense by approximately $11 million for electric transmission, distribution and certain generating plant assets to reflect the useful lives of these properties more accurately. The Company sought to reduce electric rates for KGE customers by approximately $8.7 million annually in each of the seven years of accelerated Wolf Creek depreciation.

On April 15, 1996, the KCC issued an order allowing a revenue increase of $33.8 million in the Company's natural gas distribution business. On May 3, 1996, the Company filed a Petition for Reconsideration and on July 11, 1996, the KCC issued its Order On Reconsideration allowing the revenue to be increased to $34.4 million.

On May 23, 1996, the Company implemented an $8.7 million electric rate reduction to KGE customers on an interim basis. On October 22, 1996, the Company, the KCC Staff, the City of Wichita, and the Citizens Utility Ratepayer Board filed an agreement at the KCC whereby the Company's retail electric rates would be reduced, subject to approval by the KCC. Under the agreement, on February 1, 1997, KGE's rates would be reduced by $36.3 million and the May, 1996 interim reduction would become permanent. KGE's rates would be reduced by another $10 million effective June 1, 1998, and again on June 1, 1999. KPL's rates would be reduced by $10 million effective February 1, 1997. Two one-time rebates of $5 million would be credited to the Company's customers in January 1998 and 1999. The agreement also fixes annual savings from the merger with KGE at $40 million, of which approximately $13 million is to be allocated to amortization of the KGE merger acquisition premium approved by the KCC and the remainder to be divided equally between shareholders and customers.

On April 15, 1996, the Company filed an application with the KCC requesting an order approving its proposal to merge with KCPL and for other related relief. On July 29, 1996, the Company filed its First Amended Application with the KCC in its proceeding for approval to merge with KCPL. The amended application reflected the increase in the Company's offer for KCPL from $28 to $31 per share and proposed an incentive rate mechanism requiring all regulated earnings in excess of the merged Company's 12.61% return on equity to be split among customers, shareholders, and additional depreciation on Wolf Creek.

MPSC Proceedings: On May 3, 1996, the Company filed an application with the MPSC requesting an order approving its proposal to merge with KCPL. The application includes the same regulatory plan as proposed before the KCC and includes an annual rate reduction of $21 million for KCPL retail electric customers.

FERC Proceedings: On August 22, 1996, the Company filed an application with the FERC under section 203 of the Federal Power Act requesting an order approving its proposal to merge with KCPL.

5. COMMITMENTS AND CONTINGENCIES

Manufactured Gas Sites: The Company has been associated with 15 former manufactured gas sites located in Kansas 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 15 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 analysis. The prioritized sites will be investigated over a 10 year period. The agreement will allow the Company to set mutual objectives with the KDHE in order to expedite effective response activities and to control costs and environmental impact. The costs incurred for site investigation and risk assessment in 1995 were minimal. The Company is aware of other Midwestern utilities which have incurred remediation costs ranging between $500,000 and $14 million per site. The KCC has permitted another Kansas utility to recover its remediation costs through rates. To the extent that such remediation costs are not recovered through rates, the costs could be material to the Company's financial position or results of operations depending on the degree of remediation required and number of years over which the remediation must be completed.

Superfund Sites: The Company is one of numerous potentially responsible parties at a groundwater contamination site in Wichita, Kansas (Wichita site) which is listed by the EPA as a Superfund site. The Company has previously been associated with other Superfund sites of which the Company's liability has been classified as de minimis and any potential obligations have been settled at minimal cost. In 1994, the Company settled Superfund obligations at three sites for a total of $57,500. No Superfund obligations have been settled since 1994. The Company's obligation at the Wichita site appears to be limited based on this experience. In the opinion of the Company's management, the resolution of these matters is not expected to have a material impact on the Company's financial position or results of operations.

Clean Air Act: The Clean Air Act Amendments of 1990 (the Act) require a two-phase reduction in certain emissions. To meet the monitoring and reporting requirements under the acid rain program, the Company installed continuous monitoring and reporting equipment at a total cost of approximately $10 million by the December 31, 1995 deadline. The Company expects some additional equipment acquisitions and other expenditures to be needed to meet Phase II sulfur dioxide requirements. Current estimated costs for Phase II are approximately $5 million.

The nitrogen oxides and toxic limits, which were not set in the law, were proposed by the EPA in January 1996. The Company is currently evaluating the steps it will need to take in order to comply with the proposed new rules, but is unable to determine its compliance options or related compliance costs, which could be substantial, until the evaluation is finished. The Company will have three years to comply with the new rules.

Decommissioning: The Company accrues decommissioning costs over the expected life of the Wolf Creek generating facility. The accrual is based on estimated unrecovered decommissioning costs which consider inflation over the remaining estimated life of the generating facility and are net of expected earnings on amounts recovered from customers and deposited in an external trust fund.

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

Decommissioning costs are being charged to operating expenses in accordance with the KCC order. Electric rates charged to customers provide for recovery of these decommissioning costs over the life of Wolf Creek. Amounts expensed approximated $3.6 million in 1995 and will increase annually to $5.5 million in 2024. These expenses are deposited in an external trust fund. The average after tax expected return on trust assets is 5.9%

The Company's investment in the decommissioning fund, including reinvested earnings approximated $30.6 million and $25.1 million at September 30, 1996 and December 31, 1995, respectively. Trust fund earnings accumulate in the fund balance and increase the recorded decommissioning liability. These amounts are reflected in Decommissioning Trust, and the related liability is included in Deferred Credits and Other Liabilities, Other, on the Consolidated Balance Sheets.

The staff of the SEC has questioned certain current accounting practices used by nuclear electric generating station owners regarding the recognition, measurement, and classification of decommissioning costs for nuclear electric generating stations. In response to these questions, the Financial Accounting Standards Board is expected to issue new accounting standards for removal costs, including decommissioning, in 1997. If current electric utility industry accounting practices for such decommissioning costs are changed: (1) annual decommissioning expenses could increase, (2) the estimated present value of decommissioning costs could be recorded as a liability rather than as accumulated depreciation, and (3) trust fund income from the external decommissioning trusts could be reported as investment income rather than as a reduction to decommissioning expense. When revised accounting guidance is issued, the Company will also have to evaluate its effect on accounting for removal costs of other long-lived assets. The Company is not able to predict what effect such changes would have on results of operations, financial position, or related regulatory practices until the final issuance of revised accounting guidance, but such effect could be material.

The Company carries premature decommissioning insurance which has several restrictions. One of these is that it can only be used if Wolf Creek incurs an accident exceeding $500 million in expenses to safely stabilize the reactor, to decontaminate the reactor and reactor station site in accordance with a plan approved by the NRC, and to pay for on-site property damages. This decommissioning insurance will only be available if the insurance funds are not needed to implement the NRC-approved plan for stabilization and decontamination.

Nuclear Insurance: The Price-Anderson Act limits the combined public liability of the owners of nuclear power plants to $8.9 billion for a single nuclear incident. If this liability limitation is insufficient, the U.S. Congress will consider taking whatever action is necessary to compensate the public for valid claims. The Wolf Creek owners (Owners) have purchased the maximum available private insurance of $200 million and the balance is provided by an assessment plan mandated by the NRC. Under this plan, the Owners are jointly and severally subject to a retrospective assessment of up to $79.3 million ($37.3 million, Company's share) in the event there is a major nuclear incident involving any of the nation's licensed reactors. This assessment is subject to an inflation adjustment based on the Consumer Price Index and applicable premium taxes. There is a limitation of $10 million ($4.7 million, Company's share) in retrospective assessments per incident, per year.

The Owners carry decontamination liability, premature decommissioning liability, and property damage insurance for Wolf Creek totaling approximately $2.8 billion ($1.3 billion, Company's share). This insurance is provided by a combination of "nuclear insurance pools" ($500 million) and Nuclear Electric Insurance Limited (NEIL) ($2.3 billion). In the event of an accident, insurance proceeds must first be used for reactor stabilization and site decontamination. The Company's share of any remaining proceeds can be used for property damage or premature decommissioning costs up to $1.3 billion (Company's share). Premature decommissioning insurance cost recovery is excess of funds previously collected for decommissioning (as discussed under "Decommissioning").

The Owners also carry additional insurance with NEIL to cover costs of replacement power and other extra expenses incurred during a prolonged outage resulting from accidental property damage at Wolf Creek. If losses incurred at any of the nuclear plants insured under the NEIL policies exceed premiums, reserves, and other NEIL resources, the Company may be subject to retrospective assessments under the current policies of approximately $11 million per year. Effective November 15, 1996, the Company's potential retrospective assessment will be reduced to $8 million per year.

Although the Company maintains various insurance policies to provide coverage for potential losses and liabilities resulting from an accident or an extended outage, the Company's insurance coverage may not be adequate to cover the costs that could result from a catastrophic accident or extended outage at Wolf Creek. Any substantial losses not covered by insurance, to the extent not recoverable through rates, would have a material adverse effect on the Company's financial condition and results of operations.

Fuel Commitments: To supply a portion of the fuel requirements for its generating plants, the Company has entered into various commitments to obtain nuclear fuel, coal, and natural gas. Some of these contracts contain provisions for price escalation and minimum purchase commitments. At December 31, 1995, WCNOC's nuclear fuel commitments (Company's share) were approximately $15.3 million for uranium concentrates expiring at various times through 2001, $120.8 million for enrichment expiring at various times through 2014, and $72.7 million for fabrication through 2025. At December 31, 1995, the Company's coal contract commitments in 1995 dollars under the remaining terms of the contracts were approximately $2.5 billion. The largest coal contract expires in 2020, with the remaining coal contracts expiring at various times through 2013.

Energy Act: As part of the 1992 Energy Policy Act, a special assessment is being collected from utilities for a uranium enrichment, decontamination, and decommissioning fund. The Company's portion of the assessment for Wolf Creek is approximately $7 million, payable over 15 years. Management expects such costs to be recovered through the ratemaking process.

6. INCOME TAXES

Total income tax expense included in the Consolidated Statements of Income reflects the Federal statutory rate of 35%. The Federal statutory rate produces effective income tax rates of 37.4%, 34.9%, and 34.7% for the three, nine, and twelve month periods ended September 30, 1996 compared to 37.0%, 34.9%, and 34.7% for the three, nine, and twelve month periods ended September 30, 1995. The effective income tax rates vary from the Federal statutory rate due to permanent differences, including the amortization of investment tax credits, and accelerated amortization of certain deferred income taxes.

7. INVESTMENTS

During 1996, the Company has purchased approximately 34 million common shares of ADT Limited (ADT) for approximately $500 million. The shares purchased represent approximately 24% of ADT's common equity. Goodwill of approximately $295 million is associated with this investment and is being amortized over 40 years. The Company accounts for this investment using the equity method and includes the investment in net non-utility investments on the accompanying Consolidated Balance Sheets.

On July 1, 1996, ADT and Republic Industries, Inc. (Republic) announced plans to combine, in which ADT would become a wholly-owned subsidiary of Republic. On September 30, 1996, the agreement between ADT and Republic was terminated.

WESTERN RESOURCES, INC.

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

The following Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's 1995 Annual Report on Form 10-K. The following updates the information provided in the 1995 Annual Report on Form 10-K and analyzes certain changes in the results of operations between the three, nine, and twelve month periods ended September 30, 1996 and comparable periods of 1995.

Certain matters discussed in this Form 10-Q are "forward-looking statements" intended to qualify for the safe harbors from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements can generally be identified as such because the context of the statement will include words such as the Company "believes," "anticipates," "expects" or words of similar import. Similarly, statements that describe the Company's future plans, objectives or goals are also forward-looking statements. Such statements address future events and conditions concerning capital expenditures, earnings, litigation, rate and other regulatory matters, the pending KCPL Merger, liquidity and capital resources, interest rates, changing weather conditions, and accounting matters. Actual results in each case could differ materially from those currently anticipated in such statements, by reason of factors such as electric utility restructuring, including the ongoing state and federal activities; future economic conditions; developments in the legislative, regulatory and competitive markets in which the Company operates; and other circumstances affecting anticipated revenues and costs.

FINANCIAL CONDITION

General: Net income for the third quarter of 1996 was $62.9 million, down from net income of $71.9 million for the same period of 1995. The Company earned $0.87 per share of common stock for the third quarter of 1996, a decrease of $0.23 per share from the third quarter of 1995. Operating revenues were $490 million and $470 million for the three months ended September 30, 1996 and 1995, respectively.

Net income for the nine and twelve months ended September 30, 1996, was $136.5 million and $183.0 million, respectively, compared to $135.2 million and $168.6 million for the same periods of 1995. The Company earned $1.93

and $2.62 per share of common stock, respectively, for the nine and twelve months ended September 30, 1996 compared to $2.02 and $2.51 for the comparable periods of 1995. Operating revenues were $1.5 billion and $1.9 billion for the nine and twelve months ended September 30, 1996, respectively. These revenues compare to $1.3 billion and $1.7 billion for the same periods of 1995.

The changes in net income and operating revenues are primarily due to the reasons discussed below in Results of Operations. The earnings per share for the three months ended September 30, 1996 have decreased compared to prior year due to decreased sales in all retail customer classes compared to last year. The earnings per share for the nine months ended September 30, 1996 as compared to prior year reflect an increase of two million shares outstanding. Earnings per share for the twelve months ended September 30, 1996 have increased compared to prior year due to increased electric and gas sales.

A quarterly dividend of $0.515 per share was declared in the third quarter of 1996, for an indicated annual rate of $2.06 per share. The book value per share was $25.14 at September 30, 1996, up from $24.71 at December 31, 1995. There were 64,161,329 and 62,243,794 average shares outstanding for the third quarter of 1996 and 1995, respectively.

As of September 30, 1996, the Company estimates it has incurred approximately $28 million of transaction costs associated with the KCPL Merger. The Company anticipates expensing all of these costs upon either the closing or termination of the Offer. (See Note 2 of the Notes to Consolidated Financial Statements for additional information on the proposed KCPL Merger.)

Liquidity and Capital Resources: The Company's short-term financing requirements are satisfied, as needed, through the sale of commercial paper, short-term bank loans and borrowings under unsecured lines of credit maintained with banks. At September 30, 1996, short-term borrowings amounted to $646 million, of which $252 million was commercial paper. Short-term debt increased from December 31, 1995 primarily as a result of the Company's purchase of an approximate 24% common equity interest in ADT. (See Note 7 for further discussion of the Company's investment in ADT.)

At September 30, 1996, the Company had short-term bank credit arrangements available of $423 million, of which $200 million was outstanding. On October 11, 1996, the Company increased its bank credit arrangements available to $523 million.

During the third quarter, the Company borrowed $125 million under its revolving credit agreement.

On July 1, 1996, all shares of the Company's 8.50% Preference Stock due 2016 were redeemed.

On July 31, 1996, Western Resources Capital II, a wholly owned trust, of which the sole asset is subordinated debentures of the Company, sold in a public offering 4.8 million preferred securities of 8-1/2% Cumulative Quarterly Income Preferred Securities, Series B, for $120 million. The trust interests represented by the preferred securities are redeemable at the option of Western Resources Capital II, on or after July 31, 2001, at $25 per preferred security plus accrued interest and unpaid dividends. Holders of the securities are entitled to receive distributions at an annual rate of 8-1/2% of the liquidation preference value of $25. Distributions are payable quarterly, and in substance are tax deductible by the Company. The sole asset of the trust is $124 million principal amount of 8-1/2% Deferrable Interest Subordinated Debentures, Series B due July 31, 2036.

The securities are shown as Western Resources Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trust holding solely Subordinated Debentures (Other Mandatorily Redeemable Securities) on the Consolidated Balance Sheets and Consolidated Statements of Capitalization. See Note 7 of the Company's 1995 Annual Report on Form 10-K for additional information.

RESULTS OF OPERATIONS

Revenues: The Company's revenues vary with levels of usage as a result of changing weather conditions during comparable periods and are sensitive to seasonal fluctuations between consecutive periods. Future electric and natural gas sales will continue to be affected by weather conditions, competing fuel sources, wholesale demand, and the overall economy of the Company's service area.

The following table reflects changes in electric sales for the three, nine and twelve months ended September 30, 1996 from the comparable periods of 1995.

Increase (Decrease) in electric sales volumes:

	3 Months ended	9 Months ended	12 Months ended
Residential	(10.3)%	2.8%	3.0%
Commercial	(3.6)%	3.4%	2.5%
Industrial	(3.6)%	0.8%	1.5%
Total retail sales	(6.0)%	2.3%	2.3%
Wholesale and interchange	41.9%	39.7%	35.5%
Total electric sales	2.6%	9.5%	8.7%

Electric revenues decreased four percent for the three months ended September 30, 1996 compared to 1995. The decrease is largely due to decreased residential sales as mild summer temperatures decreased the demand for air conditioning load, compared to last year. The Company's service territory experienced a 23% decrease in the number of cooling degree days during the third quarter of 1996, as compared to the third quarter of 1995 and a 17% lower than normal number of cooling degree days.

Electric revenues were higher four percent and three percent, respectively for the nine and twelve months ended September 30, 1996 compared to the same periods of 1995. The increase was due to higher sales in the residential and commercial customer classes and wholesale and interchange as a result of warmer spring and colder winter temperatures experienced during the first six months of 1996 compared to 1995.

The following table reflects changes in natural gas sales for the three, nine, and twelve months ended September 30, 1996 from the comparable periods of 1995.

Increase (Decrease) in natural gas sales volumes:

	3 Months ended	9 Months ended	12 Months ended
Residential	1.8%	12.1%	11.3%
Commercial	(48.4)%	(0.8)%	(3.0)%
Industrial	(32.7)%	(16.7)%	(15.3)%
Transportation	(15.6)%	(7.5)%	(10.1)%
Total Deliveries	1.5%	3.7%	5.0%

Natural gas revenues increased 25% for the three months ended September 30, 1996 compared to September 30, 1995 as a result of as available gas sales (See the Company's 1995 Annual Report on Form 10-K for additional explanation of as available gas sales). Natural gas revenues increased 28% for both the nine and twelve months ended September 30, 1996 compared to the same periods of 1995 as a result of colder winter temperatures. Natural gas revenues for all periods ending September 30, 1996 were also higher due to the gas revenue increase ordered by the KCC on July 11, 1996. (For additional information on the gas rate increase, see Note 4 of the Notes to Consolidated Financial Statements.)

Operating Expenses: The amortization of the acquisition adjustment related to the KGE merger, increased natural gas purchases as a result of increased as-available gas sales, and increases in other operations expenses attributable to increased activity and expansion in the Company's unregulated subsidiaries resulted in operating expense increasing 7% for the three months ended September 30, 1996. The increase in operating expenses was partially offset by decreased maintenance expense and income tax expense for the three months ended September 30, 1996.

Total operating expenses increased 18% and 17% for the nine and twelve months ended September 30, 1996 compared to the same periods of 1995. Increases in these periods are primarily attributable to the amortization of the acquisition adjustment related to the KGE merger and increased fuel expense, purchased power, and natural gas purchases due to Wolf Creek having been taken off-line for its eighth refueling and maintenance outage during the first quarter of 1996. Also contributing to the increases in fuel and purchased power expenses was the increase in net generation due to the increase in customer demand for air conditioning load during the second quarter of 1996. The increase in operating expenses was partially offset by decreased maintenance expense and income tax expense for both periods.

The amortization of the acquisition adjustment associated with the Company's 1992 acquisition of KGE, which began in August 1995, amounted to \$5.0 million, \$15.0 million, and \$20.0 million for the three, nine, and twelve months ended September 30, 1996, respectively.

Other Income and Deductions: Other income and deductions, net of taxes, increased \$5.2 million, \$8.1 million, and \$22.4 million for the three, nine, and twelve months ended September 30, 1996 compared to same periods of 1995. These increases are attributable to earnings from subsidiary investments.

Interest Charges and Preferred and Preference Dividend Requirements: Total interest charges increased 27%, 17%, and 12% for the three, nine, and twelve months ended September 30, 1996 from the comparable periods in 1995, respectively. The increases for the three and nine months ended interest charges reflects interest paid on higher short-term debt balances and balances under the Company's revolving credit agreement. The increase in the twelve months interest charges was a result of interest paid on higher short-term debt balances and distributions on mandatorily redeemable preferred securities. See discussion above in Liquidity and Capital Resources regarding higher short-term debt balances.

WESTERN RESOURCES, INC.
Part II Other Information

Item 5. Other Information

Proposed Merger with Kansas City Power & Light Company: See Note 2 of the Notes to Consolidated Financial Statements.

Rate Plans: See Note 4 of the Consolidated Financial Statements.

Investments: See Note 7 of the Consolidated Financial Statements.

Plans to Partner with China Power International Holdings Ltd. (CPI): On September 18, 1996, the Company announced its plans to partner with CPI in several power development projects. The agreement, which may involve an initial investment of up to $100 million, includes acquiring an interest in seven power plants and the option to expand the capacity of existing plants in the Peoples' Republic of China.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

Exhibit 12 - Computation of Ratio of Consolidated Earnings to Fixed Charges for 12 Months Ended September 30, 1996 (filed electronically)

Exhibit 27 - Financial Data Schedule (filed electronically)

Exhibit 99 - Kansas Gas and Electric Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1996 (filed electronically)

(b) Reports on Form 8-K:

Form 8-K dated July 23, 1996 - 6/30/96 earnings release.

Form 8-K dated July 26, 1996 - Press release about KCC Staff and the Company reaching agreement in rate case.

Form 8-K dated October 24, 1996 - Press release about KCC Staff and the Company reaching an amended agreement in rate case.

SIGNATURES

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

Western Resources, Inc.

Date October 25, 1996 By /s/ S. L. KITCHEN

S. L. Kitchen, Executive Vice President
and Chief Financial Officer

Date October 25, 1996 By /s/ JERRY D. COURINGTON
Jerry D. Courington,

Controller

WESTERN RESOURCES, INC.
Computations of Ratio of Earnings to Fixed Charges and
Computations of Ratio of Earnings to Combined Fixed Charges
and Preferred and Preference Dividend Requirements
(Dollars in Thousands)

	Unaudited Twelve Months Ended September 30,	Year Ended December 31,				
	1996	1995	1994	1993	1992	1991
Net Income	$182,964	$181,676	$187,447	$177,370	$127,884	$ 89,645
Taxes on Income.	83,549	83,392	99,951	78,755	46,099	42,527
Net Income Plus Taxes . . .	266,513	265,068	287,398	256,125	173,983	132,172
Fixed Charges:						
Interest on Long-Term Debt . .	102,488	95,962	98,483	123,551	117,464	51,267
Interest on Other Indebtedness	31,464	27,487	20,139	19,255	20,009	10,490
Interest on Other Mandatorily Redeemable Securities. . . .	7,606	372	-	-	-	-
Interest on Corporate-owned Life Insurance Borrowings. .	35,597	32,325	26,932	16,252	5,294	-
Interest Applicable to Rentals.	31,642	31,650	29,003	28,827	27,429	5,089
Total Fixed Charges. . . .	208,797	187,796	174,557	187,885	170,196	66,846
Preferred and Preference Dividend Requirements:						
Preferred and Preference Dividends.	16,964	13,419	13,418	13,506	12,751	6,377
Income Tax Required.	7,746	6,160	7,155	5,997	4,596	3,025
Total Preferred and Preference Dividend Requirements. . .	24,710	19,579	20,573	19,503	17,347	9,402
Total Fixed Charges and Preferred and Preference Dividend Requirements.	233,507	207,375	195,130	207,388	187,543	76,248
Earnings (1)	$475,310	$452,864	$461,955	$444,010	$344,179	$199,018
Ratio of Earnings to Fixed Charges	2.28	2.41	2.65	2.36	2.02	2.98
Ratio of Earnings to Combined Fixed Charges and Preferred and Preference Dividend Requirements.	2.04	2.18	2.37	2.14	1.84	2.61

(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. Preferred and preference dividend requirements consist of an amount equal to the pre-tax earnings which would be required to meet dividend requirements on preferred and preference stock.

UT

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEET AT SEPTEMBER 30, 1996 AND THE CONSOLIDATED STATEMENT OF INCOME AND THE CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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9-MOS
DEC-31-1996
SEP-30-1996
PER-BOOK
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108,514
136,484
13,609
122,875
98,336
78,568
231,521
1.93
0

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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

For the quarterly period ended September 30, 1996

[ ] 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 October 25, 1996
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.

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

	September 30, 1996	December 31, 1995
ASSETS		
UTILITY PLANT:		
Electric plant in service	$3,476,803	$3,427,928
Less - Accumulated depreciation	956,599	893,728
	2,520,204	2,534,200
Construction work in progress	31,394	40,810
Nuclear fuel (net).	44,072	53,942
Net utility plant	2,595,670	2,628,952
OTHER PROPERTY AND INVESTMENTS:		
Decommissioning trust	30,627	25,070
Other	8,745	7,885
	39,372	32,955
CURRENT ASSETS:		
Cash and cash equivalents	64	53
Accounts receivable and unbilled revenues (net)	86,241	76,490
Advances to parent company	227,419	34,948
Fossil fuel, at average cost.	15,628	17,522
Materials and supplies, at average cost	30,286	31,458
Prepayments and other current assets.	23,114	17,128
	382,752	177,599
DEFERRED CHARGES AND OTHER ASSETS:		
Deferred future income taxes	208,367	208,367
Deferred coal contract settlement costs	12,396	14,612
Phase-in revenues	30,703	43,861
Other deferred plant costs.	31,339	31,539
Corporate-owned life insurance (net).	10,474	7,279
Unamortized debt expense.	23,969	25,605
Other	40,261	32,645
	357,509	363,908
TOTAL ASSETS	$3,375,303	$3,203,414
CAPITALIZATION AND LIABILITIES		
CAPITALIZATION (See Statements):		
Common stock equity	$1,184,766	$1,186,077
Long-term debt (net).	684,037	684,082
	1,868,803	1,870,159
CURRENT LIABILITIES:		
Short-term debt	210,000	50,000
Long-term debt due within one year.	-	16,000
Accounts payable.	43,772	50,783
Accrued taxes	56,875	17,766
Accrued interest.	14,270	7,903
Other	6,604	6,608
	331,521	149,060
DEFERRED CREDITS AND OTHER LIABILITIES:		
Deferred income taxes	789,040	800,934
Deferred investment tax credits	70,534	72,970
Deferred gain from sale-leaseback	235,470	242,700
Other	79,935	67,591
	1,174,979	1,184,195
COMMITMENTS AND CONTINGENCIES (Note 2)		
TOTAL CAPITALIZATION AND LIABILITIES	$3,375,303	$3,203,414

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

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

	Three Months Ended September 30, 1996	Three Months Ended September 30, 1995
OPERATING REVENUES	$ 193,198	$ 202,382
OPERATING EXPENSES:		
Fuel used for generation:		
Fossil fuel	29,082	24,360
Nuclear fuel	6,299	5,084
Power purchased	1,916	2,276
Other operations	31,355	27,831
Maintenance	11,388	11,460
Depreciation and amortization	23,847	20,033
Amortization of phase-in revenues	4,386	4,386
Taxes:		
Federal income	18,156	26,774
State income	4,825	6,482
General	12,512	11,736
Total operating expenses	143,766	140,422
OPERATING INCOME	49,432	61,960
OTHER INCOME AND DEDUCTIONS:		
Corporate-owned life insurance (net)	2,648	(2,248)
Miscellaneous (net)	1,091	872
Income taxes (net)	2,563	3,459
Total other income and deductions	6,302	2,083
INCOME BEFORE INTEREST CHARGES	55,734	64,043
INTEREST CHARGES:		
Long-term debt	11,505	11,759
Other	3,937	1,194
Allowance for borrowed funds used during construction (credit)	(444)	(746)
Total interest charges	14,998	12,207
NET INCOME	$ 40,736	$ 51,836

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

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

	Nine Months Ended September 30, 1996	Nine Months Ended September 30, 1995
OPERATING REVENUES	$ 501,270	$ 485,686
OPERATING EXPENSES:		
Fuel used for generation:		
Fossil fuel	73,062	61,756
Nuclear fuel	13,674	14,848
Power purchased	8,740	3,482
Other operations	101,031	90,030
Maintenance	38,726	36,086
Depreciation and amortization	70,709	56,702
Amortization of phase-in revenues	13,158	13,158
Taxes:		
Federal income	30,828	42,252
State income	8,817	10,944
General	36,600	35,122

Total operating expenses	395,345	364,380
OPERATING INCOME	105,925	121,306
OTHER INCOME AND DEDUCTIONS:		
Corporate-owned life insurance (net)	(1,101)	(5,785)
Miscellaneous (net)	2,662	3,702
Income taxes (net)	7,890	7,278
Total other income and deductions	9,451	5,195
INCOME BEFORE INTEREST CHARGES	115,376	126,501
INTEREST CHARGES:		
Long-term debt	34,804	35,310
Other	8,306	3,806
Allowance for borrowed funds used during construction (credit)	(1,423)	(1,890)
Total interest charges	41,687	37,226
NET INCOME	$ 73,689	$ 89,275

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

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

	Twelve Months Ended September 30, 1996	1995
OPERATING REVENUES	$ 639,452	$ 624,773
OPERATING EXPENSES:		
Fuel used for generation:		
Fossil fuel	91,898	80,477
Nuclear fuel	18,251	16,677
Power purchased	9,835	5,757
Other operations	128,877	120,413
Maintenance	50,696	48,887
Depreciation and amortization	93,686	70,757
Amortization of phase-in revenues	17,545	17,544
Taxes:		
Federal income	36,906	50,870
State income	10,416	13,211
General	47,719	45,267
Total operating expenses	505,829	469,860
OPERATING INCOME	133,623	154,913
OTHER INCOME AND DEDUCTIONS:		
Corporate-owned life insurance (net)	2,016	(7,418)
Miscellaneous (net)	3,844	5,140
Income taxes (net)	9,698	9,193
Total other income and deductions	15,558	6,915
INCOME BEFORE INTEREST CHARGES	149,181	161,828
INTEREST CHARGES:		
Long-term debt	46,567	47,105
Other	9,690	5,268
Allowance for borrowed funds used during construction (credit)	(2,363)	(2,032)
Total interest charges	53,894	50,341
NET INCOME	$ 95,287	$ 111,487

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

KANSAS GAS AND ELECTRIC COMPANY
STATEMENTS OF CASH FLOWS

(Dollars in Thousands)
(Unaudited)

	Nine Months Ended September 30, 1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income.	$ 73,689	$ 89,275
Depreciation and amortization	55,691	54,978
Other amortization (including nuclear fuel)	10,777	11,274
Gain on sales of utility plant (net of tax)	-	(951)
Deferred taxes and investment tax credits (net)	(14,330)	(16,470)
Amortization of phase-in revenues	13,158	13,158
Corporate-owned life insurance.	(23,334)	(14,757)
Amortization of gain from sale-leaseback.	(7,230)	(7,231)
Amortization of acquisition adjustment.	15,018	1,724
Changes in working capital items:		
Accounts receivable and unbilled revenues (net)	(9,751)	(21,617)
Fossil fuel	1,894	(2,072)
Accounts payable.	(7,011)	(4,774)
Interest and taxes accrued.	45,476	49,769
Other	(2,664)	(7,856)
Changes in other assets and liabilities	(4,966)	7,591
Net cash flows from operating activities.	146,417	152,041
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Additions to utility plant.	47,430	65,850
Sales of utility plant.	-	(1,723)
Corporate-owned life insurance policies	24,905	25,643
Death proceeds of corporate-owned life insurance.	(9,010)	(250)
Net cash flows used in investing activities	63,325	89,520
CASH FLOWS FROM FINANCING ACTIVITIES:		
Short-term debt (net)	160,000	(20,950)
Advances to parent company (net).	(192,471)	(87,047)
Bonds retired	(16,135)	(25)
Borrowings against life insurance policies.	45,136	45,578
Repayment of borrowings against life insurance policies . .	(4,611)	(73)
Dividends to parent company	(75,000)	-
Net cash flows (used in) financing activities.	(83,081)	(62,517)
NET INCREASE IN CASH AND CASH EQUIVALENTS	11	4
CASH AND CASH EQUIVALENTS:		
BEGINNING OF PERIOD	53	47
END OF PERIOD	$ 64	$ 51
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
CASH PAID FOR:		
Interest on financing activities (net of amount capitalized)	$ 59,873	$ 54,274
Income taxes	21,600	31,100

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

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

	Twelve Months Ended September 30, 1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income.	$ 95,287	$ 111,487
Depreciation and amortization	73,663	69,033
Other amortization (including nuclear fuel)	14,696	13,789
Gain on sales of utility plant (net of tax)	-	(951)
Deferred taxes and investment tax credits (net)	5,991	(5,563)
Amortization of phase-in revenues	17,545	17,544
Corporate-owned life insurance.	(37,125)	(18,403)
Amortization of gain from sale-leaseback.	(9,639)	(9,641)

Amortization of acquisition adjustment	20,023	1,724
Changes in working capital items:		
Accounts receivable and unbilled revenues (net)	3,208	(30,282)
Fossil fuel	196	(2,172)
Accounts payable	(547)	(4,047)
Interest and taxes accrued	(3,326)	11,406
Other	3,213	(4,934)
Changes in other assets and liabilities	1,968	14,575
Net cash flows from operating activities	185,153	163,565
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Additions to utility plant	75,518	90,084
Sales of utility plant	-	(1,723)
Corporate-owned life insurance policies	29,609	27,473
Death proceeds of corporate-owned life insurance	(19,343)	(250)
Net cash flows used in investing activities	85,784	115,584
CASH FLOWS FROM FINANCING ACTIVITIES:		
Short-term debt (net)	180,950	(13,250)
Advances to parent company (net)	(75,979)	44,112
Bonds retired	(16,135)	(25)
Borrowings against life insurance policies	46,604	46,249
Repayment of borrowings against life insurance policies	(9,796)	73
Dividends to parent company	(225,000)	(125,000)
Net cash flows (used in) financing activities	(99,356)	(47,987)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	13	(6)
CASH AND CASH EQUIVALENTS:		
BEGINNING OF PERIOD	51	57
END OF PERIOD	$ 64	$ 51
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
CASH PAID FOR:		
Interest on financing activities (net of amount capitalized)	$ 77,407	$ 72,661
Income taxes	32,600	37,951

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

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

	Due	1996	1995	September 30, 1996		December 31, 1995	
COMMON STOCK EQUITY (see Statements):							
Common stock, without par value, authorized and issued 1,000 shares				$1,065,634		$1,065,634	
Retained earnings				119,132		120,443	
Total common stock equity				1,184,766	63%	1,186,077	63%
LONG-TERM DEBT:							
First Mortgage Bonds:							
Series	Due	1996	1995				
5-5/8%	1996	$ -	$ 16,000				
7.6%	2003	135,000	135,000				
6-1/2%	2005	65,000	65,000				
6.20%	2006	100,000	100,000				
				300,000		316,000	
Pollution Control Bonds:							
5.10%	2023	13,822	13,957				
Variable (a)	2027	21,940	21,940				
7.0%	2031	327,500	327,500				
Variable (a)	2032	14,500	14,500				
Variable (a)	2032	10,000	10,000				
				387,762		387,897	
Total bonds				687,762		703,897	
Less:							
Unamortized premium and discount (net)				3,725		3,815	

Long-term debt due within one year.	-		16,000	
Total long-term debt	684,037	37%	684,082	37%
TOTAL CAPITALIZATION.	$1,868,803	100%	$1,870,159	100%

(a) Market-Adjusted Tax Exempt Securities (MATES). As of September 30, 1996, the rate on these bonds ranged from 3.55% to 3.63%.

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

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

	Common Stock	Retained Earnings
BALANCE DECEMBER 31, 1993, 1,000 shares.	$1,065,634	$ 180,044
Net income		104,526
Dividend to parent company		(125,000)
BALANCE DECEMBER 31, 1994, 1,000 shares.	1,065,634	159,570
Net income		110,873
Dividend to parent company		(150,000)
BALANCE DECEMBER 31, 1995, 1,000 shares.	1,065,634	120,443
Net Income		73,689
Dividend to parent company		(75,000)
BALANCE SEPTEMBER 30, 1996, 1,000 shares	$1,065,634	$ 119,132

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

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

1. ACCOUNTING POLICIES AND OTHER INFORMATION

General: 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 in the production, purchase, transmission, distribution, and sale of electricity. The Company serves approximately 275,000 electric customers in southeastern Kansas.

On March 31, 1992, Western Resources through its wholly-owned subsidiary KCA Corporation (KCA), acquired all of the outstanding common and preferred stock of KGE. Simultaneously, KCA and KGE merged and adopted the name of KGE (the KGE Merger).

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

The Company prepares its financial statements in conformity with generally accepted accounting principles as applied to regulated public utilities. The accounting and rates of the Company are subject to requirements of the Kansas Corporation Commission (KCC) and the Federal Energy Regulatory Commission (FERC). The financial statements require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, to disclose contingent assets and liabilities at the balance sheet date, and to report amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. In the opinion of the Company, the accompanying condensed financial statements reflect all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the financial position of the Company as of September 30, 1996 and December 31, 1995, and the results of its operations for the three, nine and twelve month periods ended September 30, 1996 and 1995. These condensed financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company's 1995 Annual Report on Form 10-K.

On April 24, 1996, FERC issued its final rule on Order No. 888, Promoting Wholesale Competition Through Open Access Non-discriminatory Transmission Services by Public Utilities; Recovery of Stranded Costs by Public Utilities and Transmitting Utilities. The Company has reviewed this order and does not expect it to have a material effect on operations.

Cash Surrender Value of Life Insurance Contracts: The following amounts related to corporate-owned life insurance contracts (COLI) are recorded in Corporate-owned Life Insurance (net) on the balance sheets:

	September 30, 1996	December 31, 1995
	(Dollars in Millions)	
Cash surrender value of contracts. .	$404.0	$360.3
Borrowings against contracts	(393.5)	(353.0)
COLI (net)	$ 10.5	$ 7.3

Income is recorded for increases in cash surrender value and net death proceeds. Interest expense is recognized for COLI borrowings. The net income generated from COLI contracts, including the tax benefit of the interest deductions and premium expenses, are recorded as Corporate-owned Life Insurance (net) on the Statements of Income. The income from increases in cash surrender value and net death proceeds was $9.5 million, $19.7 million and $29.6 million for the three, nine and twelve months ended September 30, 1996, respectively, compared to $4.6 million, $12.7 million and $16.7 million for the three, nine and twelve months ended 1995, respectively. The interest expense deduction taken was $6.9 million, $20.8 million and $27.6 million for the three, nine and twelve months ended September 30, 1996, respectively, compared to $6.9 million, $18.5 million and $24.1 million for the nine and twelve months ended 1995, respectively. On August 2, 1996, Congress passed the Health Insurance Portability and Accountability Act of 1996 which was signed into law by President Clinton on August 21, 1996. The act is expected to have minimal impact on the Company's COLI contracts.

Cash and Cash Equivalents: For purposes of the Statements of Cash Flows, cash and cash equivalents include cash on hand and highly liquid collateralized debt instruments purchased with maturities of three months or less.

2. COMMITMENTS AND CONTINGENCIES

Manufactured Gas Sites: The Company has been 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 analysis. The prioritized sites will be investigated over a 10 year period. The agreement will allow the Company to set mutual objectives with the KDHE in order to expedite effective response activities and to control costs and environmental impact. The costs incurred for site investigation and risk assessment in 1995 and 1994 were minimal. The Company is aware of other Midwestern utilities which have incurred remediation costs ranging between $500,000 and $14 million per site. The KCC has permitted another Kansas utility to recover its remediation costs through rates. To the extent that such remediation costs are not recovered through rates, the costs could be material to the Company's financial position or results of operations depending on the degree of remediation and number of years over which the remediation must be completed.

Decommissioning: The Company accrues decommissioning costs over the expected life of the Wolf Creek generating facility. The accrual is based on estimated unrecovered decommissioning costs which consider inflation over the remaining estimated life of the generating facility and are net of expected earnings on amounts recovered from customers and deposited in an external trust fund.

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

Decommissioning costs are being charged to operating expenses in accordance with the KCC order. Electric rates charged to customers provide for recovery of these decommissioning costs over the life of Wolf Creek. Amounts expensed approximated $3.6 million in 1995 and will increase annually to $5.5 million in 2024. These expenses are deposited in an external trust fund. The average after tax expected return on trust assets is 5.9%

The Company's investment in the decommissioning fund, including reinvested earnings approximated $30.6 million and $25.1 million at September 30, 1996 and December 31, 1995, respectively. Trust fund earnings accumulate in the fund balance and increase the recorded decommissioning liability. These amounts are reflected in Decommissioning Trust, and the related liability is included in Deferred Credits and Other Liabilities, Other, on the Balance Sheets.

The staff of the Securities and Exchange Commission (SEC) has questioned certain current accounting practices used by nuclear electric generating station owners regarding the recognition, measurement and classification of decommissioning costs for nuclear electric generating stations. In response to these questions, the Financial Accounting Standards Board is expected to issue new accounting standards for removal costs, including decommissioning in 1997. If current electric utility industry accounting practices for such decommissioning costs are changed: (1) annual decommissioning expenses could increase, (2) the estimated present value of decommissioning costs could be recorded as a liability rather than as accumulated depreciation, and (3) trust fund income from the external decommissioning trusts could be reported as investment income rather than as a reduction to decommissioning expense. When revised accounting guidance is issued, the Company will also have to evaluate its effect on accounting for removal costs of other long-lived assets. The Company is not able to predict what effect such changes would have on results of operations, financial position, or related regulatory practices until the final issuance of revised accounting guidance, but such effect could be material.

The Company carries premature decommissioning insurance which has several restrictions. One of these is that it can only be used if Wolf Creek incurs an accident exceeding $500 million in expenses to safely stabilize the reactor, to decontaminate the reactor and reactor station site in accordance with a plan approved by the Nuclear Regulatory Commission (NRC), and to pay for on-site property damages. This decommissioning insurance will only be available if the insurance funds are not needed to implement the NRC-approved plan for stabilization and decontamination.

Nuclear Insurance: The Price-Anderson Act limits the combined public liability of the owners of nuclear power plants to $8.9 billion for a single nuclear incident. If this liability limitation is insufficient, the U.S. Congress will consider taking whatever action is necessary to compensate the public for valid claims. The Wolf Creek owners (Owners) have purchased the maximum available private insurance of $200 million and the balance is provided by an assessment plan mandated by the NRC. Under this plan, the Owners are jointly and severally subject to a retrospective assessment of up to $79.3 million ($37.3 million, Company's share) in the event there is a major nuclear incident involving any of the nation's licensed reactors. This assessment is subject to an inflation adjustment based on the Consumer Price Index and applicable premium taxes. There is a limitation of $10 million ($4.7 million, Company's share) in retrospective assessments per incident, per year.

The Owners carry decontamination liability, premature decommissioning liability, and property damage insurance for Wolf Creek totaling approximately $2.8 billion ($1.3 billion, Company's share). This insurance is provided by a combination of "nuclear insurance pools" ($500 million) and Nuclear Electric Insurance Limited (NEIL) ($2.3 billion). In the event of an accident, insurance proceeds must first be used for reactor stabilization and site decontamination. The Company's share of any remaining proceeds can be used for property damage or premature decommissioning costs up to $1.3 billion (Company's share). Premature decommissioning insurance cost recovery is excess of funds previously collected for decommissioning (as discussed under "Decommissioning").

The Owners also carry additional insurance with NEIL to cover costs of replacement power and other extra expenses incurred during a prolonged outage resulting from accidental property damage at Wolf Creek. If losses incurred at any of the nuclear plants insured under the NEIL policies exceed premiums, reserves, and other NEIL resources, the Company may be subject to retrospective assessments of approximately $11 million per year. Effective November 15, 1996, the Company's potential retrospective assessment will be reduced to $8 million per year.

Although the Company maintains various insurance policies to provide coverage for potential losses and liabilities resulting from an accident or an extended outage, the Company's insurance coverage may not be adequate to cover the costs that could result from a catastrophic accident or extended outage at Wolf Creek. Any substantial losses not covered by insurance, to the extent not recoverable through rates, would have a material adverse effect on the Company's financial position and results of operations.

Clean Air Act: The Clean Air Act Amendments of 1990 (the Act) require a two-phase reduction in certain emissions. To meet the monitoring and reporting requirements under the acid rain program, the Company installed continuous monitoring and reporting equipment at a total cost of approximately $2.3 million by the December 31, 1995 deadline. The Company expects some additional equipment acquisitions and other expenditures to be needed to meet Phase II sulfur dioxide requirements. Current estimated costs for Phase II are approximately $5 million.

The nitrogen oxides and toxic limits, which were not set in the law, were proposed by the EPA in January 1996. The Company is currently evaluating the steps it will need to take in order to comply with the proposed new rules, but

is unable to determine its compliance options or related compliance costs, which could be substantial, until the evaluation is finished. The Company will have three years to comply with the new rules.

Fuel Commitments: To supply a portion of the fuel requirements for its generating plants, the Company has entered into various commitments to obtain nuclear fuel, coal, and natural gas. Some of these contracts contain provisions for price escalation and minimum purchase commitments. At December 31, 1995, WCNOC's nuclear fuel commitments (Company's share) were approximately $15.3 million for uranium concentrates expiring at various times through 2001, $120.8 million for enrichment expiring at various times through 2014, and $72.7 million for fabrication through 2025. At December 31, 1995, the Company's coal and natural gas contract commitments in 1995 dollars under the remaining terms of the contracts were $643 million. The largest coal contract expires in 2020, with the remaining coal contracts expiring at various times through 2013.

Energy Act: As part of the 1992 Energy Policy Act, a special assessment is being collected from utilities for a uranium enrichment, decontamination, and decommissioning fund. The Company's portion of the assessment for Wolf Creek is approximately $7 million, payable over 15 years. Management expects such costs to be recovered through the ratemaking process.

3. INCOME TAXES

Total income tax expense included in the Statements of Income reflects the Federal statutory rate of 35 percent. The Federal statutory rate produces effective income tax rates of 33.4% and 39.1% for the three month periods, 30.1% and 37.3% for the nine month periods, and 28.3% and 36.5% for the twelve month periods ended September 30, 1996 and 1995, 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.

4. RATE MATTERS AND REGULATION

KCC Rate Proceedings: On August 17, 1995, the Company filed with the KCC a request to more rapidly recover its investment in its assets of Wolf Creek over the next seven years. The request involved acceleration of depreciation of Wolf Creek by $50 million for each of the next seven years. The Company sought to reduce electric rates for its customers by approximately $8.7 million annually for the seven year period. The Company also requested to extend the service life of certain of its transmission and distribution assets for both the Company's and KPL's electric jurisdictions.

On May 23, 1996, the Company implemented an $8.7 million electric rate reduction to its customers on an interim basis. On October 22, 1996, Western Resources, the Company, the KCC Staff, the City of Wichita, and the Citizens Utility Ratepayer Board filed an agreement at the KCC whereby the Company's retail electric rates would be reduced, subject to approval by the KCC. Under the agreement, on February 1, 1997, the Company's rates would be reduced by

$36.3 million and the May, 1996 interim reduction would become permanent. The Company's rates would be reduced by another $10 million effective

June 1, 1998, and again on June 1, 1999. The KCC, at its discretion, may allocate to the Company some portion of two one-time rebates of $5 million to be credited to its customers in January 1998 and 1999.

On April 15, 1996, Western Resources filed an application with the KCC requesting an order approving its proposal to merge with Kansas City Power & Light Company (KCPL) and for other related relief. On July 29, 1996, Western Resources filed its First Amended Application with the KCC in its proceeding for approval to merge with KCPL. The amended application reflected the increase in Western Resources' offer for KCPL from $28 to $31 per share and proposed an incentive rate mechanism requiring all regulated earnings in excess of the merged Company's 12.61% return on equity to be split among customers, shareholders, and additional depreciation on Wolf Creek.

FERC Proceedings: On August 22, 1996, Western Resources filed an application with the FERC under section 203 of the Federal Power Act requesting an order approving its proposal to merge with KCPL.

5. WESTERN RESOURCES' PROPOSED MERGER WITH KANSAS CITY POWER & LIGHT COMPANY

On April 14, 1996, Western Resources proposed an offer to merge with KCPL.

Western Resources currently has a registration statement on Form S-4 filed with the SEC to exchange shares of Western Resources common stock for each KCPL share (the Offer). Western Resources' exchange offer for KCPL is set to expire at 5 p.m. EDT October 25, 1996 unless extended by Western Resources.

The number of shares of Western Resources common stock to be delivered per KCPL share pursuant to the Offer would be equal to the quotient (rounded to the nearest 1/100,000) determined by dividing $31 by the average of the high and low sales prices of Western Resources common stock on the New York Stock Exchange for each of the twenty consecutive trading days ending with the second trading day immediately preceding the expiration of the Offer (the Exchange Ratio), provided that the Exchange Ratio would not have been less than 0.91 nor greater than 0.985.

Western Resources intends to acquire, after consummation of the Offer, the remaining KCPL shares pursuant to a merger of Western Resources and KCPL (the KCPL Merger).

Western Resources has filed applications with the KCC, Missouri Public Service Commission, and FERC seeking approval of the KCPL Merger. Western Resources will also need approval from the NRC. See Note 4 of the Notes to Financial Statements for discussion of rate proceedings.

Completion of the Offer and the KCPL Merger are subject to various conditions, including approvals from shareholders, regulatory and other governmental agencies.

The KCPL Merger proposal contains certain analyses and statements with respect to the financial condition, results of operations and business of the Company following the consummation of the Offer and the KCPL Merger, including statements relating to the cost savings that will be realized from the KCPL Merger. Such analyses and statements include forward looking statements with respect to, among other things: (1) expected cost savings from the KCPL Merger; (2) normal weather conditions; (3) future national and regional economic and competitive conditions; (4) inflation rates; (5) regulatory treatment; (6) future financial market conditions; (7) interest rates; (8) future business decisions; and (9) other uncertainties, which though considered reasonable by the Company, are beyond the Company's control and difficult to predict.

KANSAS GAS AND ELECTRIC COMPANY

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

The following Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with Item 7 of the Company's Annual Report on Form 10-K for 1995. The following updates certain information provided in the 1995 Form 10-K, and analyzes the changes in the results of operations between the three, nine and twelve month periods ended

September 30, 1996 and comparable periods of 1995.

Certain matters discussed in this Form 10-Q are "forward-looking statements" intended to qualify for the safe harbors from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements can generally be identified as such because the context of the statement will include words such as the Company "believes," "anticipates," "expects" or words of similar import. Similarly, statements that describe the Company's future plans, objectives or goals are also forward-looking statements. Such statements address future events and conditions concerning capital expenditures, earnings, litigation, rate and other regulatory matters, the pending KCPL Merger, liquidity and capital resources, interest rates, changing weather conditions, and accounting matters. Actual results in each case could differ materially from those currently anticipated in such statements, by reason of factors such as electric utility restructuring, including the ongoing state and federal activities; future economic conditions; developments in the legislative, regulatory and competitive markets in which the Company operates; and other circumstances affecting anticipated revenues and costs.

FINANCIAL CONDITION

General: The Company had net income of $40.7 million for the third quarter of 1996 compared to $51.8 million for the third quarter in 1995. The decrease in net income was primarily due to lower revenues as a result of decreased sales in all retail customer classes and the amortization of the acquisition adjustment as a result of the KGE Merger.

Net income for the nine and twelve months ended September 30, 1996, was $73.7 million and $95.3 million, respectively, compared to $89.3 million and $111.5 million for the comparable periods in 1995, respectively. These decreases were primarily due to the amortization of the acquisition adjustment as a result of the KGE Merger and higher operating expenses, resulting from Wolf Creek's eighth refueling outage during the first quarter of 1996. An increase in net generation due to increased sales to interchange customers during 1996 also contributed to higher operating expenses. These higher expenses offset the increases in sales and revenues the Company experienced during the nine and twelve months ended September 30, 1996 as compared to the same periods of 1995.

Liquidity and Capital Resources: All 1,000 shares of the Company's common stock are held by Western Resources.

The Company's short-term financing requirements are satisfied through short-term bank loans and borrowings under unsecured lines of credit maintained with banks. At September 30, 1996, short-term borrowing amounted to $210 million compared to $50 million at December 31, 1995.

During 1996, the Company has increased its borrowings against the accumulated cash surrender values of the corporate-owned life insurance policies by $43.3 million and received $1.8 million from increased borrowings on Wolf Creek Nuclear Operating Company policies.

OPERATING RESULTS

The following discussion explains variances for the three, nine and twelve months ended September 30, 1996, to the comparable periods of 1995.

Revenues: The Company's revenues vary with levels of usage as a result of changing weather conditions during comparable periods and are sensitive to seasonal fluctuations between consecutive periods. Future electric sales will continue to be affected by weather conditions, competing fuel sources, wholesale demand, and the overall economy of the Company's service area.

The following table reflects changes in electric sales for the three, nine and twelve months ended September 30, 1996 from the comparable periods of 1995.

Increase (Decrease) in electric sales volumes:

	3 Months Ended	9 Months Ended	12 Months Ended
Residential	(9.0)%	4.4%	3.7%
Commercial	(2.6)%	3.4%	2.4%
Industrial	(8.3)%	(1.4)%	(0.3)%
Total Retail	(7.0)%	1.6%	1.6%
Wholesale & Interchange	137.4%	84.5%	63.1%
Total electric sales	8.2%	12.9%	10.1%

Revenues for the three months ended September 30, 1996, of $193.2 million decreased approximately five percent from revenues of $202.4 million for the comparable period of 1995. The decrease was largely due to decreased residential sales as a result of cooler summer temperatures experienced during the third quarter of 1996 compared to 1995.

The Company's service territory experienced a 15% decrease in the number of cooling degree days during the third quarter of 1996, as compared to the third quarter of 1995 and 18% lower than normal number of cooling degree days.

Revenues for the nine and twelve months ended September 30, 1996, increased approximately three and two percent to $501.3 million and $639.5 million, respectively, from revenues of $485.7 million and $624.8 million for the comparable periods of 1995, respectively. The increases are primarily attributable to increased interchange and residential sales as a result of warmer spring temperatures experienced during the second quarter of 1996 compared to 1995.

Operating Expenses: Total operating expenses increased two percent for the three months ended September 30, 1996 compared to the same period of 1995. The increase was primarily attributable to the amortization of the acquisition adjustment and increased fuel and other operating expenses due to the increase in net generation as a result of the increase in sales to interchange customers.

Total operating expenses increased approximately nine and eight percent for the nine and twelve months ended September 30, 1996 compared to the same periods of 1995. The increases were primarily due to the amortization of the acquisition adjustment, increased fuel and other operating expenses and Wolf Creek being off-line for its eight refueling and maintenance outage during the first quarter of 1996. Also contributing to the increases in fuel and operating expenses was the increase in net generation due to increased sales to interchange customers and demand for air conditioning load from residential customers during the spring months of 1996.

The amortization of the acquisition adjustment, which began in August 1995, amounted to $5.0 million, $15.0 million and $20.0 million for the three, nine and twelve months ended September 30, 1996, respectively.

Partially offsetting these increases in operating expenses for the three, nine and twelve months ended September 30, 1996, was the decrease in federal and state income taxes due to the decrease in net income during each period.

Other Income and Deductions: Other income and deductions, net of taxes, increased for the three, nine and twelve months ended September 30, 1996, compared to the same periods of 1995 primarily due to the receipt of death benefit proceeds under COLI contracts during the third quarter of 1996 and the fourth quarter of 1995. The reclassification of income taxes applicable to the amortization of acquisition adjustment also contributed to the increase.

Interest Expense: Interest expense increased $2.8 million, $4.5 million and $3.6 million for the three, nine and twelve months ended September 30, 1996, compared to the same periods of 1995. These increases are primarily attributable to higher interest expense on short-term debt during 1996 as compared to 1995.

OTHER INFORMATION

Amortization: In accordance with the KCC order relating to the acquisition of the Company by Western Resources, amortization of the acquisition adjustment commenced in August 1995. The amortization will amount to approximately $20 million (pre-tax) per year for 40 years. Western Resources and the Company can recover the amortization of the acquisition adjustment through cost savings under a sharing mechanism approved by the KCC.

KANSAS GAS AND ELECTRIC COMPANY
Part II Other Information

Item 5. Other Information

Proposed Merger of Western Resources with Kansas City Power & Light Company: See Note 5 of the Notes to Financial Statements.

Rate Plans: See Note 4 of the Notes to Financial Statements.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

Exhibit 12 - Computation of Ratio of Earnings to Fixed Charges for 12 Months Ended September 30, 1996 (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 October 25, 1996

By /s/ Richard D. Terrill
Richard D. Terrill
Secretary, Treasurer and
General Counsel