

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

FORM 10-K

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

For the fiscal year ended December 31, 2000

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

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)

(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405
of Regulation S-K is not contained herein, and will not be contained, to the
best of registrant's knowledge, in definitive proxy or information statements
incorporated by reference in Part III of this Form 10-K or any amendment to this
Form 10-K. (X)

Indicate the number of shares outstanding of each of the registrant's classes of
common stock.

Common Stock, No par value

1,000 Shares

(Title of each class)

(Outstanding at March 30, 2001)

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 No

Registrant meets the conditions of General Instruction I(1)(a) and (b) to Form
10-K for certain wholly-owned subsidiaries and is therefore filing an
abbreviated form.

KANSAS GAS AND ELECTRIC COMPANY
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FORWARD-LOOKING STATEMENTS

Certain matters discussed here and elsewhere in this Annual Report are "forward-looking statements." The Private Securities Litigation Reform Act of 1995 has established that these statements qualify for safe harbors from liability. Forward-looking statements may include words like we "believe," "anticipate," "expect" or words of similar meaning. Forward-looking statements describe our future plans, objectives, expectations or goals. Such statements address future events and conditions concerning capital expenditures, earnings, litigation, rate and other regulatory matters, possible corporate restructurings, mergers, acquisitions, dispositions, liquidity and capital resources, compliance with debt covenants, changes in accounting requirements, interest and dividends, environmental matters, changing weather, nuclear operations, and the overall economy of our service area. What happens in each case could vary materially from what we expect because of such things as electric utility deregulation, including ongoing municipal, state and federal activities, such as the Wichita municipalization effort; future economic conditions; legislative and regulatory developments; our competitive markets; the proposed separation of Western Resources' electric utility businesses (including us) from Westar Industries and the consummation of the acquisition of the electric operations of Western Resources (including us) by Public Service Company of New Mexico; and other circumstances affecting anticipated operations, sales and costs. See Risk Factors for additional information on these and other matters.

PART I

ITEM 1. BUSINESS

GENERAL

Kansas Gas and Electric Company (KGE), the company, we or us, is a rate-regulated electric utility and wholly-owned subsidiary of Western Resources, Inc. (Western Resources). We are engaged principally in the generation, purchase, transmission, distribution and sale of electricity in southeastern Kansas, including the Wichita metropolitan area. We own 47% of Wolf Creek Nuclear Operating Corporation (WCNOC), the operating company for Wolf Creek Generating Station (Wolf Creek). Our corporate headquarters are located in Wichita, Kansas.

On November 8, 2000, Western Resources entered into an agreement under which Public Service Company of New Mexico (PNM) will acquire the electric utility businesses of Western Resources (including us) in a stock-for-stock transaction. Under the terms of the agreement, both Western Resources and PNM will become subsidiaries of a new holding company.

Western Resources can give no assurance as to whether or when the rights offering will be consummated or whether or when the consummation of the acquisition of Western Resources by PNM may occur.

ELECTRIC OPERATIONS

General

We supply electric energy at retail to approximately 291,000 customers in Kansas. We also supply electric energy at wholesale to the electric distribution systems of 28 communities. We have contracts for the sale, purchase or exchange of electricity with other utilities at wholesale.

Our electric sales for the last three years ended December 31 were as follows:

	2000	1999	1998
	-----	-----	-----
	(In Thousands)		
Residential.....	\$246,665	\$220,645	\$237,571
Commercial.....	175,686	169,427	170,473
Industrial.....	161,693	163,158	167,331
Wholesale.....	78,596	63,255	50,634
System Hedging.....	17,660	-	-
Other.....	23,690	21,855	22,370
	-----	-----	-----
Total.....	\$703,990	\$638,340	\$648,379

Our electric sales volumes for the last three years ended December 31 were as follows:

	2000	1999	1998
	-----	-----	-----
	(Thousands of MWH)		
Residential.....	2,950	2,601	2,784
Commercial.....	2,544	2,413	2,383
Industrial.....	3,561	3,548	3,569
Wholesale.....	2,407	1,832	1,541
Other.....	45	45	45
	-----	-----	-----
Total.....	11,507	10,439	10,322

Fossil Fuel Generation

Capacity: The aggregate net generating capacity of our system is presently 2,615 megawatts (MW). The system comprises interests in twelve fossil-fuel steam generating units, one nuclear generating unit (47% interest), one diesel generator and two wind turbines, located at six generating stations.

Our aggregate 2000 peak system net load occurred on August 24, 2000, and amounted to 2,107 MW. Our net generating capacity combined with firm purchases and sales, provided a capacity margin of approximately 14% above system peak responsibility at the time of the peak. Our all time peak system net load occurred on August 11, 1999 and amounted to 2,111 MW.

We are a member of the Southwest Power Pool (SPP). SPP's responsibility is to maintain system reliability on a regional basis and is working with us and other members to become an RTO. The region encompasses areas within the eight states of Kansas, Missouri, Oklahoma, New Mexico, Texas, Louisiana, Arkansas, and Mississippi. We are also a member of the SPP transmission tariff along with ten other transmission providers in the region. Revenues from this tariff are divided among the tariff members based upon calculated impacts to their respective system. The tariff allows for both non-firm and firm transmission access.

We are a member of the Western Systems Power Pool (WSPP). Under this arrangement, electric utilities and marketers throughout the western United States have agreed to market energy. Services available include short-term and long-term energy transactions, unit commitment service, firm capacity and energy sales and energy exchanges.

We have an agreement with Midwest Energy, Inc. to provide it with peaking capacity of 60 MW through May 2008.

Future Capacity: We forecast that we will need additional capacity of approximately 150 MW by 2005 to serve our customers' expected electricity needs. We will determine the methods for supplying this estimated additional energy at a future date. (See Item 7. Management's Discussion and Analysis, Liquidity and Capital Resources).

Fuel Mix: Coal-fired units comprise 1,126 MW of our total 2,615 MW of generating capacity and the nuclear unit provides 550 MW of capacity. Of the remaining 939 MW of generating capacity, units that can burn either natural gas or oil account for 936 MW, one unit which burns only diesel fuel accounts for 3 MW, and wind turbines account for approximately 1 MW. (See Item 2. Properties).

During 2000, coal was used to produce 58% of our electricity. Nuclear fuel produced 31% and the remainder was produced from natural gas, oil, or diesel fuel. Our fuel mix fluctuates with the operation of the nuclear-powered Wolf Creek (as discussed below under Nuclear Generation), fuel costs, plant availability and power available on the wholesale market.

Coal: The three coal-fired units at Jeffrey Energy Center (JEC) have an aggregate capacity of 445 MW (our 20% share). Western Resources, the operator of JEC, and we have a long-term coal supply contract with Amax Coal West, Inc., a subsidiary of RAG America Coal Company (RAG), to supply coal to JEC from mines located in the Powder River Basin in Wyoming. The contract expires December 31, 2020. The contract contains a schedule of minimum annual MMBtu delivery quantities. The coal to be supplied is surface mined and has an average Btu content of approximately 8,397 Btu per pound and an average sulfur content of .43 lbs/MMBtu (See Environmental Matters). The average cost of coal burned at JEC during 2000 was approximately \$1.14 per MMBtu or \$19.09 per ton.

Coal is transported from Wyoming under a long-term rail transportation contract with Burlington Northern Santa Fe (BNSF) and Union Pacific (UP) railroads with a term continuing through December 31, 2013. This contract is currently the subject of litigation.

The two coal-fired units at La Cygne Station have an aggregate generating capacity of 681 MW (our 50% share). La Cygne 1 uses a blended fuel mix containing approximately 85% Powder River Basin coal and 15% Kansas/Missouri coal. La Cygne 2 uses Powder River Basin Coal. The operator of La Cygne Station, Kansas City Power and Light Company (KCPL), administers the coal and coal transportation contracts. A portion of the La Cygne 1 and La Cygne 2 Powder River Basin coal is supplied through several fixed price and spot market contracts which expire at various times through 2003 and is transported under KCPL's Omnibus Rail Transportation Agreement with BNSF and Kansas City Southern Railroad through December 31, 2010. Additional coal may be acquired on the spot market. The La Cygne 1 Kansas/Missouri coal is purchased from time to time from local Kansas and Missouri producers.

The Powder River Basin coal supplied during 2000 had an average Btu content of approximately 8,800 Btu per pound and an average sulfur content of .45 lbs/MMBtu. During 2000, the average cost of all coal burned at La Cygne 1 was approximately \$0.81 per MMBtu, or \$13.92 per ton. The average cost of coal burned at La Cygne 2 was approximately \$0.72 per MMBtu, or \$12.30 per ton.

We have entered into all of our coal contracts in the ordinary course of business and do not believe we are substantially dependent upon these contracts. We believe there are other suppliers with plentiful sources of coal available at spot market prices to replace, if necessary, fuel to be supplied pursuant to these contracts. In the event that we were required to replace our coal agreements, we would not anticipate a substantial disruption of our business although the cost of purchasing coal could increase.

We have entered into all of our coal transportation contracts in the ordinary course of business. Several rail carriers are capable of serving our origin coal mines but several of our generating stations can be served by only one rail carrier. In the event the rail carrier to one of our generating stations failed to provide reliable service, we could experience a short-term disruption of our business. However, due to the obligation of the rail carriers to provide service under the Interstate Commerce Act, we do not anticipate any substantial long-term disruption of our business although the cost of transporting coal could increase.

Natural Gas: We use natural gas as a primary fuel in our Gordon Evans, Murray Gill and Neosho Energy Centers. Natural gas for these generating stations is purchased in the short-term spot market which supplies the system with a flexible natural gas supply necessary to meet operational needs.

We meet a portion of our natural gas transportation requirements through firm natural gas transportation capacity agreements with Williams Gas Pipelines Central. The firm transportation agreement that serves Gordon Evans and Murray Gill extends through April 1, 2010 and the agreement for the Neosho facility extends through June 1, 2016.

Oil: We use oil as an alternate fuel when economical or when interruptions to natural gas make it necessary. Oil is also used as a start-up fuel at some of our generating stations and as a primary fuel in the diesel generator. Oil is obtained by spot market purchases and year-long contracts. We maintain quantities in inventory to meet emergency requirements and protect against reduced availability of natural gas for limited periods or when the primary fuel becomes uneconomical to burn.

Other Fuel Matters: Our contracts to supply fuel for our coal and natural gas-fired generating units, with the exception of JEC, do not provide full fuel requirements at the various stations. Supplemental fuel is procured on the spot market to provide operational flexibility and, when the price is favorable, to take advantage of economic opportunities. We and Western Resources jointly use financial instruments to hedge a portion of our anticipated fossil fuel needs in an attempt to offset the volatility of the spot market. Due to the volatility of these markets, we are unable to determine what the value will be when the agreements are actually settled. See the Market Risk Disclosure below for further information.

Natural gas and oil prices increased significantly during 2000 throughout the nation. During 2000, our region experienced a price range of \$2.09 per MMBtu to \$11.53 per MMBtu for natural gas. We experienced a 45% increase in our average cost for natural gas purchased, or an increase of \$1.03 per MMBtu. See the Market Risk Disclosure for further discussion.

During the first quarter of 2001, spot market prices for western coal markets increased significantly. This increase will impact the fuel contracts currently in place for the portion of our 2001 anticipated coal which is indexed to or purchased on the spot market for our La Cygne Generating Station, increasing our coal commodity price market risk. We do not believe that 2001 spot market purchases will be at rates as favorable as those experienced during 2000.

Set forth in the table below is information relating to the weighted average cost of fuel that we have used (which includes the commodity cost, transportation cost to our facilities and any other associated costs).

	2000	1999	1998
	-----	-----	-----
Per Million Btu:			
Nuclear.....	\$0.44	\$0.45	\$0.48
Coal.....	0.91	0.87	0.86
Gas.....	3.34	2.31	2.28
Oil.....	3.12	2.11	4.05
Per MWH Generation..	\$1.11	\$0.98	\$0.94

Nuclear Generation

Fuel Supply: The owners of Wolf Creek have on hand or under contract 100% of their

uranium needs for 2001 and 65% of the uranium required for operation of Wolf Creek through March 2005. The balance is expected to be obtained through spot market and contract purchases.

Contractual arrangements are in place for 100% of Wolf Creek's uranium conversion needs for 2001 and 65% of the uranium conversion required for operation of Wolf Creek through March 2005. The owners have under contract 100% of Wolf Creek's uranium enrichment needs for 2001 and 77% of the uranium enrichment required to operate Wolf Creek through March 2005. The balance of Wolf Creek's conversion and enrichment needs are expected to be obtained through term contract and spot market purchases.

All uranium, uranium hexafluoride and uranium enrichment arrangements have been entered into in the ordinary course of business and Wolf Creek is not substantially dependent upon these agreements. Wolf Creek's management believes there are other supplies available at reasonable prices to replace, if necessary, these contracts. In the event that these contracts were required to be replaced, Wolf Creek's management does not anticipate a substantial disruption of Wolf Creek's operations.

Nuclear fuel is amortized to cost of sales based on the quantity of heat produced for the generation of electricity.

Fuel Disposal: Under the Nuclear Waste Policy Act of 1982 (NWPA), the Department of Energy (DOE) is responsible for the permanent disposal of spent nuclear fuel. Wolf Creek pays the DOE a quarterly fee of one-tenth of a cent for each kilowatt-hour of net nuclear generation delivered for the future disposal of spent nuclear fuel. These disposal costs are charged to cost of sales.

In 1996 and 1997, a U.S. Court of Appeals issued decisions that (1) the NWPA unconditionally obligated the DOE to begin accepting spent fuel for disposal in 1998, and (2) precluded the DOE from concluding that its delay in accepting spent fuel is "unavoidable" under its contracts with utilities due to lack of a repository or interim storage authority.

In May 1998, the Court issued an order in response to the utilities' petitions for remedies for DOE's failure to begin accepting spent fuel for disposal. The Court affirmed its conclusion that the sole remedy for DOE's breach of its statutory obligation under the NWPA is a contract remedy, and indicated that the court will not revisit the matter until the utilities have completed their pursuit of that remedy. Wolf Creek intends to pursue its claims against the DOE.

A permanent disposal site may not be available for the nuclear industry until 2010 or later, although an interim facility may be available earlier. Under current DOE policy, once a permanent site is available, the DOE will accept spent nuclear fuel on a priority basis. The owners of the oldest spent fuel will be given the highest priority. As a result, disposal services for Wolf Creek may not be available prior to 2016. Wolf Creek has on-site temporary storage for spent nuclear fuel. In early 2000, Wolf Creek completed replacement of spent fuel storage racks to increase its on-site storage capacity for all spent fuel expected to be generated by Wolf Creek through the end of its licensed life in 2025.

The Low-Level Radioactive Waste Policy Amendments Act of 1985 mandated that the various states, individually or through interstate compacts, develop alternative low-level

radioactive waste disposal facilities. The states of Kansas, Nebraska, Arkansas, Louisiana and Oklahoma formed the Central Interstate Low-Level Radioactive Waste Compact and selected a site in Nebraska to locate a disposal facility. WCNOG and the owners of the other five nuclear units in the Compact have provided most of the pre-construction financing for this project. Our net investment in the Compact through December 31, 2000, was approximately \$7.4 million.

On December 18, 1998, the application for a license to construct this project was denied. The license applicant has sought a hearing on the license denial, but a U.S. District Court has delayed indefinitely proceedings related to the hearing. In December 1998, the utilities filed a federal court lawsuit contending Nebraska officials acted in bad faith while handling the license application and seeking damages related to the utilities' costs incurred because of the delay in processing the application. In May 1999, the Nebraska legislature passed a bill withdrawing Nebraska from the Compact. In August 1999, the Nebraska governor gave official notice of the withdrawal to the other member states. Withdrawal will not be effective for five years and will not, of itself, nullify the site license proceeding.

Wolf Creek disposes of all classes of its low-level radioactive waste at existing third-party repositories. Should disposal capability become unavailable, Wolf Creek is able to store its low-level radioactive waste in an on-site facility for up to five years under current regulations. Wolf Creek believes that a temporary loss of low-level radioactive waste disposal capability will not affect continued operation of the power plant.

Scheduled Outages: Wolf Creek has an 18-month refueling and maintenance schedule which permits uninterrupted operation every third calendar year. The next outage is scheduled in the spring of 2002. During the outage, electric demand is expected to be met primarily by our fossil-fueled generating units and by purchased power.

Insurance: Information with respect to insurance coverage applicable to the operations of our nuclear generating facility is set forth in Note 8 of the Notes to Consolidated Financial Statements.

Competition and Deregulation

Electric utilities have historically operated in a rate regulated environment. Federal and state regulatory agencies having jurisdiction over our rates and services and other utilities have initiated steps that were expected to result in a more competitive environment for utility services. However, during 2000 and early 2001, extensive problems in the deregulated California market have caused many states to reconsider deregulation efforts. Several bills promoting deregulation were introduced to the Kansas Legislature in the 1999 legislative session but none passed. No bills were considered in the legislature during the 2000 legislative session. Based on these events, we do not anticipate deregulation to occur in Kansas in the near term.

In a deregulated environment, utility companies that are not responsive to a competitive energy marketplace may suffer erosion in market share, revenues and profits as recently experienced in the California energy market. Increased competition for retail electricity sales may in the future reduce our earnings which could have a material adverse impact on our operations and our financial condition. A material non-cash charge to earnings may be required should we discontinue accounting under Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation."

The 1992 Energy Policy Act began deregulating the electricity market for generation. The Energy Policy Act permitted the Federal Energy Regulatory Commission (FERC) to order electric utilities to allow third parties the use of their transmission systems to sell electric power to wholesale customers. In 1992, we agreed to open access of our transmission system for wholesale transactions. FERC also requires us to provide transmission services to others under terms comparable to those we provide ourselves. In December 1999, FERC issued an order (FERC Order 2000) encouraging formation of regional transmission organizations (RTOs), whose purpose is to facilitate greater competition at the wholesale level. We anticipate that FERC Order 2000 will not have a material effect on us or our operations.

For further discussion regarding competition in the electric utility industry and the potential impact on us, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Regulation and Rates

As a Kansas electric utility, we are subject to the jurisdiction of the Kansas Corporation Commission (KCC) which has general regulatory authority over our rates, extensions and abandonments of service and facilities, valuation of property, the classification of accounts and various other matters. We are also subject to the jurisdiction of the KCC with respect to the issuance of certain securities.

Additionally, we are subject to the jurisdiction of the FERC, which has authority over wholesale sales of electricity, the transmission of electric power and the issuance of certain securities. We are also subject to the jurisdiction of the Nuclear Regulatory Commission for nuclear plant operations and safety.

On November 27, 2000, we and Western Resources filed applications with the KCC for a change in retail rates which included a cost allocation study and separate cost of service studies for KGE and Western Resources' KPL division. We and Western Resources also provided revenue requirements on a combined company basis on December 28, 2000. If approved as proposed, the impact of these rate requests will be an annual increase of \$93.0 million for the KPL division and \$58.0 million for KGE for a total of \$151.0 million. The proposal also contains a mechanism for adjusting these rate requests up or down if projected natural gas fuel prices are different from the prices utilized in the November 27, 2000 filings. We anticipate a ruling by the KCC in July 2001 but are unable to predict the outcome. We can give no assurance that these rate requests will be approved as proposed.

Additional information with respect to Regulation and Rates is discussed in Notes 1 and 3 of the Notes to Consolidated Financial Statements and Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Environmental Matters

We currently hold all Federal and State environmental approvals required for the operation of our generating units. We believe we are presently in substantial compliance with all air quality regulations (including those pertaining to particulate matter, sulfur dioxide and nitrogen oxides (NOx)) promulgated by the State of Kansas and the Environmental Protection Agency, or EPA.

The JEC and La Cygne 2 units have met: (1) the Federal sulfur dioxide standards through the use of low sulfur coal; (2) the Federal particulate matter standards through the use of electrostatic precipitators; and (3) the Federal NOx standards through boiler design and operating procedures. The JEC units are also equipped with flue gas scrubbers providing additional sulfur dioxide and particulate matter emission reduction capability when needed to meet permit limits.

The Kansas Department of Health and Environment (KDHE) regulations applicable to our other generating facilities prohibit the emission of more than 3.0 pounds of sulfur dioxide per million Btu of heat input. We meet these standards through the use of low sulfur coal and by all facilities burning coal being equipped with flue gas scrubbers and/or electrostatic precipitators.

We must comply with the provisions of The Clean Air Act Amendments of 1990 that require a two-phase reduction in certain emissions. We have installed continuous monitoring and reporting equipment to meet the acid rain requirements. We have not had to make any material capital expenditures to meet Phase II sulfur dioxide and nitrogen oxide requirements.

All of our generating facilities are in substantial compliance with the Best Practicable Technology and Best Available Technology regulations issued by the EPA pursuant to the Clean Water Act of 1977. Most EPA regulations are administered in Kansas by the KDHE.

Additional information with respect to Environmental Matters is discussed in Note 8 of the Notes to Consolidated Financial Statements.

SEGMENT INFORMATION

Financial information with respect to business segments is set forth in Note 15 of the Notes to Consolidated Financial Statements.

EMPLOYEES

All employees we utilize are provided by Western Resources. Western Resources' contract with the International Brotherhood of Electrical Workers was renewed on January 20, 2000, and will be due for renewal July 1, 2002. The contract covers approximately 1,400 employees.

RISK FACTORS

Cautionary Statements Regarding Future Results of Operations

You should read the following risk factors in conjunction with discussions of factors discussed elsewhere in this and other of our filings with the SEC. These cautionary statements are intended to highlight certain factors that may affect our financial condition and results of operations and are not meant to be an exhaustive discussion of risks that apply to public companies, such as us. Like other businesses, we are susceptible to macroeconomic downturns in the United States or abroad that may affect the general economic

climate and our performance or that of our customers. Similarly, the price of our securities is subject to volatility due to fluctuations in general market conditions, differences in our results of operations from estimates and projections generated by the investment community and other factors beyond our control.

Efforts by Wichita to Equalize Rates May Affect Operations and Results: In September 1999, the City of Wichita filed a complaint with FERC against us, alleging improper affiliate transactions between Western Resources' KPL division and us. The City of Wichita asked that FERC equalize the generation costs between us and KPL, in addition to other matters. On November 9, 2000, a FERC administrative law judge ruled in our favor that no change in rates was required. On December 13, 2000, the City of Wichita filed a brief with FERC asking that the Commission overturn the judge's decision. We anticipate a decision by FERC in the second quarter of 2001. A decision requiring equalization of rates could have a material adverse effect on our business and financial condition.

Municipalization Efforts by Wichita May Affect Operations and Results: In December 1999, the City Council of Wichita, Kansas, authorized the hiring of an outside consultant to determine the feasibility of creating a municipal electric utility to replace us as the supplier of electricity in Wichita. The feasibility study was released in February 2001 and estimates that the City of Wichita would be required to pay us \$145 million for our stranded costs if it were to municipalize. However, we estimate the amount to be substantially greater. In order to municipalize our Wichita electric facilities, the City of Wichita would be required to purchase our facilities or build a separate independent system and arrange for its own power supply. These costs are in addition to the stranded costs for which the city would be required to reimburse us. On February 2, 2001, the City of Wichita announced its intention to proceed with its attempt to municipalize our retail electric utility business in Wichita. We will oppose municipalization efforts by the City of Wichita. Should the city be successful in its municipalization efforts without providing us adequate compensation for our assets and lost revenues, the adverse effect on our business and financial condition could be material.

Our franchise with the City of Wichita to provide retail electric service expires in March 2002. There can be no assurance that we can successfully renegotiate the franchise with terms similar, or as favorable, as those in the current franchise. Under Kansas law, we will continue to have the right to serve the customers in Wichita following the expiration of the franchise, assuming the system is not municipalized. Customers within the Wichita metropolitan area account for approximately 54% of our total energy sales .

Electric Fuel Costs and Purchased Power are Included in Base Rates and are not Recovered Automatically: Electric fuel costs and purchased power are included in base rates. Therefore, if we wish to recover an increase in fuel and purchased power costs, we have to file a request for recovery in a rate filing with the KCC which could be denied in whole or in part. Any increase in fuel and purchased power costs from the projected average which we did not recover through rates would reduce our earnings.

Purchased Power and Fossil-Fuel Commodity Prices are Volatile: In 2000 and 1999, the wholesale power market experienced extreme volatility in prices and supply. This volatility impacts our costs of power purchased. If we were unable to generate an adequate supply of electricity for our customers, we would have to purchase power in the wholesale market, if available, or implement curtailment or interruption procedures. The increased expenses or loss of revenues associated with this could be material and adverse to our results of operations and financial condition. Over the last few years, purchased power prices have increased above historical levels and are not expected to decrease.

We use a mix of various fuel types, including coal and natural gas, to operate our system. Natural gas prices increased significantly during 2000 throughout the nation. This increase impacted the cost of gas we used for generation as well as our cost of purchased power. The higher natural gas prices increased our total cost of gas purchased during 2000 although we decreased the quantity burned.

During the first quarter of 2001, spot market prices for western coal markets increased significantly. This increase will impact a portion of our anticipated cost of coal which is indexed to or purchased on the spot market.

In an effort to mitigate fuel commodity price market risk, we and Western Resources jointly use hedging agreements to minimize our exposure to increased coal, natural gas and oil prices. Our future exposure to changes in fossil fuel prices will be dependent upon the market prices and the extent and effectiveness of any hedging agreements we may have. Increases in purchased power and fossil fuel prices could have a material adverse effect on our results of operation.

EXECUTIVE OFFICERS OF THE COMPANY

Name -----	Age ---	Present Office -----	Other Offices or Positions Held During Past Five Years -----
Ronald W. Holt	54	Chairman of the Board and President (since January 2000)	Assistant Secretary (January 1998 to January 2000), Kansas Gas and Electric Company. Executive Director, Southern Region (since January 2000); Senior Director, Corporate and Community Affairs (January 1999 to January 2000); Director, Community and Support Services (September 1995 to December 1998), Western Resources, Inc.
Richard D. Terrill	46	Secretary, Treasurer and General Counsel	Executive Vice President, General Counsel and Corporate Secretary (May 1999 to May 2000); Vice President, Law and Corporate Secretary (July 1998 to May 1999) Secretary and Associate General Counsel (April 1992 to June 1998), Western Resources, Inc.

Executive officers serve at the pleasure of the board of directors. There are no family relationships between the officers, nor any arrangements or understandings between any officer and other persons pursuant to which he was appointed as an officer.

ITEM 2. PROPERTIES

We own or lease and operate an electric generation, transmission, and distribution system in Kansas.

ELECTRIC GENERATING FACILITIES

Name	Unit No.	Year Installed	Principal Fuel	Unit Capacity (MW)
Gordon Evans Energy Center:				
Steam Turbines	1	1961	Gas--Oil	151
	2	1967	Gas--Oil	383
Diesel Generator	1	1969	Diesel	3
Jeffrey Energy Center (20%) (a):				
Steam Turbines	1	1978	Coal	149
	2	1980	Coal	148
	3	1983	Coal	148
Wind Turbines	1	1999	-	(c)
	2	1999	-	(c)
La Cygne Station (50%):				
Steam Turbines	1 (a)	1973	Coal	344
	2 (b)	1977	Coal	337
Murray Gill Energy Center:				
Steam Turbines	1	1952	Gas--Oil	43
	2	1954	Gas--Oil	74
	3	1956	Gas--Oil	112
	4	1959	Gas--Oil	106
Neosho Energy Center:				
Steam Turbine	3	1954	Gas--Oil	67
Wolf Creek Generating Station (47%):				
Nuclear	1 (a)	1985	Uranium	550
Total				2,615
				=====

(a) We jointly own Jeffrey Energy Center (20%), La Cygne 1 generating unit (50%) and Wolf Creek Generating Station (47%). Western Resources jointly owns 64% of Jeffrey Energy Center.

(b) In 1987, KGE sold and leased back its 50% individual interest in the La Cygne 2 generating unit.

(c) Our share of each turbine is less than 0.5 MW.

We own approximately 2,500 miles of transmission lines, approximately 9,300 miles of overhead distribution lines, and approximately 1,700 miles of underground distribution lines.

FINANCING

Substantially all of our utility properties are encumbered by a first priority mortgage pursuant to which bonds have been issued and are outstanding.

ITEM 3. LEGAL PROCEEDINGS

Information on our legal proceedings is set forth in Notes 3, 8, and 9 of Notes to Consolidated Financial Statements. See also Item 1. Business, Environmental Matters, and Regulation and Rates.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Information required by Item 4 is omitted pursuant to General Instruction I(2)(c) to Form 10-K.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

All of our common stock is owned by Western Resources and is not traded on an established public trading market.

ITEM 6. SELECTED FINANCIAL DATA

	2000	1999	1998	1997	1996
	(In Thousands)				
Income Statement Data:					
Sales	\$ 703,990	\$ 638,340	\$ 648,379	\$614,445	\$ 654,570
Net income	86,708	84,261	103,765	52,128	96,274
Balance Sheet Data:					
Total assets	\$2,988,573	\$2,989,710	\$3,057,971	\$3,117,108	\$3,318,887
Long-term debt (net)	684,366	684,271	684,167	684,128	684,068

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

RESULTS OF OPERATIONS

INTRODUCTION

Unless the context otherwise indicates, all references in this report on Form 10-K to the "company," "we," "us," or "our" or similar words are to Kansas Gas and Electric Company.

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

- What factors impact our business
- What our earnings and costs were in 2000 and 1999
- Why these earnings and costs differ from year to year
- How our earnings and costs affect our overall financial condition
- What our capital expenditures were for 2000
- What we expect our capital expenditures to be for the years 2001 through 2003
- How we plan to pay for these future capital expenditures
- Any other items that particularly affect our financial condition or earnings

As you read Management's Discussion and Analysis, please refer to our Consolidated Financial Statements which show our operating results.

SUMMARY OF SIGNIFICANT ITEMS

PNM Merger and Split-off of Westar Industries

On November 8, 2000, Western Resources entered into an agreement under which Public Service Company of New Mexico (PNM) will acquire the electric utility businesses of Western Resources (including us) in a stock-for-stock transaction. Under the terms of the agreement, both Western Resources and PNM will become subsidiaries of a new holding company.

Western Resources can give no assurance as to whether or when the consummation of the acquisition of Western Resources by PNM may occur.

OPERATING RESULTS

We supply electric energy at retail to approximately 291,000 customers in Kansas. We also supply electric energy to at wholesale to the electric distribution systems of 28 communities. We have contracts for the sale, purchase or exchange of electricity with other utilities at wholesale.

In addition, we engage in system hedging transactions which are entered into at certain times to reduce exposure relative to the volatility of market prices for purchased power. The settlement of system hedging transactions affects both our sales and our cost of sales although the net effect in 2000 was insignificant. If the cost of settling the

hedging transactions exceeds the premiums from the related sales, the net effect will be a loss just as there would be a net gain if the premiums from the sales exceed the corresponding cost of the sales.

Many things will affect our future sales. They include:

- The weather
- Our electric rates
- Competitive forces
- Customer conservation efforts
- Wholesale demand
- The overall economy of our service area
- The City of Wichita's attempt to create a municipal electric utility
- The cost of fuel and purchased power included in base rates
- The results of our system hedging transactions

Our electric sales for the last three years ended December 31 were as follows:

	2000 -----	1999 -----	1998 -----
		(In Thousands)	
Residential	\$246,665	\$220,645	\$237,571
Commercial	175,686	169,427	170,473
Industrial	161,693	163,158	167,331
Other	23,690	21,855	22,370
Wholesale	78,596	63,255	50,634
System Hedging	17,660	-	-
	-----	-----	-----
Total	\$703,990 =====	\$638,340 =====	\$648,379 =====

The following tables reflect the changes in electric sales volumes, as measured by megawatt hours, for the years ended December 31, 2000, 1999 and 1998:

	2000 -----	1999 -----	% Change -----
Residential.....	2,950,212	2,601,308	13.4 %
Commercial.....	2,544,435	2,413,126	5.4 %
Industrial.....	3,560,916	3,548,216	0.4 %
Other.....	44,567	44,753	(0.4)%
	-----	-----	-----
Total Retail..	9,100,130	8,607,403	5.7 %
Wholesale.....	2,406,950	1,831,943	31.4 %
	-----	-----	-----
Total.....	11,507,080 =====	10,439,346 =====	10.2 % =====

	1999 -----	1998 -----	% Change -----
Residential.....	2,601,308	2,783,998	(6.6)%
Commercial.....	2,413,126	2,383,197	1.3 %
Industrial.....	3,548,216	3,568,948	(0.6)%
Other.....	44,753	45,485	(1.6)%
	-----	-----	-----
Total Retail..	8,607,403	8,781,628	(2.0)%
Wholesale.....	1,831,943	1,540,546	18.9 %
	-----	-----	-----
Total.....	10,439,346 =====	10,322,174 =====	1.1 % =====

2000 compared to 1999: Net income increased \$2.4 million and total gross profit increased \$12.6 million, or two percent. These increases are due primarily to a 13% increase in residential sales volumes and a 31% increase in wholesale sales volumes. The increase in residential sales is primarily due to increased demand caused by warm weather. Cooling-degree

days increased by 27%. The increase in wholesale sales volumes was primarily due to increased wholesale market opportunities. Items included in energy cost of sales are fuel expense and purchased power expense (electricity we purchase from others for resale).

Partially offsetting the higher sales was an increase of \$53.0 million in cost of sales primarily due to increased fuel and purchased power expenses of approximately \$25.5 million. Fuel and purchased power expenses were higher primarily due to increased commodity prices, increased demand from retail customers because of warmer weather and higher wholesale sales volumes.

1999 compared to 1998: Net income decreased \$19.5 million and total gross profit decreased \$9.4 million, or 2%. Total sales decreased \$10 million. Our service territories averaged 27% fewer cooling degree days in 1999, lowering our retail sales by \$12.7 million. The implementation of our electric rate decreases on June 1, 1999, and June 1, 1998, further decreased our retail sales \$10 million. Increased wholesale sales of \$12.6 million partially offset the retail sales decreases. Due to warmer than normal weather throughout the Midwest in July 1999 and increased availability of our coal-fired generation stations, we were able to sell more electricity to wholesale customers in 1999.

Cost of sales decreased approximately \$0.7 million primarily due to lower purchased power expense. We purchased less power to serve our retail customers because of milder weather which reduced demand.

BUSINESS SEGMENTS

We have defined two business segments, electric operations and nuclear generation, based on how management currently evaluates our business. Our business segments are based on differences in products and services, production processes and management responsibility.

We manage our business segments' performance based on their earnings before interest and taxes (EBIT). EBIT does not represent cash flow from operations as defined by generally accepted accounting principles, should not be construed as an alternative to operating income and is indicative neither of operating performance nor cash flows available to fund the cash needs of our company. Items excluded from EBIT are significant components in understanding and assessing the financial performance of our company. We believe presentation of EBIT enhances an understanding of financial condition, results of operations and cash flows because EBIT is used by our company to satisfy its debt service obligations, capital expenditures and other operational needs, as well as to provide funds for growth. Our computation of EBIT may not be comparable to other similarly titled measures of other companies.

The following tables reflect key information for our two electric utility business segments.

	For the years ended December 31,		
	2000	1999	1998
	(Dollars in Thousands)		
Electric Operations:			
External sales.....	\$703,990	\$638,340	\$648,379
Depreciation and amortization..	64,242	61,531	59,239
EBIT.....	194,611	193,980	219,014
Nuclear Generation:			
Internal sales.....	\$107,770	\$108,445	\$117,517
Depreciation and amortization..	40,052	39,629	39,583
EBIT.....	(24,323)	(25,214)	(20,920)

Electric Operations

External sales include power produced for sale to wholesale and retail customers and the amounts associated with the system hedging transactions discussed above.

2000 compared to 1999: External sales increased \$65.7 million primarily due to 13% higher residential sales volumes and 31% higher wholesale sales volumes. Approximately \$17.7 million in system hedging transactions also increased external sales.

While sales increased \$65.7 million or 10%, EBIT increased only \$0.6 million primarily due to higher cost of sales of \$53.6 million. Cost of sales was higher primarily due to increased fuel and purchased power expenses of approximately \$44.3 million.

Fuel and purchased power expenses were higher primarily due to increased commodity prices, increased demand from retail customers because of warmer weather and higher wholesale sales volumes.

The cost of fuel was significantly affected by increased gas costs of \$9.2 million (despite an 11.2% reduction in MMBtu of gas burned). Our average natural gas price increased 45% during the year compared to 1999. Additionally, coal costs increased by \$8.2 million primarily due to increasing the quantities of coal burned in our efforts to minimize gas costs and cost of oil increased \$3.3 million primarily due to increased price and increasing the quantities of oil burned. See the Market Risk Disclosure in Item 7. Management's Discussion and Analysis for further discussion.

Operation and maintenance expenses increased \$7.0 million primarily due to our increased sales.

Other expense increased \$3.5 million primarily due to transaction costs associated with the sale of our accounts receivable in a financing transaction and because of a gain recorded in 1999 on the disposition of property.

1999 compared to 1998: External sales decreased \$10 million. This decrease is primarily due to decreased retail sales volumes as a result of milder temperatures in 1999 and the implementation of our rate decreases. Increased wholesale sales partially offset these decreases. In 1999 and 1998, the wholesale power market experienced extreme volatility in prices and supply.

EBIT decreased \$25 million primarily because of lower gross profit, increased operating expenses and lower other income. Operating expenses were higher primarily because of higher selling, general and administrative expense related to increased expenses for salaries and employee benefits. The restarting of our Neosho generation station, and a boiler outage at our Gordon Evans generation station also contributed to our increased operating expenses.

Other income (expense) decreased \$11.8 million. No significant corporate-owned life insurance proceeds were received in 1999. In 1998 we received \$13.7 million in proceeds pursuant to our corporate-owned life insurance policies.

Nuclear Generation

Nuclear generation has only internal sales because it provides all of its power to its co-owners: Kansas City Power and Light Company, Kansas Electric Power Cooperative, Inc., and us. We own 47% of Wolf Creek Nuclear Operating Corporation (WCNOC), the operating company for Wolf Creek Generating Station (Wolf Creek). Internal sales are priced at an internal transfer price that Nuclear Generation charges to Electric Operations. The amounts above are our 47% share of Wolf Creek's operating results.

Wolf Creek has a scheduled refueling and maintenance outage approximately every 18 months. The next outage is scheduled in the spring of 2002. During an outage, Wolf Creek produces no power for its co-owners; therefore internal sales, EBIT and nuclear fuel expense decrease.

2000 compared to 1999: Wolf Creek shut down on September 29, 2000, for its eleventh scheduled refueling and maintenance outage. Internal sales and EBIT declined immaterially because both periods had scheduled refueling and maintenance outages.

1999 compared to 1998: Internal sales and EBIT decreased primarily due to the scheduled 36-day refueling and maintenance outage at Wolf Creek in 1999. In 1998 Wolf Creek operated the entire year without any outages.

OTHER

Income Taxes

2000 compared to 1999: Total income tax expense included in the Statements of Income reflects the Federal statutory rate of 35%. The Federal statutory rate produces effective income tax rates of 28.2% for 2000 and 29.3% for 1999. The effective income tax rates are lower than the Federal statutory rate due to differences, such as the amortization of investment tax credits and benefits from corporate-owned life insurance.

1999 compared to 1998: Our effective income tax rates are affected by the receipt of proceeds from our corporate-owned life insurance policies and the amortization of prior years' investment tax credits. Income taxes decreased \$10 million due to lower pre-tax income. Pre-tax income was lower primarily because of higher operating expenses and the absence of death proceeds received from corporate-owned life insurance policies.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Most of our cash requirements consist of capital expenditures and maintenance costs designed to improve and maintain facilities which provide electric service and meet future customer service requirements. Our ability to provide the cash or debt to fund our capital expenditures depends upon many things, including available resources, our financial condition and current market conditions.

Funds are available to us from the sale of securities we register for sale with the

SEC. As of December 31, 2000, \$50 million of KGE first mortgage bonds were registered.

Our mortgage prohibits additional first mortgage bonds from being issued (except in connection with certain refundings) unless our net earnings before income taxes and before provision for retirement and depreciation of property for a period of 12 consecutive months within 15 months preceding the issuance are not less than either two and one-half times the annual interest charges on, or 10% of the principal amount of, all first mortgage bonds outstanding after giving effect to the proposed issuance. In addition, the issuance of bonds is subject to limitations based upon the amount of bondable property additions. As of December 31, 2000, approximately \$242 million principal amount of additional first mortgage bonds could be issued under the most restrictive tests in the mortgage.

Our internally generated cash is generally sufficient to fund operations and debt service payments. We do not maintain independent short-term credit facilities and rely on Western Resources for short-term cash needs. If Western Resources is unable to borrow under its credit facilities, we could have a short term liquidity issue which could require us to obtain a credit facility for our short-term cash needs and which could result in higher borrowing costs.

On June 28, 2000, Western Resources entered into a \$600 million, multi-year term loan that replaced two revolving credit facilities which matured on June 30, 2000. The term loan is secured by first mortgage bonds of the company and Western Resources and has a final maturity date of March 17, 2003.

Western Resources also has an arrangement with certain banks to provide a revolving credit facility on a committed basis totaling \$500 million. The facility is secured by first mortgage bonds of the company and Western Resources and matures on March 17, 2003.

Sale of Accounts Receivable

On July 28, 2000, we and Western Resources entered into an agreement to sell, on an ongoing basis, all of our accounts receivable arising from the sale of electricity, to WR Receivables Corporation, a special purpose entity wholly owned by Western Resources. The agreement expires on July 26, 2001, and is annually renewable upon agreement by both parties. The special purpose entity has sold and, subject to certain conditions, may from time to time sell, up to \$125 million (and upon request, subject to certain conditions, up to \$175 million) of an undivided fractional ownership interest in the pool of receivables to a third-party, multi-seller receivables funding entity affiliated with a lender. Our retained interests in the receivables sold are recorded at cost which approximates fair value. As of December 31, 2000, net proceeds of \$115 million were received by Western Resources, of which approximately \$39.1 million were received by us.

Cash Flows From Operating Activities

Cash from operating activities decreased 20.8%, or \$43.7 million. The decrease is primarily attributable to changes in working capital requirements at year end due to higher sales in December 2000 as compared to December 1999.

Cash Flows Used in Financing Activities

We used \$69.9 million less cash for financing activities in 2000 primarily due to the net proceeds received from the sale of our accounts receivable discussed above.

Standard & Poor's Ratings Group (S&P), Fitch Investors Service (Fitch) and Moody's Investors Service (Moody's) are independent credit-rating agencies that rate our debt securities. These ratings indicate the agencies' assessment of our ability to pay interest and principal on these securities.

Credit rating agencies are applying more stringent guidelines when rating utility companies due to increasing competition and utility investment in non-utility businesses. Following the announcement on November 9, 2000, of an agreement under which PNM will acquire the electric utility businesses of Western Resources, including us, S&P revised its Credit Watch for us from developing to positive. Moody's has also upgraded its outlook from negative to positive. Fitch also revised our Rating Watch from negative to evolving after the November 2000 announcement.

The current ratings with these agencies are as follows:

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

Future Cash Requirements

We believe that internally generated funds and borrowings from Western Resources will be sufficient to meet our operating and capital expenditure requirements and debt service payments through the year 2003. Uncertainties affecting our ability to meet these requirements include the factors affecting sales described above, the effect of inflation on operating expenses, regulatory actions, municipalization efforts by the City of Wichita, the pending rate applications and compliance with future environmental regulations.

We forecast that we will need additional capacity of approximately 150 MW by 2005 to serve our customers' expected electricity needs. We will determine the methods for supplying this additional energy at a future date.

In 2003, \$135 million of our bonds will mature and \$65 million of our bonds will mature in 2005.

Our business requires significant capital investments. We currently expect that through the year 2003, we will need cash mostly for ongoing utility construction and maintenance programs designed to maintain and improve facilities providing electric service and to pay dividends to Western Resources on our common stock.

Capital expenditures for 2000 and anticipated capital expenditures for 2001 through 2003 are as follows:

	Electric Operations	Nuclear Generation	Total
(In Thousands)			
2000.....	\$56,800	\$25,900	\$82,700
2001.....	60,600	16,700	77,300
2002.....	60,200	19,900	80,100
2003.....	59,800	29,400	89,200

These estimates are prepared for planning purposes and will be revised from time to time. Actual expenditures are likely to differ from our estimates.

Capital Structure

Our capital structure at December 31, 2000 and 1999 was as follows:

	2000	1999

Shareholders' Equity..	62%	62%
Long-term Debt.....	38	38

Total.....	100%	100%

OTHER INFORMATION

City of Wichita Municipalization Efforts: In December 1999, the City Council of Wichita, Kansas, authorized the hiring of an outside consultant to determine the feasibility of creating a municipal electric utility to replace us as the supplier of electricity in Wichita. The feasibility study was released in February 2001 and estimates that the City of Wichita would be required to pay us \$145 million for our stranded costs if it were to municipalize. However, we estimate the amount to be substantially greater. In order to municipalize our Wichita electric facilities, the City of Wichita would be required to purchase our facilities or build a separate independent system and arrange for its own power supply. These costs are in addition to the stranded costs for which the city would be required to reimburse us. On February 2, 2001, the City of Wichita announced its intention to proceed with its attempt to municipalize our retail electric utility business in Wichita. We will oppose municipalization efforts by the City of Wichita. Should the city be successful in its municipalization efforts without providing us adequate compensation for our assets and lost revenues, the adverse effect on our business and financial condition could be material.

Our franchise with the City of Wichita to provide retail electric service expires in March 2002. There can be no assurance that we can successfully renegotiate the franchise with terms similar, or as favorable, as those in the current franchise. Under Kansas law, we will continue to have the right to serve the customers in Wichita following the expiration of the franchise, assuming the system is not municipalized. Customer within the Wichita metropolitan area account for approximately 54% of our total energy sales.

KCC Rate Proceedings: On November 27, 2000, we and Western Resources filed applications with the KCC for a change in retail rates which included a cost allocation study and separate cost of service studies for Western Resources' KPL division and us. We and Western Resources also provided revenue requirements on a combined company basis on December 28, 2000. If approved as proposed, the impact of these rate requests will be an annual increase of \$93.0 million for the KPL division and \$58.0 million for us for a total of \$151.0 million. The proposal also contains a mechanism for adjusting these rate requests up or down if projected natural gas fuel prices are different from the prices utilized in the November 27, 2000

filings. We anticipate a ruling by the KCC in July 2001 but are unable to predict the outcome. We can give no assurance that these rate requests will be approved as proposed.

FERC Proceeding: In September 1999, the City of Wichita filed a complaint with FERC against us alleging improper affiliate transactions between Western Resources' KPL division and us. The City of Wichita asked that FERC equalize the generation costs between us and KPL, in addition to other matters. A hearing on the case was held at FERC on October 11 and 12, 2000 and on November 9, 2000, a FERC administrative law judge ruled in our favor that no change in rates was required. On December 13, 2000, the City of Wichita filed a brief with FERC asking that the Commission overturn the judge's decision. On January 5, 2001, we filed a brief opposing the city's position. We anticipate a decision by FERC in the second quarter of 2001. A decision requiring equalization of rates could have a material adverse effect on our business and financial condition.

Competition and Deregulation: The United States electric utility industry is evolving from a regulated monopolistic market to a competitive marketplace. During 2000 and early 2001, extensive problems in the deregulated California market have caused many states to reconsider deregulation efforts. Various states have taken steps to allow retail customers to purchase electric power from providers other than their local utility company. Several bills promoting deregulation were introduced to the Kansas Legislature in the 1999 legislative session but none passed. No bills were considered in the legislature during the 2000 legislative session. Based on these events, we do not anticipate deregulation to occur in Kansas in the near term.

The 1992 Energy Policy Act began deregulating the electricity market for generation. The Energy Policy Act permitted the FERC to order electric utilities to allow third parties the use of their transmission systems to sell electric power to wholesale customers. During 2000, wholesale electric sales represented approximately 11% of total electric sales. In 1992, we agreed to open access of our transmission system for wholesale transactions. FERC also requires us to provide transmission services to others under terms comparable to those we provide to ourselves. In December 1999, FERC issued an order (FERC Order 2000) encouraging formation of regional transmission organizations (RTOs), whose purpose is to facilitate greater competition at the wholesale level. We are a member of the Southwest Power Pool (SPP) which filed a second request with FERC in October 2000 to seek RTO recognition which reflects FERC comments to the SPP's first request. We anticipate that FERC Order 2000 will not have a material effect on us or our operations.

If retail wheeling is implemented in Kansas, increased competition for retail electricity sales may reduce our future electric utility earnings compared to our historical electric utility earnings. Wholesale and industrial customers may pursue cogeneration, self-generation, retail wheeling, municipalization or relocation to other service territories in an attempt to cut their energy costs. Our rates are approximately 5% below the national average for retail customers. Because of these rates, we expect to retain a substantial part of our current volume of sales volumes in a competitive environment.

Stranded Costs: The definition of stranded costs for a utility business is the investment in and carrying costs on property, plant and equipment and other regulatory assets which exceed the amount that can be recovered in a competitive market. We currently apply accounting standards that recognize the economic effects of rate regulation and record regulatory assets and liabilities related to our fossil generation, nuclear generation and power delivery operations. If we determine that we no longer meet the criteria of Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of

Regulation" (SFAS 71), we may have a material extraordinary non-cash charge to operations. Reasons for discontinuing SFAS 71 accounting treatment include increasing competition that restricts our ability to charge prices needed to recover costs already incurred and a significant change by regulators from a cost-based rate regulation to another form of rate regulation and the impact should the City of Wichita municipalization efforts be successful. We periodically review SFAS 71 criteria and believe our net regulatory assets, including those related to generation, are probable of future recovery. If we discontinue SFAS 71 accounting treatment based upon competitive or other events, such as the successful municipalization efforts by areas we serve, we may significantly impact the value of our net regulatory assets and our utility plant investments, particularly Wolf Creek.

Regulatory changes, including competition or successful municipalization efforts by the City of Wichita, could adversely impact our ability to recover our investment in these assets. As of December 31, 2000, we have recorded regulatory assets that are currently subject to recovery in future rates of approximately \$225.5 million. Of this amount, \$151.8 million is a receivable for income tax benefits previously passed on to customers. The remainder of the regulatory assets are items that may give rise to stranded costs and include coal contract settlement costs, deferred plant costs and debt issuance costs.

In a competitive environment or because of such successful municipalization efforts, we may not be able to fully recover our entire investment in Wolf Creek. We presently own 47% of Wolf Creek. We may also have stranded costs from an inability to recover our environmental remediation costs and long-term fuel contract costs in a competitive environment. If we determine that we have stranded costs and we cannot recover our investment in these assets, our future net income will be lower than our historical net income has been unless we compensate for the loss of such income with other measures.

Nuclear Decommissioning: Decommissioning is a nuclear industry term for the permanent shutdown of a nuclear power plant. The Nuclear Regulatory Commission (NRC) will terminate a plant's license and release the property for unrestricted use when a company has reduced the residual radioactivity of a nuclear plant to a level mandated by the NRC. The NRC requires companies with nuclear plants to prepare formal financial plans to fund decommissioning. These plans are designed so that funds required for decommissioning will be accumulated during the estimated remaining life of the related nuclear power plant.

On September 1, 1999, Wolf Creek submitted the 1999 Decommissioning Cost Study to the KCC for approval. The KCC approved the 1999 Decommissioning Cost Study on April 26, 2000. Based on the study, our share of Wolf Creek's decommissioning costs, under the immediate dismantlement method, is estimated to be approximately \$631 million during the period 2025 through 2034, or approximately \$221 million in 1999 dollars. These costs include decontamination, dismantling and site restoration and were calculated using an assumed inflation rate of 3.6% over the remaining service life from 1999 of 26 years. The actual decommissioning costs may vary from the estimates because of changes in the assumed dates of decommissioning, changes in regulatory requirements, changes in technology and changes in costs of labor, materials and equipment. On May 26, 2000, we filed an application with the KCC requesting approval of the funding of our decommissioning trust on this basis. Approval was granted by the KCC on September 20, 2000.

The FASB is reviewing the accounting for closure and removal costs, including decommissioning of nuclear power plants. The FASB has issued an Exposure Draft "Accounting for Obligations Associated with the Retirement of Long-Lived Assets." The FASB expects to issue a final statement of financial accounting standard in the second quarter of 2001. The

proposed Exposure Draft contains an effective date of fiscal years beginning after June 15, 2001. However, the ultimate effective date has not been finalized. If current accounting practices for nuclear power plant decommissioning are changed, the following could occur:

- Our annual decommissioning expense could be higher than in 2000
- The estimated cost for decommissioning could be recorded as a liability (rather than as accumulated depreciation)
- The increased costs could be recorded as additional investment in the Wolf Creek plant

We do not believe that such changes, if required, would adversely affect our operating results due to our current ability to recover decommissioning costs through rates (see Note 8 of the Notes to Consolidated Financial Statements).

Market Risk Disclosure

Market Price Risk: We are exposed to market risk, including market changes, changes in commodity prices and interest rates.

Commodity Price Exposure: We are exposed to commodity price changes and use derivatives for non-trading purposes primarily to reduce exposure relative to the volatility of market prices. From 1999 to 2000, we experienced a 13% increase in the average price per MW of electricity purchased for utility operations. Actual purchased power market volatility was significantly greater than the average price increase indicates. If we were to have a similar increase from 2000 to 2001, given the amount of power purchased for utility operations during 2000, we would have an exposure of approximately \$1.2 million of operating income. Due to the volatility of the power market, past prices cannot be used to predict future prices.

We use a mix of various fuel types, including coal and natural gas, to operate our system, which helps lessen our risk associated with any one fuel type. Natural gas prices increased significantly during 2000 throughout the nation. This increase impacted the cost of gas we used for generation as well as our cost of purchased power. From December 31, 1999 to December 31, 2000, we experienced a 45% increase in our average cost for natural gas purchased for utility operations, or an increase of \$1.03 per MMBtu. The higher natural gas prices increased our total cost of gas purchased during 2000 by approximately \$9.2 million although we decreased the quantity burned by 1.6 million MMBtu. If we were to have a similar increase from 2000 to 2001, we would have an exposure of approximately \$18.5 million of operating income.

Based on MMBtu's of natural gas and fuel oil burned during 2000, we had exposure of approximately \$5.0 million of operating income for a 10% change in average price paid per MMBtu. Actual natural gas market volatility was significantly greater than that indicated by the average price increase. Due to the volatility of natural gas prices, past prices cannot be used to predict future prices.

During the first quarter of 2001, spot market prices for western coal markets increased significantly. This increase will impact the fuel contracts currently in place for the portion of our 2001 anticipated coal needs at our La Cygne Generating Station, increasing our coal commodity price market risk. We believe that 2001 spot market purchases will be at higher rates than those experienced during 2000.

In an effort to mitigate fuel commodity price market risk, we and Western Resources jointly use hedging arrangements to minimize our exposure to increased coal, natural gas and oil prices. Our future exposure to changes in fossil fuel prices will be dependent upon the market prices and the extent and effectiveness of any hedging arrangements we enter into.

Additional factors that affect our commodity price exposure are the quantity and availability of fuel used for generation and the quantity of electricity customers will consume. Quantities of fossil fuel used for generation could vary dramatically year to year based on the individual fuel's availability, price, deliverability, unit outages and nuclear refueling. Our customers' electricity usage could also vary dramatically year to year based on the weather or other factors.

Financial Hedging Exposure: We also use financial instruments to hedge a portion of our anticipated fossil fuel needs. At the time we enter into these transactions, we are unable to determine what the value will be when the agreements are actually settled.

Interest Rate Exposure: We have approximately \$46.4 million of variable rate debt as of December 31, 2000. A 100 basis point change in each debt series' benchmark rate used to set the rate for such series would impact net income on an annual basis by approximately \$0.3 million after tax.

New Accounting Pronouncements

In June 1998, the FASB issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133). SFAS 133, as amended, is effective for fiscal years beginning after June 15, 2000. SFAS 133 establishes accounting and reporting standards requiring that every derivative instrument, including certain derivative instruments embedded in other contracts, be recorded in the balance sheet as either an asset or liability measured at its fair value. SFAS 133 requires that changes in the derivatives' fair value be recognized currently in earnings unless specific hedge accounting criteria are met.

We adopted SFAS 133 on January 1, 2001. We have evaluated our commodity contracts, financial instruments and other contracts and have determined that we have derivative instruments which will be marked to market through earnings in accordance with SFAS 133. We will not designate any derivatives as hedges. We estimate that the effect on our financial statements of adopting SFAS 133 on January 1, 2001, will be to increase pre-tax earnings for the first quarter of 2001 by approximately \$21 million. Accounting for derivatives under SFAS 133 may increase volatility in future earnings.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information relating to market risk disclosure is set forth in Other Information of Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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SCHEDULES OMITTED

The following schedules are omitted because of the absence of the conditions under which they are required or the information is included in the financial statements and schedules presented:

- I, II, III, IV, and V.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of
Kansas Gas and Electric Company:

We have audited the accompanying consolidated balance sheets of Kansas Gas and Electric Company (a wholly-owned subsidiary of Western Resources, Inc.) as of December 31, 2000 and 1999, and the related consolidated statements of income, cash flows and shareholder's equity for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kansas Gas and Electric Company as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

ARTHUR ANDERSEN LLP

Kansas City, Missouri,
March 9, 2001

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

	December 31,	
	2000	1999
ASSETS		

CURRENT ASSETS:		
Cash and cash equivalents.....	\$ 7,101	\$ 37
Accounts receivable (net).....	87,921	67,751
Receivable from affiliates.....	53,107	37,087
Inventories and supplies (net).....	46,388	46,179
Prepaid expenses and other.....	21,991	19,103
	-----	-----
Total Current Assets.....	216,508	170,157
	-----	-----
PROPERTY, PLANT AND EQUIPMENT (NET).....	2,450,061	2,480,696
	-----	-----
OTHER ASSETS:		
Regulatory assets.....	225,479	251,518
Other.....	96,525	87,339
	-----	-----
Total Other Assets.....	322,004	338,857
	-----	-----
TOTAL ASSETS.....	\$2,988,573	\$2,989,710
	=====	=====
LIABILITIES AND SHAREHOLDER'S EQUITY		

CURRENT LIABILITIES:		
Accounts payable.....	\$ 73,562	\$ 76,995
Accrued liabilities.....	28,245	28,052
Other.....	10,396	3,375
	-----	-----
Total Current Liabilities.....	112,203	108,422
	-----	-----
LONG-TERM LIABILITIES:		
Long-term debt (net).....	684,366	684,271
Deferred income taxes and investment tax credits..	736,436	774,961
Deferred gain from sale-leaseback.....	186,294	198,123
Other.....	160,061	101,428
	-----	-----
Total Long-term Liabilities.....	1,767,157	1,758,783
	-----	-----
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDER'S EQUITY:		
Common stock, without par value, authorized and issued 1,000 shares.....	1,065,634	1,065,634
Retained earnings.....	43,579	56,871
	-----	-----
Total Shareholder's Equity.....	1,109,213	1,122,505
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY.....	\$2,988,573	\$2,989,710
	=====	=====

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

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

	Year Ended December 31,		
	2000	1999	1998
SALES.....	\$703,990	\$638,340	\$648,379
COST OF SALES.....	170,672	117,647	118,322
GROSS PROFIT.....	533,318	520,693	530,057
OPERATING EXPENSES:			
Operating and maintenance expense.....	189,456	181,784	181,540
Depreciation and amortization.....	104,294	101,160	98,822
Selling, general and administrative expense....	62,710	65,900	60,277
Total Operating Expenses.....	356,460	348,844	340,639
INCOME FROM OPERATIONS.....	176,858	171,849	189,418
OTHER INCOME (EXPENSE).....	(6,570)	(3,083)	8,676
EARNINGS BEFORE INTEREST AND TAXES.....	170,288	168,766	198,094
INTEREST EXPENSE:			
Interest expense on long-term debt.....	46,241	45,920	45,990
Interest expense on short-term debt and other..	3,364	3,598	3,368
Total Interest Expense.....	49,605	49,518	49,358
EARNINGS BEFORE INCOME TAXES.....	120,683	119,248	148,736
INCOME TAXES.....	33,975	34,987	44,971
NET INCOME.....	\$ 86,708	\$ 84,261	\$103,765

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

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

	Year Ended December 31,		
	2000	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income.....	\$ 86,708	\$ 84,261	\$ 103,765
Depreciation and amortization.....	104,294	101,160	98,822
Amortization of nuclear fuel.....	14,971	15,464	18,694
Amortization of deferred gain from sale-leaseback...	(11,829)	(11,828)	(11,828)
Changes in working capital items:			
Accounts receivable (net).....	(17,453)	(1,238)	141
Inventories and supplies (net).....	(209)	(3,059)	(2,102)
Prepaid expenses and other.....	(2,888)	(4,006)	2,068
Accounts payable.....	(3,433)	(1,515)	(3,476)
Accrued liabilities.....	193	(6,147)	1,454
Other.....	7,021	596	1,988
Changes in other assets and liabilities.....	(10,645)	36,703	4,823
Net cash flows from operating activities.....	166,730	210,391	214,349
CASH FLOWS USED IN INVESTING ACTIVITIES:			
Additions to property, plant and equipment (net)....	(82,716)	(63,574)	(77,419)
Net cash flows (used in) investing activities...	(82,716)	(63,574)	(77,419)
CASH FLOWS (USED IN) FINANCING ACTIVITIES:			
Short-term debt (net).....	-	-	(45,000)
Net proceeds from accounts receivable sale.....	39,100	-	-
Advances to parent company (net).....	(16,020)	(46,801)	8,153
Retirements of long-term debt.....	(30)	(20)	(85)
Dividends to parent company.....	(100,000)	(100,000)	(100,000)
Net cash flows (used in) financing activities....	(76,950)	(146,821)	(136,932)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS..	7,064	(4)	(2)
CASH AND CASH EQUIVALENTS:			
Beginning of period.....	37	41	43
End of period.....	\$ 7,101	37	\$ 41
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
CASH PAID FOR:			
Interest on financing activities (net of amount capitalized)	\$ 85,308	\$ 77,668	\$ 75,611
Income taxes	22,200	-	37,520

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

KANSAS GAS AND ELECTRIC COMPANY
CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY
(Dollars in Thousands)

	Year Ended December 31,		
	2000	1999	1998
Common Stock.....	\$1,065,634	\$1,065,634	\$1,065,634
Retained Earnings:			
Beginning balance.....	56,871	72,610	68,845
Net income.....	86,708	84,261	103,765
Dividends to parent company..	(100,000)	(100,000)	(100,000)
Ending balance.....	43,579	56,871	72,610
Total Shareholder's Equity.....	\$1,109,213	\$1,122,505	\$1,138,244
	=====	=====	=====

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

KANSAS GAS AND ELECTRIC COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business: The company is a rate-regulated electric utility and wholly owned subsidiary of Western Resources. The company is engaged principally in the production, purchase, transmission, distribution, and sale of electricity and serves approximately 291,000 electric customers in southeastern Kansas. The company has no employees. All employees the company utilizes are provided by the company's parent, Western Resources, which allocates costs to the company.

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

The company prepares its financial statements in conformity with accounting principles generally accepted in the United States. 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 dates, and to report amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Regulatory Accounting: The company currently applies accounting standards for its rate regulated electric business that recognize the economic effects of rate regulation in accordance with Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation," (SFAS 71) and, accordingly, has recorded regulatory assets and liabilities when required by a regulatory order or when it is probable, based on regulatory precedent, that future rates will allow for recovery of a regulatory asset.

Cash and Cash Equivalents: The company considers highly liquid collateralized debt instruments purchased with a maturity of three months or less to be cash equivalents.

Property, Plant and Equipment: Property, plant and equipment is stated at cost. For utility plant, cost includes contracted services, direct labor and materials, indirect charges for engineering, supervision, general and administrative costs and an allowance for funds used during construction (AFUDC). AFUDC represents the cost of borrowed funds used to finance construction projects. The AFUDC rate was 7.45% for 2000, 6.00% for 1999 and 6.00% for 1998. The cost of additions to utility plant and replacement units of property are capitalized. Interest capitalized into construction in progress was \$1.0 million in 2000, \$1.0 million in 1999 and \$1.1 million in 1998.

Maintenance costs and replacement of minor items of property are charged to expense as incurred. Incremental costs incurred during scheduled Wolf Creek Generating Station refueling and maintenance outages are deferred and amortized monthly over the unit's operating cycle, normally about 18 months. When units of depreciable property are retired, the original cost and removal cost, less salvage value, are charged to accumulated depreciation.

In accordance with regulatory decisions made by the KCC, the acquisition premium of approximately \$801 million resulting from Western Resources' acquisition of KGE in 1992 is being amortized over 40 years. The acquisition premium is classified as electric plant in service. Accumulated amortization totaled \$108.2 million as of December 31, 2000 and \$88.1 million as of December 31, 1999.

Depreciation: Utility plant is depreciated on the straight-line method at rates approved by regulatory authorities. Utility plant is depreciated on an average annual composite basis using group rates that approximated 2.81% during 2000, 2.76% during 1999, and 2.75% during 1998. The company periodically evaluates its depreciation rates considering the past and expected future experience in the operation of its facilities.

Inventories and Supplies: Inventories and supplies for the company's utility business are stated at average cost.

Nuclear Fuel: The cost of nuclear fuel in process of refinement, conversion, enrichment, and fabrication is recorded as an asset at original cost and is amortized to cost of sales based upon the quantity of heat produced for the generation of electricity. The accumulated amortization of nuclear fuel in the reactor was \$18.6 million at December 31, 2000, and \$29.3 million at December 31, 1999.

Regulatory Assets and Liabilities: Regulatory assets represent probable future revenue associated with certain costs that will be recovered from customers through the ratemaking process. The company has recorded these regulatory assets in accordance with SFAS 71. If the company were required to terminate application of SFAS 71 for all of its regulated operations, the company would have to record the amounts of all regulatory assets and liabilities in its Statements of Income at that time. The company's earnings would be reduced by the total amount in the table below, net of applicable income taxes. Regulatory assets reflected in the financial statements are as follows:

	As of December 31,	
	2000	1999

	(In Thousands)	
Recoverable income taxes..	\$151,841	\$172,335
Debt issuance costs.....	34,215	37,158
Deferred plant costs.....	29,921	30,306
Other regulatory assets...	9,502	11,719

Total regulatory assets..	\$225,479	\$251,518
	=====	

- Recoverable income taxes: Recoverable income taxes represent amounts due from customers for accelerated tax benefits which have been previously flowed through to customers and are expected to be recovered in the future as the accelerated tax benefits reverse.
- Debt issuance costs: Debt reacquisition expenses are amortized over the remaining terms of the reacquired debt or, if refinanced, the term of the new debt. Debt issuance costs are amortized over the term of the associated debt.
- Deferred plant costs: Costs related to the Wolf Creek nuclear generating facility.

The company expects to recover all of the above regulatory assets in rates charged to customers. A return is allowed on deferred plant costs and coal contract settlement costs and approximately \$16.2 million of debt issuance costs.

Sales Recognition: Sales are recognized as services are rendered and include estimated amounts for energy delivered but unbilled at the end of each year. Unbilled sales are recorded as a component of accounts receivable (net) and amounted to \$23.4 million at December 31, 1999. During 2000, the company sold its accounts receivable, including amounts related to unbilled sales.

Income Taxes: Deferred tax assets and liabilities are recognized for temporary differences in amounts recorded for financial reporting purposes and their respective tax bases. Investment tax credits previously deferred are being amortized to income over the life of the property which gave rise to the credits.

Cash Surrender Value of Life Insurance: The following amounts related to corporate-owned life insurance policies (COLI) are recorded in other assets on the Balance Sheets at December 31:

	2000	1999
	-----	-----
	(In Millions)	
Cash surrender value of policies(a) ..	\$ 595.5	\$ 538.3
Borrowings against policies.....	(584.8)	(527.0)
	-----	-----
COLI (net).....	\$ 10.7	\$ 11.3
	=====	=====

(a) Cash surrender value of policies as presented represents the value of the policies as of the end of the respective policy years and not as of December 31, 2000 and 1999.

Income is recorded for increases in cash surrender value and net death proceeds. Interest incurred on amounts borrowed is offset against policy income. Income recognized from death proceeds is highly variable from period to period. Death benefits recognized as other income approximated \$0.2 million in 2000 and \$0.06 million in 1999.

New Accounting Pronouncements: In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133). SFAS 133, as amended, is effective for fiscal years beginning after June 15, 2000. SFAS 133 establishes accounting and reporting standards requiring that every derivative instrument, including certain derivative instruments embedded in other contracts, be recorded in the balance sheet as either an asset or liability measured at its fair value. SFAS 133 requires that changes in the derivatives' fair value be recognized currently in earnings unless specific hedge accounting criteria are met.

The company adopted SFAS 133 on January 1, 2001. The company has evaluated its commodity contracts, financial instruments and other contracts and determined that certain commodity contracts are derivative instruments. Under current GAAP, these contracts qualify as hedges. However, under SFAS 133, these contracts will not qualify as hedges. Accordingly, the instruments will be marked to market through earnings. The company estimates that the effect on its financial statements of adopting SFAS 133 will be to increase pre-tax earnings for the first quarter of 2001 by approximately \$21 million. Accounting for derivatives under SFAS 133 may increase volatility in future earnings.

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

2. PNM MERGER AND SPLIT-OFF OF WESTAR INDUSTRIES

On November 8, 2000, Western Resources entered into an agreement under which Public Service Company of New Mexico (PNM) will acquire the electric utility businesses of Western Resources (including the company) in a stock-for-stock transaction. Under the terms of the agreement, both Western Resources and PNM will become subsidiaries of a new holding company.

3. RATE MATTERS AND REGULATION

KCC Rate Proceedings: On November 27, 2000, the company and Western Resources filed applications with the KCC for a change in retail rates which included a cost allocation study and separate cost of service studies for KGE and Western Resources' KPL division. The company and Western Resources also provided revenue requirements on a combined company basis on December 28, 2000. The company anticipates a ruling by the KCC in July 2001 but is unable to predict the outcome.

FERC Proceeding: In September 1999, the City of Wichita filed a complaint with FERC against the company alleging improper affiliate transactions between Western Resources' KPL division and the company. The City of Wichita asked that FERC equalize the generation costs between the company and KPL, in addition to other matters. A hearing on the case was held at FERC on October 11 and 12, 2000 and on November 9, 2000, a FERC administrative law judge ruled in favor of the company that no change in rates was required. On December 13, 2000, the City of Wichita filed a brief with FERC asking that the Commission overturn the judge's decision. On January 5, 2001, the company filed a brief opposing the City's position. The company anticipates a decision by FERC in the second quarter of 2001.

4. SALE OF ACCOUNTS RECEIVABLE

On July 28, 2000, Western Resources and the company entered into an agreement to sell, on an ongoing basis, all of their accounts receivable, arising from the sale of electricity, to WR Receivables Corporation, a special purpose entity wholly owned by Western Resources. The agreement expires on July 26, 2001, and is annually renewable upon agreement by both parties. The special purpose entity has sold and, subject to certain conditions, may from time to time sell, up to \$125 million (and upon request, subject to certain conditions, up to \$175 million) of an undivided fractional ownership interest in the pool of receivables to a third-party, multi-seller receivables funding entity affiliated with a lender. The company's retained interests in the receivables sold are recorded at cost which approximates fair value. As of December 31, 2000, net proceeds of \$115 million were received by Western Resources, of which the company received approximately \$39.1 million.

5. SHORT-TERM BORROWINGS

The company had no short-term borrowings outstanding at December 31, 2000, and 1999.

The company's short-term liquidity needs are met from cash advances by Western Resources. Western Resources obtains funds from borrowings under its credit facilities.

Western Resources has an arrangement with certain banks to provide a revolving credit facility on a committed basis totaling \$500 million. The facility is secured by first mortgage bonds of the company and Western Resources and matures on March 17, 2003.

6. LONG-TERM DEBT

The amount of KGE's first mortgage bonds authorized by the KGE Mortgage and Deed of Trust (Mortgage) dated April 1, 1940, as supplemented, is limited to a maximum of \$2 billion. Amounts of additional bonds which may be issued are subject to property, earnings, and certain restrictive provisions of the Mortgage. Electric plant is subject to the lien of the Mortgage except for transportation equipment.

Debt discount and expenses are being amortized over the remaining lives of each issue. With the retirement of certain company pollution control series bonds, there are no longer any bond sinking fund requirements. During the years 2001 through 2005, \$135 million of bonds will mature in 2003 and \$65 million of bonds will mature in 2005.

Long-term debt outstanding is as follows at December 31:

	2000	1999
	-----	-----
	(In Thousands)	
First mortgage bond series:		
7.60% due 2003.....	\$135,000	\$135,000
6.50% due 2005.....	65,000	65,000
6.20% due 2006.....	100,000	100,000
	-----	-----
	300,000	300,000
	-----	-----
Pollution control bond series:		
5.10% due 2023.....	13,623	13,653
Variable due 2027, 4.60% at December 31, 2000..	21,940	21,940
7.0% due 2031.....	327,500	327,500
Variable due 2032, 4.60% at December 31, 2000..	14,500	14,500
Variable due 2032, 4.60% at December 31, 2000..	10,000	10,000
	-----	-----
	387,563	387,593
	-----	-----
Less:		
Unamortized discount.....	3,197	3,322
	-----	-----
Long-term debt (net).....	\$684,366	\$684,271
	=====	=====

7. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value as set forth in Statement of Financial Accounting Standards No. 107 "Disclosures about Fair Value of Financial Instruments."

Cash and cash equivalents, short-term borrowings and variable-rate debt are carried at cost which approximates fair value and are not included in the table below. The decommissioning trust is recorded at fair value and is based on the quoted market prices at

December 31, 2000 and 1999. The fair value of fixed- rate debt is estimated based on quoted market prices for the same or similar issues or on the current rates offered for instruments of the same remaining maturities and redemption provisions.

The recorded amount of accounts receivable and other current financial instruments approximate fair value.

The fair value estimates presented herein are based on market information available at December 31, 2000 and 1999. These fair value estimates have not been comprehensively revalued for the purpose of these financial statements since that date and current estimates of fair value may differ significantly from the amounts presented herein.

The carrying values and estimated fair values of the company's financial instruments are as follows:

	Carrying Value		Fair Value	
	As of December 31,			
	2000	1999	2000	1999
	(In Thousands)			
Decommissioning trust..	\$ 64,222	\$ 58,286	\$ 64,222	\$ 58,286
Fixed-rate debt.....	641,123	641,153	635,088	636,599

8. COMMITMENTS AND CONTINGENCIES

Efforts by Wichita to Equalize Rates May Affect Operations and Results: In September 1999, the City of Wichita filed a complaint with FERC against the company, alleging improper affiliate transactions between Western Resources' KPL division and the company. The City of Wichita asked that FERC equalize the generation costs between the company and KPL, in addition to other matters. On November 9, 2000, a FERC administrative law judge ruled in the company's favor that no change in rates was required. On December 13, 2000, the City of Wichita filed a brief with FERC asking that the Commission overturn the judge's decision. The company anticipates a decision by FERC in the second quarter of 2001. A decision requiring equalization of rates could have a material adverse effect on the company's operations and financial position.

Municipalization Efforts by Wichita May Affect Operations and Results: In December 1999, the City Council of Wichita, Kansas, authorized the hiring of an outside consultant to determine the feasibility of creating a municipal electric utility to replace the company as the supplier of electricity in Wichita. The feasibility study was released in February 2001 and estimates that the City of Wichita would be required to pay the company \$145 million for its stranded costs if the City were to municipalize. However, we estimate the amount to be substantially greater. In order to municipalize the company's Wichita electric facilities, the City of Wichita would be required to purchase the company's facilities or build a separate independent system and arrange for its own power supply. These costs are in addition to the stranded costs for which the city would be required to reimburse the company. On February 2, 2001, the City of Wichita announced its intention to proceed with its attempt to municipalize the company's retail electric utility business in Wichita. The company will oppose municipalization efforts by the City of Wichita. Should the city be successful in its municipalization efforts without providing the company adequate compensation for its assets and lost revenues, the adverse effect on the operations and financial condition of

the company could be material.

The company's franchise with the City of Wichita to provide retail electric service expires in March 2002. There can be no assurance that this franchise can be successfully renegotiated with terms similar, or as favorable, as those in the current franchise. Under Kansas law, the company will continue to have the right to serve the customers in Wichita following the expiration of the franchise, assuming the system is not municipalized. Customers within the Wichita metropolitan area account for approximately 54% of the company's total energy sales.

Purchase Orders and Contracts: The company has commitments under purchase orders and contracts, other than fuel at WCNOG, which have an unexpended balance of approximately \$2.1 million (company's share) at December 31, 2000.

Manufactured Gas Sites: The company has been associated with three 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 these sites. The terms of the consent agreement will allow the company to investigate these sites and set remediation priorities based on the results of the investigations and risk analysis. At December 31, 2000, the costs incurred from preliminary site investigation and risk assessment have been minimal.

Clean Air Act: The company must comply with the provisions of The Clean Air Act Amendments of 1990 that require a two-phase reduction in certain emissions. The company has installed continuous monitoring and reporting equipment to meet the acid rain requirements. Material capital expenditures have not been required to meet Phase II sulfur dioxide and nitrogen oxide requirements.

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 September 1, 1999, Wolf Creek submitted the 1999 Decommissioning Cost Study to the KCC for approval. The KCC approved the 1999 Decommissioning Cost Study on April 26, 2000. Based on the study, the company's share of Wolf Creek's decommissioning costs, under the immediate dismantlement method, is estimated to be approximately \$631 million during the period 2025 through 2034, or approximately \$221 million in 1999 dollars. These costs include decontamination, dismantling and site restoration and were calculated using an assumed inflation rate of 3.6% over the remaining service life from 1999 of 26 years. The actual decommissioning costs may vary from the estimates because of changes in the assumed dates of decommissioning, changes in regulatory requirements, changes in technology and changes in costs of labor, materials and equipment. On May 26, 2000, the company filed an application with the KCC requesting approval of the funding of the company's decommissioning trust on this basis. Approval was granted by the KCC on September 20, 2000.

Decommissioning costs are currently being charged to operating expense in accordance with the prior KCC orders. Electric rates charged to customers provide for recovery of

these decommissioning costs over the life of Wolf Creek. Amounts expensed approximated \$4.0 million in 2000 and will increase annually to \$5.5 million in 2024. These amounts are deposited in an external trust fund. The average after-tax expected return on trust assets is 5.8%.

The company's investment in the decommissioning fund, including reinvested earnings approximated \$64.2 million at December 31, 2000 and \$58.3 million at December 31, 1999. Trust fund earnings accumulate in the fund balance and increase the recorded decommissioning liability.

The FASB is reviewing the accounting for closure and removal costs, including decommissioning of nuclear power plants. The FASB has issued an Exposure Draft "Accounting for Obligations Associated with the Retirement of Long-Lived Assets." The FASB expects to issue a final statement of financial accounting standard in the second quarter of 2001. The proposed Exposure Draft contains an effective date of fiscal years beginning after June 15, 2001. However, the ultimate effective date has not been finalized. If current accounting practices for nuclear power plant decommissioning are changed, the following could occur:

- The company's annual decommissioning expense could be higher than in 2000
- The estimated cost for decommissioning could be recorded as a liability (rather than as accumulated depreciation)
- The increased costs could be recorded as additional investment in the Wolf Creek plant

The company does not believe that such changes, if required, would adversely affect its operating results due to its current ability to recover decommissioning costs through rates.

Nuclear Insurance: The Price-Anderson Act limits the combined public liability of the owners of nuclear power plants to \$9.5 billion for a single nuclear incident. If this liability limitation is insufficient, the United States 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. The remaining balance is provided by an assessment plan mandated by the Nuclear Regulatory Commission (NRC). Under this plan, the Owners are jointly and severally subject to a retrospective assessment of up to \$88.1 million 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 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 Nuclear Electric Insurance Limited (NEIL). In the event of an accident, insurance proceeds must first be used for reactor stabilization and site decontamination in accordance with a plan mandated by the NRC. The company's share of any remaining proceeds can be used to pay for property damage or decontamination expenses or, if certain requirements are met including decommissioning the plant, toward a shortfall in the decommissioning trust fund.

The Owners also carry additional insurance with NEIL to cover costs of replacement power and other additional 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 \$5.3 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 and coal. Some of these contracts contain provisions for price escalation and minimum purchase commitments. At December 31, 2000, WCNO's nuclear fuel commitments (company's share) were approximately \$7.3 million for uranium concentrates expiring in 2003, \$1.1 million for conversion expiring in 2003, \$16.1 million for enrichment expiring at various times through 2003 and \$61.3 million for fabrication through 2025.

At December 31, 2000, the company's coal and transportation contract commitments in 2000 dollars under the remaining terms of the contracts were approximately \$523.5 million. The largest contract expires in 2020, with the remaining contracts expiring at various times through 2013.

At December 31, 2000, the company's firm natural gas transportation commitments in 2000 dollars under the remaining terms of the contracts were approximately \$1.5 million. The natural gas transportation contracts provide firm service to the company's Gordon Evans and Murray Gill Energy Centers through 2010 and to the Neosho gas burning facility through 2016.

Energy Act: As part of the 1992 Energy Policy Act, a special assessment is being collected from utilities for an uranium enrichment decontamination and decommissioning fund. The company's portion of the assessment for Wolf Creek is approximately \$9.6 million, payable over 15 years. Such costs are recovered through the ratemaking process.

9. LEGAL PROCEEDINGS

The company is involved in various legal, environmental and regulatory proceedings. Management believes that adequate provision has been made and accordingly believes that the ultimate disposition of such matters will not have a material adverse effect upon the company's overall financial position or results of operations. See also Notes 3 and 8 for discussion of the City of Wichita's municipalization efforts and a FERC proceeding including the City of Wichita.

10. LEASES

At December 31, 2000, the company had leases covering various property and equipment. The company currently has no capital leases.

Rental payments for operating leases and estimated rental commitments are as follows:

Year Ended December 31,	Operating Leases

(In Thousands)	
Rental payments:	
1998	\$ 44,075
1999	43,827
2000	42,559
Future Commitments:	
2001	42,841
2002	41,730
2003	45,304
2004	40,157
2005	43,505
Thereafter	496,878

Total future commitments	\$710,415
	=====

In 1987, the company sold and leased back its 50% undivided interest in the La Cygne 2 generating unit. The La Cygne 2 lease has an initial term of 29 years, with various options to renew the lease or repurchase the 50% undivided interest. The company remains responsible for its share of operation and maintenance costs and other related operating costs of La Cygne 2. The lease is an operating lease for financial reporting purposes.

As permitted under the La Cygne 2 lease agreement, the company in 1992 requested the Trustee Lessor to refinance \$341.1 million of secured facility bonds of the Trustee and owner of La Cygne 2. The transaction was requested to reduce recurring future net lease expense. In connection with the refinancing on September 29, 1992, a one-time payment of approximately \$27 million was made by the company which has been deferred and is being amortized over the remaining life of the lease and included in operating expense as part of the future lease expense. As of December 31, 2000, the deferral cost was \$18.0 million.

Future minimum annual lease payments, included in the table above, required under the La Cygne 2 lease agreement are approximately \$34.6 million for each year through 2002, \$39.4 million in 2003, \$34.6 million in 2004, \$38.0 million in 2005 and \$464.6 million over the remainder of the lease.

The gain realized at the date of the sale of La Cygne 2 has been deferred for financial reporting purposes, and is being amortized (\$11.8 million per year) over the initial lease term in proportion to the related lease expense. The company's lease expense, net of amortization of the deferred gain and refinancing costs, was approximately \$28.9 million annually for 2000, 1999 and 1998.

11. INCOME TAXES

Income tax expense is composed of the following components at December 31:

	2000	1999	1998
	-----	-----	-----
	(In Thousands)		
Currently payable:			
Federal.....	\$38,754	\$38,710	\$ 53,297
State.....	9,683	9,453	12,080
Deferred:			
Federal.....	(9,837)	(8,531)	(14,299)
State.....	(1,388)	(1,407)	(2,866)
Amortization of investment tax credits.....	(3,237)	(3,238)	(3,241)
	-----	-----	-----
Total income tax expense ...	\$33,975	\$34,987	\$ 44,971
	=====	=====	=====

Under SFAS No. 109, "Accounting for Income Taxes," temporary differences gave rise to deferred tax assets and deferred tax liabilities as follows at December 31:

	2000	1999
	-----	-----
	(In Thousands)	
Deferred tax assets:		
Deferred gain on sale-leaseback.....	\$ 82,013	\$ 87,220
Other.....	43,778	40,969
	-----	-----
Total deferred tax assets.....	125,791	128,189
	-----	-----
Deferred tax liabilities:		
Accelerated depreciation and other.....	369,765	375,917
Acquisition premium.....	274,579	282,578
Deferred future income taxes.....	151,842	172,336
Other.....	9,282	12,322
	-----	-----
Total deferred tax liabilities.....	805,468	843,153
	-----	-----
Investment tax credits.....	56,759	59,997
	-----	-----
Accumulated deferred income taxes, net..	\$736,436	\$774,961
	=====	=====

In accordance with various rate orders, the company has not yet collected through rates certain accelerated tax deductions which have been passed on to customers. As management believes it is probable that the net future increases in income taxes payable will be recovered from customers, it has recorded a deferred asset for these amounts. These assets are also a temporary difference for which deferred income tax liabilities have been provided.

The effective income tax rates set forth below are computed by dividing total federal and state income taxes by the sum of such taxes and net income. The difference between the effective tax rates and the federal statutory income tax rates are as follows:

	For the Year Ended December 31,		
	-----	-----	-----
	2000	1999	1998
	----	----	----
Effective Income Tax Rate.....	28%	29%	30%
Effect of:			
State income taxes.....	(4)	(4)	(4)
Amortization of investment tax credits...	3	3	2
Corporate-owned life insurance policies..	9	7	9
Accelerated depreciation flow through and amortization, net.....	(4)	(2)	(2)
Other.....	3	2	-
	-----	-----	-----
Statutory Federal Income Tax Rate.....	35%	35%	35%
	=====	=====	=====

12. RELATED PARTY TRANSACTIONS

The cash management function, including cash receipts and disbursements, for the company is performed by Western Resources. An intercompany account is used to record net receipts and disbursements between KGE and Western Resources and KGE and WR Receivables Corporation. The net amount receivable from affiliates approximated \$53.1 million at December 31, 2000 and \$37.1 million at December 31, 1999 as reflected in the Consolidated Balance Sheets.

Certain operating expenses have been allocated to the company from Western Resources. These expenses are allocated, depending on the nature of the expense, based on allocation studies, net investment, number of customers, and/or other appropriate factors. Management believes such allocation procedures are reasonable. During 2000, the company declared dividends to Western Resources of \$100 million.

13. PROPERTY, PLANT AND EQUIPMENT

The following is a summary of property, plant and equipment at December 31:

	2000	1999
	-----	-----
	(In Thousands)	
Electric plant in service.....	\$3,674,643	\$3,623,852
Less - Accumulated depreciation.....	1,288,676	1,206,607
	-----	-----
	2,385,967	2,417,245
Construction work in progress.....	33,233	35,219
Nuclear fuel (net).....	30,791	28,013
	-----	-----
Net utility plant.....	2,449,991	2,480,477
Non-utility plant in service.....	70	219
	-----	-----
Net property, plant and equipment.	\$2,450,061	\$2,480,696
	=====	=====

The company's depreciation expense on property, plant and equipment was \$84.2 million in 2000, \$81.1 million in 1999 and \$78.7 million in 1998.

14. JOINT OWNERSHIP OF UTILITY PLANTS

		Company's Ownership at December 31, 2000				
		In-Service Dates	Invest- ment	Accumulated Depreciation	Net (MW)	Per- cent
		-----	----	-----	----	----
		(Dollars in Thousands)				
La Cygne 1	(a)	Jun 1973	\$ 182,794	\$ 115,903	344	50
Jeffrey 1	(b)	Jul 1978	72,810	33,299	149	20
Jeffrey 2	(b)	May 1980	69,780	33,083	148	20
Jeffrey 3	(b)	May 1983	101,478	45,016	148	20
Jeffrey wind 1	(b)	May 1999	193	12	(d)	20
Jeffrey wind 2	(b)	May 1999	192	11	(d)	20
Wolf Creek	(c)	Sep 1985	1,381,656	491,978	550	47

- (a) Jointly owned with Kansas City Power & Light Company (KCPL)
- (b) Jointly owned with Western Resources and UtiliCorp United Inc.
- (c) Jointly owned with KCPL and Kansas Electric Power Cooperative, Inc.
- (d) The company's share is less than 0.5 MW

Amounts and capacity presented above represent the company's share. The company's share of operating expenses of the plants in service above, as well as such expenses for a 50% undivided interest in La Cygne 2 (representing 337 MW capacity) sold and leased back to the company in 1987, are included in operating expenses on the Statements of Income. The company's share of other transactions associated with the plants is included in the appropriate classification in the company's financial statements.

15. SEGMENTS OF BUSINESS

In 1998, the company adopted SFAS 131, "Disclosures about Segments of an Enterprise and Related Information." This statement requires the company to define and report the company's business segments based on how management currently evaluates its business. Based on management's approach to determining business segments, the company has two business segments, electric operations and nuclear generation.

Electric operations involve the production, transmission and distribution of electric power for sale to approximately 291,000 retail and wholesale customers in Kansas. Nuclear generation represents the company's 47% ownership in the Wolf Creek nuclear generating facility. This segment has only internal sales because it provides all of its power to its co-owners.

The accounting policies of the segments are substantially the same as those described in the summary of significant accounting policies. The company evaluates segment performance based on earnings before interest and taxes. The company has no single external customer from which it receives ten percent or more of its revenues.

Year Ended December 31, 2000:

	Electric Operations	Nuclear Generation	Eliminating Items	Total
(In Thousands)				
External sales.....	\$ 703,990	\$ -	\$ -	\$ 703,990
Internal sales.....	-	107,770	(107,770)	-
Depreciation and amortization.....	64,242	40,052	-	104,294
Earnings before interest and taxes	194,611	(24,323)	-	170,288
Interest expense.....				49,605
Earnings before income taxes.....				120,683
Identifiable assets	1,920,345	1,068,228	-	2,988,573

Year Ended December 31, 1999:

	Electric Operations	Nuclear Generation	Eliminating Items	Total
(In Thousands)				
External sales.....	\$ 638,340	\$ -	\$ -	\$ 638,340
Internal sales.....	-	108,445	(108,445)	-
Depreciation and amortization.....	61,531	39,629	-	101,160
Earnings before interest and taxes	193,980	(25,214)	-	168,766
Interest expense.....				49,518
Earnings before income taxes.....				119,248
Identifiable assets	1,906,366	1,083,344	-	2,989,710

Year Ended December 31, 1998:

	Electric Operations	Nuclear Generation	Eliminating Items	Total
(In Thousands)				
External sales.....	\$ 648,379	\$ -	\$ -	\$ 648,379
Internal sales.....	-	117,517	(117,517)	-
Depreciation and amortization.....	59,239	39,583	-	98,822
Earnings before interest and taxes	219,014	(20,920)	-	198,094
Interest expense.....				49,358
Earnings before income taxes.....				148,736
Identifiable assets	1,936,462	1,121,509	-	3,057,971

16. QUARTERLY FINANCIAL STATISTICS (Unaudited)

The amounts in the table are unaudited but, in the opinion of management, contain all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the results of such periods. The business of the company is seasonal in nature and, in the opinion of management, comparisons between the quarters of a year do not give a true indication of overall trends and changes in operations.

2000

	First	Second	Third	Fourth
(In Thousands)				
Sales.....	\$149,913	\$164,967	\$229,456	\$159,654
Income from Operations..	22,067	45,706	84,668	24,417
Net income.....	5,968	23,007	49,395	8,338

1999

	First	Second	Third	Fourth
(In Thousands)				
Sales.....	\$133,910	\$147,170	\$217,986	\$139,274
Income from Operations..	30,172	31,735	86,982	22,960

Net income.....	12,905	14,070	49,512	7,774
-----------------	--------	--------	--------	-------

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND

 FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Western Resources, Inc. owns 100% of the Company's outstanding common stock.

Name	Age	Business Experience Since 1996 and Other Directorships Other Than The Company	A Director Continuously Since
----	---	-----	-----
Ronald W. Holt	54	Chairman of the Board and President (since January 2000), Assistant Secretary (January 1998 to January 2000), Kansas Gas and Electric Company. Executive Director, Southern Region (since January 2000); Senior Director, Corporate and Community Affairs (January 1999 to January 2000); Director, Community and Support Services (September 1995 to December 1998), Western Resources, Inc. Directorships Commerce Bank, N.A., Wichita, Kansas Via Christi Medical Center, Wichita, Kansas	2000
James A. Martin	43	Senior Vice President and Treasurer (since August 2000), Vice President, (July 1995 to August 2000), Western Resources, Inc.	1997
Marilyn B. Pauly (1)	51	Vice Chairman - Wichita Market Area, Commerce Bank N.A., Wichita, Kansas (since February 2001) Executive Vice President, Bank of America, N.A., Wichita, Kansas (1997 to 2000) Directorships Farmers Mutual Alliance Insurance Company	1994
Richard D. Smith (1)	68	President, Range Oil Company Directorships HCA Wesley Medical Center, Wichita, Kansas	1993

(1) Member of the Audit Committee of which Marilyn B. Pauly is Chairperson. The Audit Committee has responsibility for the investigation and review of the financial affairs of the company and its relations with independent accountants.

Outside directors are paid a \$3,750 per quarter retainer and are paid an attendance fee of \$600 for board meetings (\$300 if attending by phone). A committee attendance fee of \$800 is paid to the outside director Audit Committee Chairperson, and \$500 to other outside Committee members. All outside directors are reimbursed expenses while attending board and Committee Meetings.

During 2000, the Board of Directors met three times and the Audit Committee met once. Each director attended at least 75% of the total number of Board and Committee meetings held while he/she served as a director or a member of the committee.

Other information required by Item 10 is omitted pursuant to General Instruction I(2)(c) to Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

Information required by Item 11 is omitted pursuant to General Instruction I(2)(c) to Form 10-K.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information required by Item 12 is omitted pursuant to General Instruction I(2)(c) to Form 10-K.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information required by Item 13 is omitted pursuant to General Instruction I(2)(c) to Form 10-K.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

The following financial statements are included herein under Item 8.

FINANCIAL STATEMENTS

Consolidated Balance Sheets, December 31, 2000 and 1999
Consolidated Statements of Income for the years ended December 31, 2000, 1999 and 1998
Consolidated Statements of Cash Flows for the years ended December 31, 2000, 1999 and 1998
Consolidated Statements of Shareholder's Equity for the years ended December 31, 2000, 1999 and 1998
Notes to Consolidated Financial Statements

REPORTS ON FORM 8-K

Form 8-K filed November 28, 2000 - Press release announcing that Western Resources and KGE filed separate requests with the KCC seeking recovery of investments in new power plants and higher operating and maintenance costs.

EXHIBIT INDEX

All exhibits marked "I" are incorporated herein by reference.

Description

- | | | |
|------|--|---|
| 3(a) | Articles of Incorporation (Filed as Exhibit 3(a) to Form 10-K for the year ended December 31, 1992, File No. 1-7324) | I |
| 3(b) | Certificate of Merger of Kansas Gas and Electric Company into KCA Corporation (Filed as Exhibit 3(b) to Form 10-K for the year ended December 31, 1992, File No. 1-7324) | I |
| 3(c) | By-laws as amended (Filed as Exhibit 3(c) Form 10-K for the year ended December 31, 1992, File No. 1-7324) | I |
| 4(c) | Mortgage and Deed of Trust, dated as of April 1, 1940 to Guaranty Trust Company of New York (now Morgan Guaranty Trust Company of New York) and Henry A. Theis (to whom W. A. Spooner is successor), Trustees, as supplemented by forty Supplemental Indentures, dated as of June 1, 1942, March 1, 1948, December 1, 1949, June 1, 1952, October 1, 1953, March 1, 1955, February 1, 1956, January 1, 1961, May 1, 1966, March 1, 1970, May 1, 1971, March 1, 1972, May 31, 1973, July 1, 1975, December 1, 1975, September 1, 1976, March 1, 1977, May 1, 1977, August 1, 1977, March 15, 1978, January 1, 1979, April 1, 1980, July 1, 1980, August 1, 1980, June 1, 1981, December 1, 1981, May 1, 1982, March 15, 1984, September 1, 1984 (Twenty-ninth and Thirtieth), February 1, 1985, April 15, 1986, June 1, 1991, March 31, 1992, December 17, 1992, August 24, 1993, January 15, 1994, March 1, 1994, April 15, 1994 and June 28, 2000, (Filed, respectively, as Exhibit A-1 to Form U-1, File No. 70-23; Exhibits 7(b) and 7(c), File No. 2-7405; Exhibit 7(d), File No. 2-8242; Exhibit 4(c), File No. 2-9626; Exhibit 4(c), File No. 2-10465; Exhibit 4(c), File No. 2-12228; Exhibit 4(c), File No. 2-15851; Exhibit 2(b)-1, File No. 2-24680; Exhibit 2(c), File No. 2-36170; Exhibits 2(c) and 2(d), File No. 2-39975; Exhibit 2(d), File No. 2-43053; Exhibit 4(c)2 to Form 10-K, for December 31, 1989, File No. 1-7324; Exhibit 2(c), File No. 2- 53765; Exhibit 2(e), File No. 2-55488; Exhibit 2(c), File No. 2-57013; Exhibit 2(c), File No. 2-58180; Exhibit 4(c)3 to Form 10-K for December 31, 1989, File No. 1-7324; Exhibit 2(e), File No. 2-60089; Exhibit 2(c), File No. 2-60777; Exhibit2(g), File No. 2-64521; Exhibit 2(h), File No. 2-66758; Exhibits 2(d) and 2(e), File No. 2-69620; Exhibits 4(d) and 4(e), File No. 2-75634; Exhibit 4(d), File No. 2-78944; Exhibit 4(d), File No. 2-87532; Exhibits 4(c)4, 4(c)5 and 4(c)6 to Form 10-K for December 31, 1989, File No. 1-7324; Exhibits 4(c)2 and 4(c)3 to Form 10-K for December 31, 1992, File No. 1-7324; Exhibit 4(b) to Form S-3, File No. 33-50075; Exhibits 4(c)2 and 4(c)3 to Form 10-K for December 31, 1993, File No. 1-7324; Exhibit 4(c)2 to Form 10-K for December 31, 1994, File No. 1-7324) | I |

Instruments defining the rights of holders of other long-term debt not required to be filed as exhibits will be furnished to the Commission upon request.

10(a)	La Cygne 2 Lease (Filed as Exhibit 10(a) to Form 10-K for the year ended December 31, 1988, File No. 1-7324)	I
10(a)	Amendment No. 3 to La Cygne 2 Lease Agreement dated as of September 29, 1992 (Filed as Exhibit 10(b)1 to Form 10-K for the year ended December 31, 1992, File No. 1-7324)	I
10(b)	Outside Directors' Deferred Compensation Plan (Filed as Exhibit 10(c) to the Form 10-K for the year ended December 31, 1993, File No. 1-7324)	I
12	Computation of Ratio of Consolidated Earnings to Fixed Charges	
23	Consent of Independent Public Accountants, Arthur Andersen LLP	

SIGNATURE

Pursuant to the requirements of Sections 13 or 15(d) 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

April 2, 2001

By /s/ Ronald W. Holt

Ronald W. Holt
Chairman of the Board
and President

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Signature -----	Title -----	Date ----
/s/ RONALD W. HOLT ----- (Ronald W. Holt)	Chairman of the Board and President (Principal Executive Officer)	April 2, 2001
/s/ RICHARD D. TERRILL ----- (Richard D. Terrill)	Secretary, Treasurer and General Counsel (Principal Financial and Accounting Officer)	April 2, 2001
/s/ JAMES A. MARTIN ----- (James A. Martin)	Director	April 2, 2001
/s/ MARILYN B. PAULY ----- (Marilyn B. Pauly)	Director	April 2, 2001
/s/ RICHARD D. SMITH ----- (Richard D. Smith)	Director	April 2, 2001

=====

KANSAS GAS AND ELECTRIC COMPANY

TO

HARRIS TRUST AND SAVINGS BANK

(successor to Morgan Guaranty Trust Company of New York)

and

JUDITH L. BARTOLINI

(successor to W. A. Spooner, Henry A. Theis, Oliver R. Brooks,
Wesley L. Baker, Edwin F. McMichael and R. Amundsen)

as Trustees under Kansas Gas and Electric Company's
Mortgage and Deed of Trust, Dated as of April 1, 1940

FORTIETH SUPPLEMENTAL INDENTURE

Providing, among other things, for

First Mortgage Bonds, 9-1/2% Series Due 2003

Dated as of June 28, 2000

=====

FORTIETH SUPPLEMENTAL INDENTURE

INDENTURE, dated as of June 28, 2000, between KANSAS GAS AND ELECTRIC COMPANY, a corporation of the State of Kansas (formerly named KCA Corporation and successor by merger to Kansas Gas and Electric Company, a corporation of the State of Kansas, hereinafter sometimes called the "CompanyKansas"), whose post office address is 120 East First Street, Wichita, Kansas 67202 (hereinafter sometimes called the "Company"), and Harris Trust and Savings Bank, a corporation of the State of Illinois, whose post office address is c/o The Bank of New York, 2 North LaSalle Street, suite 1020, Chicago, Illinois 60602 (successor to Morgan Guaranty Trust Company of New York (the "Predecessor Trustee")), and JUDITH L. BARTOLINI (successor to W.A. Spooner, Henry A. Theis, Oliver R. Brooks, Wesley L. Baker, Edwin F. McMichael and R. Amundsen, and being hereinafter sometimes called the "Individual Trustee"), whose post office address is 311 West Monroe Street, Chicago, Illinois, 60606 (the Corporate Trustee and the Individual Trustee being hereinafter together sometimes called the "Trustees"), as Trustees under the Mortgage and Deed of Trust, dated as of April 1, 1940 (hereinafter called the "Mortgage"), which Mortgage was executed and delivered by Kansas Gas and Electric Company, a corporation of the State of West Virginia to which the Company-Kansas was successor by merger (hereinafter sometimes called the "Company-West Virginia"), to secure the payment of bonds issued or to be issued under and in accordance with the provisions of the Mortgage, reference to which Mortgage is hereby made, this Indenture (hereinafter sometimes called the "Fortieth Supplemental Indenture") being supplemental thereto;

WHEREAS, the Company-West Virginia caused the Mortgage to be filed for record as a mortgage of real property and as a chattel mortgage in the offices of the Registers of Deeds in various counties in the State of Kansas, and on April 25, 1940 paid to the Register of Deeds of Sedgwick County, Kansas, that being the County in which the Mortgage was first filed for record, the sum of \$40,000 in payment of the Kansas mortgage registration tax as provided by Section 79-3101 et seq., General Statutes of Kansas 1935; and

WHEREAS, by the Mortgage, the Company-West Virginia covenanted that it would execute and deliver such supplemental indenture or indentures and such further instruments and do such further acts as might be necessary or proper to carry out more effectually the purposes of the Mortgage and to make subject to the lien of the Mortgage any property thereafter acquired, intended to be subject to the lien thereof; and

WHEREAS, an instrument, dated May 31, 1949, was executed by the Company-West Virginia appointing Oliver R. Brooks as Individual Trustee in succession to said Henry A. Theis, resigned, under the Mortgage, and by Oliver R. Brooks accepting the appointment as Individual Trustee under the Mortgage in succession to said Henry A. Theis, which instrument was filed for record in the offices of the Registers of Deeds in various counties in the State of Kansas; and

WHEREAS, an instrument, dated March 3, 1958, was executed by the Company-West Virginia appointing Wesley L. Baker as Individual Trustee in succession to said Oliver R. Brooks, resigned, under the Mortgage, and by Wesley L. Baker accepting the appointment as Individual Trustee under the Mortgage in succession to said Oliver R. Brooks, which instrument was filed for record in the offices of the Registers of Deeds in various counties in the State of Kansas; and

WHEREAS, an instrument, dated November 20, 1969, was executed by the Company-West Virginia appointing Edwin F. McMichael as Individual Trustee in succession to said Wesley L. Baker, resigned, under the Mortgage, and by Edwin F. McMichael accepting the appointment as Individual Trustee under the Mortgage in succession to said Wesley L. Baker, which instrument was filed for record in the offices of the Registers of Deeds in various counties in the State of Kansas; and

WHEREAS, by the Twenty-seventh Supplemental Indenture mentioned below, the Company-Kansas, among other things, appointed R. Amundsen as Individual Trustee in succession to said Edwin F. McMichael, resigned, under the Mortgage, and by R. Amundsen accepting the appointment as Individual Trustee under the Mortgage in succession to said Edwin F. McMichael; and

WHEREAS, by the Thirty-second Supplemental Indenture mentioned below, the Company-Kansas, among other things, appointed W. A. Spooner as Individual Trustee in succession to said R. Amundsen, resigned, under the Mortgage, and by W. A. Spooner accepting the appointment as Individual Trustee under the Mortgage in succession to said R. Amundsen; and

WHEREAS, by the Fortieth Supplemental Indenture mentioned below, the Company-Kansas, among other things, appointed Judith L. Bartolini as Individual Trustee in succession to said W.A. Spooner resigned, under the Mortgage, and by Judith L. Bartolini accepting the appointment as Individual Trustee under the Mortgage in succession to said W.A. Spooner; and

WHEREAS, the Company-West Virginia executed and delivered to the Trustees a First Supplemental Indenture, dated as of June 1, 1942 (which supplemental indenture is hereinafter sometimes called the "First Supplemental Indenture"); and

WHEREAS, the Company-West Virginia caused the First Supplemental Indenture to be filed for record as a mortgage of real property and as a chattel mortgage in the offices of the Registers of Deeds in various counties in the State of Kansas, but paid no mortgage registration tax in connection with the recordation of the First Supplemental Indenture, no such tax having been payable in connection with such recordation; and

WHEREAS, the Company-West Virginia executed and delivered to the Trustees the following supplemental indentures:

Designation -----	Dated as of -----
Second Supplemental Indenture.....	March 1, 1948
Third Supplemental Indenture.....	December 1, 1949
Fourth Supplemental Indenture.....	June 1, 1952
Fifth Supplemental Indenture.....	October 1, 1953
Sixth Supplemental Indenture.....	March 1, 1955
Seventh Supplemental Indenture.....	February 1, 1956
Eighth Supplemental Indenture.....	January 1, 1961
Ninth Supplemental Indenture.....	May 1, 1966
Tenth Supplemental Indenture.....	March 1, 1970
Eleventh Supplemental Indenture.....	May 1, 1971
Twelfth Supplemental Indenture.....	March 1, 1972

which supplemental indentures are hereinafter sometimes called the Second through Twelfth Supplemental Indentures, respectively; and

WHEREAS, the Company-West Virginia caused the Second through Eighth Supplemental Indentures to be filed for record as a mortgage of real property and as a chattel mortgage in the offices of the Registers of Deeds in various counties in the State of Kansas, and caused the Ninth through Twelfth Supplemental Indentures to be filed for record as a mortgage of real property in the offices of the Registers of Deeds in various counties in the State of Kansas and as a chattel mortgage in the Office of the Secretary of State of Kansas, and on the following dates paid to the Register of Deeds of Sedgwick County, Kansas, that being the County in which the

Second through Twelfth Supplemental Indentures were first filed for record as a mortgage of real property, the following amounts:

Date ----	Amount -----
March 30, 1948.....	\$12,500
December 7, 1949.....	7,500
June 17, 1952.....	30,000
October 21, 1953.....	25,000
March 22, 1955.....	25,000
March 5, 1956.....	17,500
January 24, 1961.....	17,500
May 17, 1966.....	40,000
March 10, 1970.....	87,500
May 19, 1971.....	87,500
March 23, 1972.....	62,500

such amounts being in payment of the Kansas mortgage registration tax as provided by the then currently applicable sections of the statutes of the State of Kansas in effect on those dates; and

WHEREAS, the Company-West Virginia was merged into the Company-Kansas on May 31, 1973; and

WHEREAS, in order to evidence the succession of the Company-Kansas to the Company-West Virginia and the assumption by the Company-Kansas of the covenants and conditions of the Company-West Virginia in the bonds and in the Mortgage contained, and to enable the Company-Kansas to have and exercise the powers and rights of the Company-West Virginia under the Mortgage in accordance with the terms thereof, the Company-Kansas executed and delivered to the Trustees a Thirteenth Supplemental Indenture, dated as of May 31, 1973 (which supplemental indenture is hereinafter sometimes called the "Thirteenth Supplemental Indenture"); and

WHEREAS, the Company-Kansas caused the Thirteenth Supplemental Indenture to be filed for record as a mortgage of real property in the offices of the Registers of Deeds in various counties in the State of Kansas and as a chattel mortgage in the Office of the Secretary of State of Kansas, but paid no mortgage registration tax in connection with the recordation of the Thirteenth Supplemental Indenture, no such tax having been payable in connection with such recordation; and

WHEREAS, the Company-Kansas executed and delivered to the Trustees the following supplemental indentures:

Designation -----	Dated as of -----
Fourteenth Supplemental Indenture.....	July 1, 1975
Fifteenth Supplemental Indenture.....	December 1, 1975
Sixteenth Supplemental Indenture.....	September 1, 1976
Seventeenth Supplemental Indenture.....	March 1, 1977
Eighteenth Supplemental Indenture.....	May 1, 1977
Nineteenth Supplemental Indenture.....	August 1, 1977
Twentieth Supplemental Indenture.....	March 15, 1978
Twenty-first Supplemental Indenture.....	January 1, 1979
Twenty-second Supplemental Indenture.....	April 1, 1980
Twenty-third Supplemental Indenture.....	July 1, 1980
Twenty-fourth Supplemental Indenture.....	August 1, 1980

Designation -----	Dates as of -----
Twenty-fifth Supplemental Indenture.....	June 1, 1981
Twenty-sixth Supplemental Indenture.....	December 1, 1981
Twenty-seventh Supplemental Indenture.....	May 1, 1982
Twenty-eighth Supplemental Indenture.....	March 15, 1984
Twenty-ninth Supplemental Indenture.....	September 1, 1984
Thirtieth Supplemental Indenture.....	September 1, 1984
Thirty-first Supplemental Indenture.....	February 1, 1985
Thirty-second Supplemental Indenture.....	April 15, 1986
Thirty-third Supplemental Indenture.....	June 1, 1991
Thirty-fourth Supplemental Indenture.....	March 31, 1992
Thirty-fifth Supplemental Indenture.....	December 17, 1992
Thirty-sixth Supplemental Indenture.....	August 12, 1993
Thirty-seventh Supplemental Indenture.....	January 15, 1994
Thirty-eighth Supplemental Indenture.....	March 1, 1994
Thirty-ninth Supplemental Indenture.....	April 15, 1994

which supplemental indentures are hereinafter sometimes called the Fourteenth through Thirty-ninth Supplemental Indentures, respectively; and

WHEREAS, the Company-Kansas caused the Fourteenth Supplemental Indenture to be filed for record as a mortgage of real property in the offices of the Registers of Deeds in various counties in the State of Kansas and as a chattel mortgage in the Office of the Secretary of State of Kansas; and

WHEREAS, the Company-Kansas caused the Fifteenth Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on December 10, 1975, Film 169, page 363), and as a chattel mortgage in the Office of the Secretary of State of Kansas (filed on December 10, 1975 and indexed as No. 325,911); and

WHEREAS, the Company-Kansas caused the Sixteenth Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on September 29, 1976, Film 21 1, page 363), and as a chattel mortgage in the Office of the Secretary of State of Kansas (filed on September 29, 1976 and indexed as No. 363,835); and

WHEREAS, the Company-Kansas caused the Seventeenth Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on March 16, 1977, Film 234, page 492), and as a chattel mortgage in the Office of the Secretary of State of Kansas (filed on March 1, 1977 and indexed as No. 384,759); and

WHEREAS, the Company-Kansas caused the Eighteenth Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on May 26, 1977, Film 246, page 655), and as a chattel mortgage in the Office of the Secretary of State of Kansas (filed on May 26, 1977 and indexed as No. 394,573); and

WHEREAS, the Company-Kansas caused the Nineteenth Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on August 31, 1977, Film 263, page 882), and as a chattel mortgage in the Office of the Secretary of State of Kansas (filed on September 1, 1977 and indexed as No. 406,577); and

WHEREAS, the Company-Kansas caused the Twentieth Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on March 29, 1978, Film 297, pages 635-656), and as a chattel mortgage in the Office of the Secretary of State of Kansas (filed on March 30, 1978 and indexed as No. 434,072); and

WHEREAS, the Company-Kansas caused the Twenty-first Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on January 9, 1979, Film 345, page 648), and as a chattel mortgage in the Office of the Secretary of State of Kansas (filed on January 10, 1979 and indexed as No. 470,851); and

WHEREAS, the Company-Kansas caused the Twenty-second Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on April 2, 1980, Film 413, page 1,468), and as a chattel mortgage in the Office of the Secretary of State of Kansas (filed on April 3, 1980 and indexed as No. 533,415); and

WHEREAS, the Company-Kansas caused the Twenty-third Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on July 1, 1980, Film 425, page 1,003), and as a chattel mortgage in the Office of the Secretary of State of Kansas (filed on July 2, 1980 and indexed as No. 546,185); and

WHEREAS, the Company-Kansas caused the Twenty-fourth Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on August 28, 1980, Film 435, page 266), and as a chattel mortgage in the Office of the Secretary of State of Kansas (filed on August 29, 1980 and indexed as No. 554,543); and

WHEREAS, the Company-Kansas caused the Twenty-fifth Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on June 30, 1981, Film 483, page 1,512), and as a chattel mortgage in the Office of the Secretary of State of Kansas (filed on June 30, 1981 and indexed as No. 601,270); and

WHEREAS, the Company-Kansas caused the Twenty-sixth Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on December 30, 1981, Film 510, page 300), and as a chattel mortgage in the Office of the Secretary of State of Kansas (filed on December 31, 1981 and indexed as No. 628,293); and

WHEREAS, the Company-Kansas caused the Twenty-seventh Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on May 6, 1982, Film 526, page 1,141), and as a chattel mortgage in the Office of the Secretary of State of Kansas (filed on May 7, 1982 and indexed as No. 650,115); and

WHEREAS, the Company-Kansas caused the Twenty-eighth Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on March 22, 1984, Film 645, page 1,524), and as a chattel mortgage in the Office of the Secretary of State of Kansas (filed on March 23, 1984 and indexed as No. 796,449); and

WHEREAS, the Company-Kansas caused the Twenty-ninth Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on September 5, 1984, Film 681, page 763), and as a chattel mortgage in the Office of the Secretary of State of Kansas (filed on September 6, 1984 and indexed as No. 852,425); and

WHEREAS, the Company-Kansas caused the Thirtieth Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on September 12, 1984, Film 682, page 1,087), and as a chattel mortgage in the Office of the Secretary of State of Kansas (filed on September 13, 1984 and indexed as No. 854,284); and

WHEREAS, the Company-Kansas caused the Thirty-third Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on June 18, 1991, Film 1 177, page 0876), and as a security agreement in the Office of Secretary of State of Kansas (filed on June 18, 1991 and indexed as No. 1,693,446); and

WHEREAS, the Company on the following dates paid to the Register of Deeds of Sedgwick County, Kansas, that being the County in which the Fourteenth through Thirtieth Supplemental Indentures and the Thirty-third Supplemental Indenture were first filed for record as a mortgage of real property, the following amounts:

Date	Amount
----	-----
July 2, 1975.....	\$100,000
December 10, 1975.....	48,750
September 29, 1976.....	62,500
March 16, 1977.....	62,500
May 26, 1977.....	25,000
August 31, 1977.....	6,100
March 29, 1978.....	62,500
January 9, 1979.....	36,250
April 2, 1980.....	67,500
July 1, 1980.....	37,500
August 28, 1980.....	63,750
June 30, 1981.....	75,000
December 30, 1981.....	62,500
May 6, 1982.....	100,000
March 22, 1984.....	93,750
September 5, 1984.....	75,000
September 12, 1984.....	50,000
June 18, 1991.....	334,100

such amounts being in payment of the Kansas mortgage registration tax as provided by the then currently applicable sections of the statutes of the State of Kansas in effect on those dates; and

WHEREAS, the Company-Kansas caused the Thirty-first Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on February 1, 1985, Film 707, page 378), and as a chattel mortgage in the Office of the Secretary of State of Kansas (filed on February 4, 1985 and indexed as No. 895,468), but paid no mortgage registration tax in connection with the recordation of the Thirty-first Supplemental Indenture, no such tax having been payable in connection with such recordation; and

WHEREAS, the Company-Kansas caused the Thirty-second Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on April 16, 1986, Film 791, page 1,336), and as a chattel mortgage in the Office of the Secretary of State of Kansas (filed on April 17, 1986 and indexed as No. 1,048,212), but paid no mortgage registration tax in connection

with the recordation of the Thirty-second Supplemental Indenture, no such tax having been payable in connection with such recordation; and

WHEREAS, in order to evidence the succession of the Company to the Company-Kansas and the assumption by the Company of the covenants and conditions of the Company-Kansas in the bonds and in the Mortgage contained, and to enable the Company to have and exercise the powers and rights of the Company-Kansas under the Mortgage in accordance with the terms thereof, the Company executed and delivered to the Trustees a Thirty-fourth Supplemental Indenture, dated as of March 31, 1992 (which supplemental indenture is hereinafter sometimes called the "Thirty-fourth Supplemental Indenture"); and

WHEREAS, the Company-Kansas caused the Thirty-fourth Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on March 31, 1992, Film 1236, page 987), and as a security agreement in the Office of Secretary of State of Kansas (filed on March 31, 1992 and indexed as No. 1,780,893), but paid no mortgage registration tax in connection with the recordation of the Thirty-fourth Supplemental Indenture, no such tax having been payable in connection with such recordation; and

WHEREAS, the Company caused the Thirty-fifth Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on December 16, 1992, Film 301, page 0104), and as a security agreement in the Office of Secretary of State of Kansas (filed on December 16, 1992 and indexed as No. 1,861,886), but paid no mortgage registration tax in connection with the recordation of the Thirty-fifth Supplemental Indenture, no such tax having been payable in connection with such recordation; and

WHEREAS, the Company-Kansas caused the Thirty-sixth Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on August 10, 1993, Film 1364, page 0515), and as a security agreement in the Office of Secretary of State of Kansas (filed on August 11, 1993 and indexed as No. 1,936,501), but paid no mortgage registration tax in connection with the recordation of the Thirty-sixth Supplemental Indenture, no such tax having been payable in connection with such recordation; and

WHEREAS, the Company-Kansas caused the Thirty-seventh Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on January 18, 1994, Film 1411, page 0710), and as a security agreement in the Office of Secretary of State of Kansas (filed on January 18, 1994 and indexed as No. 1,985,104), but paid no mortgage registration tax in connection with the recordation of the Thirty-seventh Supplemental Indenture, no such tax having been payable in connection with such recordation; and

WHEREAS, the Company-Kansas caused the Thirty-eighth Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on February 28, 1994, Film 1422, page 1046), and as a security agreement in the Office of Secretary of State of Kansas (filed on February 28, 1994, and indexed as No. 1,997,743), but paid no mortgage restriction tax in connection with the recordation of the Thirty-eighth Supplemental Indenture, no such tax having been payable in connection with such recordation; and

WHEREAS, the Company-Kansas caused the Thirty-ninth Supplemental Indenture to be filed for record as a mortgage of real property in the office of the Register of Deeds of Sedgwick County, Kansas (filed on April 27, 1994, Film 1440, page 855), and as a security agreement in the Office of Secretary of State of Kansas (filed on April 27, 1994 and indexed as No. 1,377,915), but paid no mortgage registration tax in connection with the recordation of the Thirty-ninth Supplemental Indenture, no such tax having been payable in connection with such recordation;

WHEREAS, the Company-West Virginia, the Company-Kansas or the Company has from time to time caused to be filed in the respective offices of the above-mentioned Registers of Deeds and Secretary of State affidavits executed by the Trustees under the Mortgage, preserving and continuing the lien thereof either as a chattel mortgage in accordance with the provisions of K.S.A. 58-303 (Section 58-303 of the General Statutes of Kansas 1935) or as a security agreement under the provisions of K.S.A. 84-9-401 et seq.; and

WHEREAS, in addition to the aforesaid filings for record in the respective offices of the above-mentioned Registers of Deeds, the Company-West Virginia, the Company-Kansas or the Company has filed copies of the Mortgage and the First through Thirty-eighth Supplemental Indentures, certified as true by it, with the Secretary of State of Kansas; and

WHEREAS, the Company-West Virginia, the Company-Kansas or the Company has heretofore issued, in accordance with the provisions of the Mortgage, as heretofore supplemented, the following series of First Mortgage Bonds:

Series	Principal Amount Issued	Principal Amount Outstanding
- - - - -	- - - - -	- - - - -
3-3/8% Series due 1970.....	\$ 16,000,000	None
3-1/8% Series due 1978.....	5,000,000	None
2-3/4% Series due 1979.....	3,000,000	None
3-3/8% Series due 1982.....	12,000,000	None
3-5/8% Series due 1983.....	10,000,000	None
3-3/8% Series due 1985.....	10,000,000	None
3-3/8% Series due 1986.....	7,000,000	None
4-5/8% Series due 1991.....	7,000,000	None
5-5/8% Series due 1996.....	16,000,000	None
8-1/2% Series due 2000.....	35,000,000	None
8-1/8% Series due 2001.....	35,000,000	None
7-3/8% Series due 2002.....	25,000,000	None
9-5/8% Series due 2005.....	40,000,000	None
6% Series due 1985.....	7,000,000	None
7-3/4% Series due 2005.....	12,500,000	None
8-3/8% Series due 2006.....	25,000,000	None
8-1/2% Series due 2007.....	25,000,000	None
6% Series due 2007.....	10,000,000	None
5-7/8% Series due 2007.....	21,940,000	None
8-7/8% Series due 2008.....	30,000,000	None
6.80% Series due 2004.....	14,500,000	None
16-1/4% Series due 1987.....	30,000,000	None
6-1/2% Series due 1983.....	15,000,000	None
7-1/4% Series due 1983.....	25,500,000	None
14-7/8% Series due 1987-1991.....	30,000,000	None
16% Series due 1996.....	25,000,000	None
15-3/4% Series due 1989.....	40,000,000	None
13-1/2% Series due 1989.....	100,000,000	None
14.05% Series due 1991.....	30,000,000	None
14-1/8% Series due 1991.....	20,000,000	None
10-7/8% Series due 1987.....	30,000,000	None
9-3/4% Series due 2016.....	50,000,000	None

Series -----	Principal Amount Issued -----	Principal Amount Outstanding -----
7.00% Series A due 2031.....	18,900,000	18,900,000
7.00% Series B due 2031.....	308,600,000	308,600,000
7.60% Series due 2003.....	135,000,000	135,000,000
6-1/2% Series due 2005.....	65,000,000	65,000,000
6.20% Series due 2006.....	100,000,000	100,000,000
5.10% Series due 2023.....	13,982,500	13,622,500
7-1/2% Series A due 2032.....	14,500,000	14,500,000
7-1/2% Series B due 2027.....	21,940,000	21,940,000
7-1/2% Series C due 2032.....	10,000,000	10,000,000

hereinafter sometimes called Bonds of the First through Forty-first Series; and

WHEREAS, Section 8 of the Mortgage provides that the form of each series of bonds (other than the First Series) issued thereunder and of the coupons to be attached to the coupon bonds of such series shall be established by Resolution of the Board of Directors of the Company and that the form of such series, as established by said Board of Directors, shall specify the descriptive title of the bonds and various other terms thereof, and may also contain such provisions not inconsistent with the provisions of the Mortgage as the Board of Directors may, in its discretion, cause to be inserted therein expressing or referring to the terms and conditions upon which such bonds are to be issued and/or secured under the Mortgage; and

WHEREAS, Section 120 of the Mortgage provides, among other things, that any power, privilege or right expressly or impliedly reserved to or in any way conferred upon the Company by any provision of the Mortgage whether such power, privilege or right is in any way restricted or is unrestricted, may be in whole or in part waived or surrendered or subjected to any restriction if at the time unrestricted or to additional restriction if already restricted, and the Company may enter into any further covenants, limitations or restrictions for the benefit of any one or more series of bonds issued thereunder, or the Company may cure any ambiguity contained therein or in any supplemental indenture, or may establish the terms and provisions of any series of bonds other than said First Series, by an instrument in writing executed and acknowledged by the Company in such manner as would be necessary to entitle a conveyance of real estate to record in all of the states in which any property at the time subject to the lien of the Mortgage shall be situated; and

WHEREAS, the Company now desires to create a new series of bonds; and

WHEREAS, the execution and delivery by the Company of this Fortieth Supplemental Indenture, and the terms of the Bonds of the 2003 Series, hereinafter referred to, have been duly authorized by the Board of Directors of the Company by appropriate Resolutions of said Board of Directors;

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

That Kansas Gas and Electric Company, in consideration of the premises and of One Dollar (\$1) to it duly paid by the Trustees at or before the sealing and delivery of these presents, the receipt whereof is hereby acknowledged, and in further evidence of assurance of the estate, title and rights of the Trustees and in order further to secure the payment both of the principal of and interest and premium, if any, on the bonds from time to time issued under the Mortgage, according to their tenor and effect and the performance of all the provisions of the Mortgage (including any instruments supplemental thereto and any modification made as in the Mortgage provided) and of said bonds, hereby grants, bargains, sells, releases, conveys, assigns, transfers, mortgages, pledges, sets over and confirms (subject, however, to Excepted Encumbrances as defined in Section 6 of the

Mortgage) unto Harris Trust and Savings Bank and to Judith L. Bartolini, as Trustees under the Mortgage, and to their successor or successors in said trust, and to said Trustees and their successors and assigns forever, all property, real, personal and mixed, acquired by the Company after the date of the execution and delivery of the Mortgage, in addition to property covered by the First through the Thirty-ninth Supplemental Indentures (except any herein or in the Mortgage, as heretofore supplemented, expressly excepted), now owned or, subject to the provisions of Section 87 of the Mortgage, hereafter acquired by the Company and wheresoever situated, including (without in anywise limiting or impairing by the enumeration of the same the scope and intent of the foregoing or of any general description contained in this Fortieth Supplemental Indenture) all lands, flowage rights, water rights, flumes, raceways, dams, rights of way and roads; all steam and power houses, gas plants, street lighting systems, standards and other equipment incidental thereto, telephone, radio and television systems, air-conditioning systems and equipment incidental thereto, water works, steam heat and hot water plants, lines, service and supply systems, bridges, culverts, tracks, rolling stock, ice or refrigeration plants and equipment, street and interurban railway systems, offices, buildings and other structures and the equipment thereof; all machinery, engines, boilers, dynamos, electric and gas machines, regulators, meters, transformers, generators, motors, electrical, gas and mechanical appliances, conduits, cables, water, steam heat, gas or other pipes, gas mains and pipes, service pipes, fittings, valves and connections, pole and transmission lines, wires, cables, tools, implements, apparatus, furniture, chattels and choses in action; all municipal and other franchises; all lines for the transmission and distribution of electric current, gas, steam heat or water for any purpose, including poles, wires, cables, pipes, conduits, ducts and all apparatus for use in connection therewith; all real estate, lands, easements, servitudes, licenses, permits, franchises, privileges, rights of way and other rights in or relating to real estate or the occupancy of the same and (except as herein or in the Mortgage, as heretofore supplemented, expressly excepted), all the right, title and interest of the Company in and to all other property of any kind or nature appertaining to and/or used and/or occupied and/or enjoyed in connection with any property hereinbefore or in the Mortgage, as heretofore supplemented, described.

TOGETHER WITH all and singular the tenements, hereditaments and appurtenances belonging or in anywise appertaining to the aforesaid property or any part thereof, with the reversion and reversions, remainder and remainders and (subject to the provisions of Section 57 of the Mortgage) the tolls, rents, revenues, issues, earnings, income, product and profits thereof, and all the estate, right, title and interest and claim whatsoever, at law as well as in equity, which the Company now has or may hereafter acquire in and to the aforesaid property and franchises and every part and parcel thereof.

IT IS HEREBY AGREED by the Company that, subject to the provisions of Section 87 of the Mortgage, all the property, rights and franchises acquired by the Company after the date hereof (except any herein or in the Mortgage, as heretofore supplemented, expressly excepted), shall be as fully embraced within the lien hereof and the lien of the Mortgage, as if such property, rights and franchises were now owned by the Company and were specifically described herein and conveyed hereby.

PROVIDED that the following are not and are not intended to be now or hereafter granted, bargained, sold, released, conveyed, assigned, transferred, mortgaged, pledged, set over or confirmed hereunder and are hereby expressly excepted from the lien and operation of this Fortieth Supplemental Indenture and from the lien and operation of the Mortgage, viz.: (1) cash, shares of stock and obligations (including bonds, notes and other securities) not hereafter specifically pledged, paid, deposited or delivered under the Mortgage or covenanted so to be; (2) merchandise, equipment, materials or supplies held for the purpose of sale in the usual course of business and fuel, oil and similar materials and supplies consumable in the operation of any properties of the Company; vehicles and automobiles; (3) bills, notes and accounts receivable, and all contracts, leases and operating agreements not specifically pledged under the Mortgage or covenanted so to be; and (4) electric energy, and other materials or products generated, manufactured, produced or purchased by the Company for sale, distribution or use in the ordinary course of its business; provided, however, that the property and rights expressly excepted from the lien and operation of the Mortgage and this Fortieth Supplemental Indenture in the above subdivisions (2) and (3) shall (to the extent permitted by law) cease to be so excepted in the event that either or both

of the Trustees or a receiver or trustee shall enter upon and take possession of the Mortgaged and Pledged Property in the manner provided in Article XII of the Mortgage by reason of the occurrence of a Default as defined in said Article XII.

THERE is expressly excepted from the lien of the Mortgage and from the lien hereof all property of the Company located in the State of Missouri now owned or hereafter acquired unless such property in the State of Missouri shall be subjected to the lien of the Mortgage by an indenture or indentures supplemental thereto, pursuant to authorization by the Board of Directors of the Company.

TO HAVE AND TO HOLD all such properties, real, personal and mixed, granted, bargained, sold, released, conveyed, assigned, transferred, mortgaged, pledged, set over or confirmed by the Company as aforesaid, or intended so to be, unto the Trustees, their successors and assigns forever.

IN TRUST NEVERTHELESS, for the same purposes and upon the same terms, trusts and conditions and subject to and with the same provisos and covenants as are set forth in the Mortgage, as supplemented, this Fortieth Supplemental Indenture being supplemental thereto.

AND IT IS HEREBY COVENANTED by the Company that all the terms, conditions, provisos, covenants and provisions contained in the Mortgage, as supplemented, shall affect and apply to the property hereinbefore described and conveyed and to the estate, rights, obligations and duties of the Company and Trustees and the beneficiaries of the trust with respect to said property, and to the Trustees and their successors as Trustees of said property in the same manner and with the same effect as if the said property had been owned by the Company at the time of the execution of the Mortgage, and had been specifically and at length described in and conveyed to the Trustees by the Mortgage as a part of the property therein stated to be conveyed.

The Company further covenants and agrees to and with the Trustees and their successors in said trust under the Mortgage, as follows:

ARTICLE I

2003 SERIES OF BONDS

SECTION 1. (I) There shall be a series of bonds designated 9-1/2% Series due 2003 (herein sometimes referred to as the "Bonds of the 2003 Series"), each of which shall also bear the descriptive title, First Mortgage Bond, and the form thereof, which is established by Resolution of the Board of Directors of the Company, shall contain suitable provisions with respect to the matters hereinafter in this Article I specified. Bonds of the 2003 Series shall be limited to \$702,200,000 in aggregate principal amount, except as provided in Section 16 of the Mortgage, shall mature on March 17, 2003, and shall be issued as fully registered bonds in denominations of Five Thousand Dollars and in any multiple or multiples of Five Thousand Dollars. Bonds of the 2003 Series shall bear interest at the rate of nine and one-half percent (9-1/2%) per annum payable (subject to the second paragraph of Section 1(III)) on the interest payment dates for the Loans (as defined below). Every Bond of the 2003 Series shall bear interest from each interest payment date for the Loans next preceding the date thereof, unless no interest has been paid on this Bond in which case from June 28, 2000. The principal of and interest on Bonds of the 2003 Series shall be payable at the office or agency of the Company in the Borough of Manhattan, City of New York, in such coin or currency of the United States of America as at the time of payment is legal tender for public and private debts. Bonds of the 2003 Series shall be dated as in Section 10 of the Mortgage provided.

(II) Bonds of the 2003 Series are redeemable prior to maturity only upon demand therefor by the Collateral Agent. To effect the redemption of Bonds of the 2003 Series, the Collateral Agent shall deliver to the Trustee (and deliver a copy thereof to the Company) a written demand (hereinafter referred to as a "Redemption

Demand") for the redemption of Bonds of the 2003 Series, signed by an authorized officer and dated the date of its delivery to the Corporate Trustee, stating (i) that an Event of Default (as defined in the Collateral Agreement) has occurred and is continuing, (ii) that there are not sufficient available funds held by the Collateral Agent pursuant to the Collateral Agreement to make all payments required as a result of such Event of Default, (iii) the amount of funds, in addition to available funds held by the Collateral Agent pursuant to the Collateral Agreement, required to make such payments, and (iv) the principal amount of Bonds of the 2003 Series the Collateral Agent demands to have redeemed and the redemption date therefor which date should be at least thirty-one (31) days after the date of such Redemption Demand (provided, such principal amount shall not exceed the amount of funds specified pursuant to the foregoing clause (iii)). The Trustee may conclusively presume the statements contained in the Redemption Demand to be correct. Redemption of Bonds of the 2003 Series shall in all cases be at a price equal to the principal amount of the Bonds to be redeemed together with accrued interest to the redemption date, and such amount shall become and be due and payable on the redemption date.

The Company hereby covenants that if a Redemption Demand shall be delivered to the Corporate Trustee, the Company will deposit, on or before the redemption date, with the Corporate Trustee, in accordance with Article X of the Mortgage, an amount in cash sufficient to redeem the Bonds of the 2003 Series so called for redemption.

(III) All Bonds of the 2003 Series shall be issued and pledged by the Company to the Collateral Agent pursuant to a Collateral and Guarantee Agreement dated as of June 28, 2000 among the Company, Western Resources, Inc. ("WRI") and The Chase Manhattan Bank (in such capacity, the "Collateral Agent") to secure the payment of the principal of, and up to 9-1/2% per annum of the interest on any of the loans issued pursuant to the \$600,000,000 Credit Agreement, dated as of June 28, 2000 among WRI, The Chase Manhattan Bank, as administrative agent, and the lenders party thereto, and the Five-Year Competitive Advance and Revolving Credit Facility Agreement, dated as of March 17, 1998, among WRI, The Chase Manhattan Bank, as administrative agent, and the lenders party thereto (such agreements, in each case, as amended, supplemented or otherwise modified from time to time, are referred to collectively herein as the "Credit Agreements" and the loans thereunder are referred to collectively as the "Loans").

The obligation of the Company to make payments with respect to the principal of and interest on Bonds of the 2003 Series (including without limitation upon maturity thereof) shall be fully or partially, as the case may be, satisfied and discharged to the extent that, at the time that any such payment shall be due, the then due principal of and interest on the Loans shall have been fully or partially paid, or there shall be held by the Collateral Agent pursuant to the Collateral Agreement sufficient available funds to fully or partially pay the then due principal of and interest on the Loans. Notwithstanding any other provisions of this Supplemental Indenture or the Mortgage, interest on the Bonds of the 2003 Series shall be deemed fully or partially satisfied and discharged as provided herein even if the interest rate on Bonds of the 2003 Series may be higher or lower than the interest rate on any of the Loans at the time interest on any such Loans is paid. The Corporate Trustee may conclusively presume that the obligation of the Company to make payments with respect to the principal of and interest on Bonds of the 2003 Series shall have been fully satisfied and discharged unless and until the Corporate Trustee shall have received a written notice from the Collateral Agent, signed by an authorized officer, stating (i) that timely payment of the principal of or interest on the Loans required to be made by the Company has not been made, (ii) that there are not sufficient available funds held by the Collateral Agent pursuant to the Collateral Agreement to make such payment and (iii) the amount of funds, in addition to available funds held by the Collateral Agent pursuant to the Collateral Agreement, required to make such payment.

(IV) At the option of the registered owner, any Bonds of the 2003 Series, upon surrender thereof, for cancellation, at the office or agency of the Company in the Borough of Manhattan, City of New York, shall be exchangeable for a like aggregate principal amount of bonds of the same series of other authorized denominations. The Bonds of the 2003 Series may bear such legends as may be necessary to comply with any law or with any rules or regulations made pursuant thereto or with the rules or regulations of any stock exchange or to conform to usage with respect thereto.

(V) Bonds of the 2003 Series shall be transferable upon the surrender thereof, for cancellation together with a written instrument of transfer in form approved by the registrar duly executed by the registered owner or by his duly authorized attorney, at the office or agency of the Company in the Borough of Manhattan, City of New York.

ARTICLE II

MISCELLANEOUS PROVISIONS

SECTION 1. All Bonds of the 2003 Series acquired by the Company shall forthwith be delivered to the Corporate Trustee for cancellation.

SECTION 2. Subject to the amendments provided for in this Fortieth Supplemental Indenture, the terms defined in the Mortgage, as heretofore supplemented, shall, for all purposes of this Fortieth Supplemental Indenture, have the meanings specified in the Mortgage, as heretofore supplemented.

SECTION 3. The Trustees hereby accept the trusts herein declared, provided, created or supplemented and agree to perform the same upon the terms and conditions set forth herein and in the Mortgage, as heretofore amended and supplemented, and upon the following terms and conditions:

The Trustees shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Fortieth Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made by the Company solely. In general, each and every term and condition contained in Article XVI of the Mortgage, as heretofore amended and supplemented, shall apply to and form part of this Fortieth Supplemental Indenture with the same force and effect as if the same were herein set forth in full with such omissions, variations and insertions, if any, as may be appropriate to make the same conform to the provisions of this Fortieth Supplemental Indenture.

SECTION 4. Subject to the provisions of Article XV and Article XVI of the Mortgage, as heretofore amended and supplemented, whenever in this Fortieth Supplemental Indenture any of the parties hereto is named or referred to, this shall be deemed to include the successors or assigns of such party, and all the covenants and agreements in this Fortieth Supplemental Indenture contained by or on behalf of the Company or by or on behalf of the Trustees shall bind and inure to the benefit of the respective successors and assigns of such parties whether so expressed or not.

SECTION 5. Nothing in this Fortieth Supplemental Indenture, expressed or implied, is intended, or shall be construed, to confer upon, or to give to, any person, firm or corporation, other than the parties hereto and the holders of the bonds and coupons Outstanding under the Mortgage, any right, remedy or claim under or by reason of this Fortieth Supplemental Indenture or any covenant, condition, stipulation, promise or agreement hereof, and all the covenants, conditions, stipulations, promises and agreements in this Fortieth Supplemental Indenture contained by or on behalf of the Company shall be for the sole and exclusive benefit of the parties hereto, and of the holders of the bonds and of the coupons Outstanding under the Mortgage.

SECTION 6. The Company reserves the right, subject to appropriate corporate action, but without any consent or other action by holders of Bonds of the 2003 Series, or of any subsequent series of bonds, to make such amendments to the Mortgage, as supplemented, as shall be necessary in order to (A) permit the issuance of additional Prior Lien Bonds other than to the Corporate Trustee (i) in a principal amount not to exceed the principal amount of Bonds which could then be issued on the basis of Property Additions under the Mortgage or (ii) upon the redemption or retirement of Prior Lien Bonds secured by such Prior Lien, (B) to remove the requirement that Prior Lien Bonds be issued to the Corporate Trustee, (C) remove the provisions of Article V which eliminate from the calculation of unfunded net Property Additions available for issuance of Bonds the amount of any Property Additions subject to a Prior Lien if the aggregate amount of Outstanding Prior Lien Bonds is 15% or more of the sum of the Outstanding Bonds and Prior Lien Bonds, and (D) make such other amendments to the Mortgage as may be necessary or desirable in the opinion of the Company to effect the foregoing.

SECTION 7. This Fortieth Supplemental Indenture shall be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, KANSAS GAS AND ELECTRIC COMPANY has caused its corporate name to be hereunto affixed, and this instrument to be signed and sealed by its President or one of its Vice Presidents, and its corporate seal to be attested by its Secretary or one of its Assistant Secretaries for and in its behalf, HARRIS TRUST AND SAVINGS BANK has caused its corporate name to be hereunto affixed, and this instrument to be signed and sealed by one of its Vice Presidents and its corporate seal to be attested by one of its Assistant Secretaries, and has hereunto set his hand and affixed his seal, all as of the day and year first above written.

KANSAS GAS AND ELECTRIC COMPANY

/s/ Kelly B. Harrison
By:-----
Kelly B. Harrison
Vice President

Attest:

/s/ Jamie Hunt

Jamie Hunt
Assistant Secretary

Executed, sealed and delivered by
KANSAS GAS AND ELECTRIC COMPANY,
in the presence of:

/s/ Larry D. Irick

Larry D. Irick

/s/ Patti Beasley

Patti Beasley

HARRIS TRUST AND SAVINGS BANK, as Trustee

/s/ L. Garcia
By:-----

Trust Officer

Attest:

/s/ D.G. Donovan

Assistant Secretary

/s/ J. Bartolini

(Judith L. Bartolini)

Executed, sealed and delivered by
HARRIS TRUST AND SAVINGS BANK
and JUDITH L. BARTOLINI, in the
presence of:

/s/

/s/

STATE OF KANSAS)
 : ss.:
COUNTY OF SEDGWICK)

BE IT REMEMBERED, that on this 28th day of June, A.D. 2000, before me, the undersigned, a Notary Public within and for the County and State aforesaid, came Kelly B. Harrison, the Vice President of KANSAS GAS AND ELECTRIC COMPANY, a corporation duly organized, incorporated and existing under the laws of the State of Kansas, who is personally known to me to be such officer, and who is personally known to me to be the same person who executed, as such officer, the within instrument of writing, and such person duly acknowledged the execution of the same to be the act and deed of said corporation and that said instrument of writing was so executed by order of the Board of Directors of said corporation.

On this 28th day of June, 2000, before me appeared Jamie Hunt, to me personally known, who being by me duly sworn did say that she is the Assistant Secretary of KANSAS GAS AND ELECTRIC COMPANY, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said Kelly B. Harrison acknowledged said instrument to be the free act and deed of said corporation.

On the 28th day of June in the year 2000, before me personally came Kelly B. Harrison to me known, who, being by me duly sworn, did depose and say that he resides at 1012 Moundridge Dr., Lawrence, Kansas; that he is the Vice President of KANSAS GAS AND ELECTRIC COMPANY, one of the corporations described in and which executed the above instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation, and that he signed his name thereto by like order.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal on the day and year above written.

/s/ Patti Beasley

NOTARY PUBLIC -- STATE OF KANSAS
MY APPOINTMENT EXPIRES

November 18, 2000

STATE OF ILLINOIS)

: ss.:

COUNTY OF COOK)

BE IT REMEMBERED, that on this _____ day of June, A.D. 2000, before me, the undersigned, a Notary Public within and for the County and State aforesaid, came _____, a Vice President of Harris Trust and Savings Bank of Illinois, a corporation, duly organized, incorporated and existing under the laws of the State of Illinois, who is personally known to me to be such officer, and who is personally known to me to be the same person who executed, as such officer, the within instrument of writing, and such person duly acknowledged the execution of the same to be the act and deed of said corporation and that said instrument of writing was so executed by authority of the Board of Directors of said corporation.

On this _____ day of June, 2000, before me appeared _____, to me personally known, who being by me duly sworn did say that she is a Vice President of HARRIS TRUST AND SAVINGS BANK, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said Norma Pane acknowledged said instrument to be the free act and deed of said corporation.

On the _____ day of June in the year 2000, before me personally came _____, to me known, who, being by me duly sworn, did depose and say that she resides at _____; that she is a Vice President of HARRIS TRUST AND SAVINGS BANK, one of the corporations described in and which executed the above instrument; that she knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation, and that she signed her name thereto by like authority.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal on the day and year above written.

/s/ T. Muzquiz

NOTARY PUBLIC, STATE OF ILLINOIS
NO.
QUALIFIED IN COOK COUNTY
COMMISSION EXPIRES

STATE OF ILLINOIS)
 : SS.:
COUNTY OF COOK)

On this day of June in the year 2000, before me, the undersigned, a Notary Public in and for the State of Illinois, in the County of Cook, personally appeared and came Judith L. Bartolini, to me known and known to me to be the person described in and who executed the within and foregoing instrument and whose name is subscribed thereto and acknowledged to me that he executed the same.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my official seal the day and year in this certificate first above written.

/s/ T. Muzquiz

NOTARY PUBLIC, STATE OF ILLINOIS
NO.
QUALIFIED IN COOK COUNTY
COMMISSION EXPIRES

KANSAS GAS AND ELECTRIC COMPANY
 Computations of Ratio of Earnings to Fixed Charges
 (Dollars in Thousands)

	Year Ended December 31,				
	2000	1999	1998	1997	1996
Earnings from continuing operations.	\$ 120,683	\$ 119,248	\$ 148,736	\$ 69,536	\$ 132,532
Interest expense.	50,612	49,518	49,358	50,450	58,062
Interest on Corporate-owned Life Insurance Borrowings . . .	39,444	31,450	32,368	31,253	27,636
Interest Applicable to Rentals	22,574	24,626	25,106	25,143	25,539
Total Fixed Charges	112,630	105,594	106,832	106,846	111,237
Earnings (1)	\$ 233,313	\$ 224,842	\$ 255,568	\$ 176,382	\$ 243,769
Ratio of Earnings to Fixed Charges	2.07	2.13	2.39	1.65	2.19

(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.

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report included in this Form 10-K, into the company's previously filed Registration Statement File No. 33-50075 of Kansas Gas and Electric Company on Form S-3.

ARTHUR ANDERSEN LLP

Kansas City, Missouri,
March 30, 2001