SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 1995

OR

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

For the transition period from ____________________ to _____________________

Commission File Number 1-3523

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

| | |
|---|---|
| KANSAS | 48-0290150 |
| (State or Other Jurisdiction of Incorporation or Organization) | (Employer Identification No.) |
| 818 KANSAS AVENUE, TOPEKA, KANSAS | 66612 |
| (Address of Principal Executive Offices) | (Zip Code) |

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

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

Yes X No

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

| Class | Outstanding at August 2, 1995 |
|---|---|
| Common Stock, $5.00 par value | 62,034,761 |

WESTERN RESOURCES, INC.
INDEX

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

| | June 30, 1995 (Unaudited) | December 31, 1994 |
|---|---|---|
| ASSETS | | |
| UTILITY PLANT: | | |
| Electric plant in service . . . . . . . . . . . . . . . . . | $5,285,105 | $5,226,175 |
| Natural gas plant in service. . . . . . . . . . . . . . . . | 763,765 | 737,191 |
| | 6,048,870 | 5,963,366 |
| Less - Accumulated depreciation . . . . . . . . . . . . | 1,865,802 | 1,790,266 |
| | 4,183,068 | 4,173,100 |
| Construction work in progress . . . . . . . . . . . . . | 94,853 | 85,290 |
| Nuclear fuel (net). . . . . . . . . . . . . . . . . . . . | 41,414 | 39,890 |
| Net utility plant. . . . . . . . . . . . . . . . . . . | 4,319,335 | 4,298,280 |
| OTHER PROPERTY AND INVESTMENTS: | | |
| Net non-utility investments . . . . . . . . . . . . . . . | 78,622 | 74,017 |
| Decommissioning trust . . . . . . . . . . . . . . . . . . | 19,381 | 16,944 |
| Other . . . . . . . . . . . . . . . . . . . . . . . . . | 9,938 | 13,556 |
| | 107,941 | 104,517 |
| CURRENT ASSETS: | | |
| Cash and cash equivalents . . . . . . . . . . . . . . . . | 2,478 | 2,715 |
| Accounts receivable and unbilled revenues (net) . . . . | 178,843 | 219,760 |
| Fossil fuel, at average cost. . . . . . . . . . . . . . . | 50,251 | 38,762 |
| Gas stored underground, at average cost . . . . . . . . | 32,356 | 45,222 |
| Materials and supplies, at average cost . . . . . . . . | 57,923 | 56,145 |
| Prepayments and other current assets. . . . . . . . . . | 52,739 | 27,932 |
| | 374,590 | 390,536 |
| DEFERRED CHARGES AND OTHER ASSETS: | | |
| Deferred future income taxes. . . . . . . . . . . . . . . | 101,886 | 101,886 |
| Deferred coal contract settlement costs . . . . . . . . | 30,443 | 33,606 |
| Phase-in revenues . . . . . . . . . . . . . . . . . . . . | 52,634 | 61,406 |
| Corporate-owned life insurance (net). . . . . . . . . . | 43,941 | 16,967 |
| Other deferred plant costs. . . . . . . . . . . . . . . . | 31,662 | 31,784 |
| Unamortized debt expense. . . . . . . . . . . . . . . . . | 55,708 | 58,237 |
| Other . . . . . . . . . . . . . . . . . . . . . . . . . | 96,056 | 92,399 |
| | 412,330 | 396,285 |
| TOTAL ASSETS . . . . . . . . . . . . . . . . . . . . . | $5,214,196 | $5,189,618 |
| CAPITALIZATION AND LIABILITIES | | |
| CAPITALIZATION (see statement). . . . . . . . . . . . . . | $3,050,654 | $3,006,341 |
| CURRENT LIABILITIES: | | |
| Short-term debt . . . . . . . . . . . . . . . . . . . . . | 282,800 | 308,200 |
| Long-term debt due within one year. . . . . . . . . . . | 16,000 | 80 |
| Accounts payable. . . . . . . . . . . . . . . . . . . . . | 117,771 | 130,616 |
| Accrued taxes . . . . . . . . . . . . . . . . . . . . . | 76,578 | 86,966 |
| Accrued interest and dividends. . . . . . . . . . . . . | 61,629 | 61,069 |
| Other . . . . . . . . . . . . . . . . . . . . . . . . . | 61,217 | 69,025 |
| | 615,995 | 655,956 |
| DEFERRED CREDITS AND OTHER LIABILITIES: | | |
| Deferred income taxes . . . . . . . . . . . . . . . . . | 966,298 | 971,014 |
| Deferred investment tax credits . . . . . . . . . . . . | 135,659 | 137,651 |
| Deferred gain from sale-leaseback . . . . . . . . . . . | 247,520 | 252,341 |
| Other . . . . . . . . . . . . . . . . . . . . . . . . . | 198,070 | 166,315 |
| | 1,547,547 | 1,527,321 |
| COMMITMENTS AND CONTINGENCIES (Notes 3 and 5) | | |
| TOTAL CAPITALIZATION AND LIABILITIES . . . . . . . . . | $5,214,196 | $5,189,618 |

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

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

| | Three Months Ended June 30, 1995 | 1994 |
|---|---|---|
| OPERATING REVENUES: | | |
| Electric | $ 262,510 | $ 278,505 |
| Natural gas | 70,870 | 62,627 |
| Total operating revenues | 333,380 | 341,132 |
| OPERATING EXPENSES: | | |
| Fuel used for generation: | | |
| Fossil fuel | 47,160 | 53,553 |
| Nuclear fuel | 5,076 | 4,232 |
| Power purchased | 2,095 | 4,545 |
| Natural gas purchases | 40,598 | 34,479 |
| Other operations | 85,345 | 76,866 |
| Maintenance | 27,622 | 29,392 |
| Depreciation and amortization | 38,940 | 38,169 |
| Amortization of phase-in revenues | 4,386 | 4,386 |
| Taxes: | | |
| Federal income | 7,112 | 12,645 |
| State income | 2,426 | 3,389 |
| General | 24,591 | 25,577 |
| Total operating expenses | 285,351 | 287,233 |
| OPERATING INCOME | 48,029 | 53,899 |
| OTHER INCOME AND DEDUCTIONS: | | |
| Corporate-owned life insurance (net) | (1,821) | (758) |
| Miscellaneous (net) | 4,186 | 3,188 |
| Income taxes (net) | 1,124 | 1,296 |
| Total other income and deductions | 3,489 | 3,726 |
| INCOME BEFORE INTEREST CHARGES | 51,518 | 57,625 |
| INTEREST CHARGES: | | |
| Long-term debt | 24,003 | 24,132 |
| Other | 6,714 | 4,155 |
| Allowance for borrowed funds used during construction (credit) | (915) | (909) |
| Total interest charges | 29,802 | 27,378 |
| NET INCOME | 21,716 | 30,247 |
| PREFERRED AND PREFERENCE DIVIDENDS | 3,354 | 3,355 |
| EARNINGS APPLICABLE TO COMMON STOCK | $ 18,362 | $ 26,892 |
| AVERAGE COMMON SHARES OUTSTANDING | 61,885,556 | 61,617,873 |
| EARNINGS PER AVERAGE COMMON SHARE OUTSTANDING | $ .30 | $ .44 |
| DIVIDENDS DECLARED PER COMMON SHARE | $ .505 | $ .495 |

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

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

| | Six Months Ended June 30, 1995 | 1994(1) |
|---|---|---|
| OPERATING REVENUES: | | |
| Electric | $ 515,768 | $ 530,002 |
| Natural gas | 235,158 | 349,502 |

| | | |
|---|---|---|
| Total operating revenues. . . . . . . . . . . . . . . . . . | 750,926 | 879,504 |
| OPERATING EXPENSES: | | |
| Fuel used for generation: | | |
| Fossil fuel . . . . . . . . . . . . . . . . . . . . . . | 94,091 | 106,193 |
| Nuclear fuel. . . . . . . . . . . . . . . . . . . . . . | 9,764 | 8,095 |
| Power purchased . . . . . . . . . . . . . . . . . . . . . | 5,644 | 6,896 |
| Natural gas purchases . . . . . . . . . . . . . . . . . . | 142,336 | 233,131 |
| Other operations. . . . . . . . . . . . . . . . . . . . . | 161,165 | 154,429 |
| Maintenance . . . . . . . . . . . . . . . . . . . . . . . | 54,464 | 55,889 |
| Depreciation and amortization . . . . . . . . . . . . . . | 77,337 | 77,477 |
| Amortization of phase-in revenues . . . . . . . . . . . . | 8,772 | 8,772 |
| Taxes: | | |
| Federal income. . . . . . . . . . . . . . . . . . . . . | 24,606 | 34,737 |
| State income. . . . . . . . . . . . . . . . . . . . . . | 7,083 | 8,611 |
| General . . . . . . . . . . . . . . . . . . . . . . . . | 49,118 | 57,593 |
| Total operating expenses. . . . . . . . . . . . . . . . | 634,380 | 751,823 |
| OPERATING INCOME. . . . . . . . . . . . . . . . . . . . . . | 116,546 | 127,681 |
| OTHER INCOME AND DEDUCTIONS: | | |
| Corporate-owned life insurance (net). . . . . . . . . . . | (3,537) | (1,993) |
| Gain on sale of Missouri Properties (see Note 2). . . . . | - | 30,701 |
| Miscellaneous (net) . . . . . . . . . . . . . . . . . . . | 7,848 | 5,555 |
| Income taxes (net). . . . . . . . . . . . . . . . . . . . | 2,306 | (7,649) |
| Total other income and deductions . . . . . . . . . . | 6,617 | 26,614 |
| INCOME BEFORE INTEREST CHARGES. . . . . . . . . . . . . . . | 123,163 | 154,295 |
| INTEREST CHARGES: | | |
| Long-term debt. . . . . . . . . . . . . . . . . . . . . . | 47,849 | 50,823 |
| Other . . . . . . . . . . . . . . . . . . . . . . . . . . | 13,801 | 8,670 |
| Allowance for borrowed funds used during construction (credit) . . . . . . . . . . . . . . . . . | (1,778) | (1,578) |
| Total interest charges. . . . . . . . . . . . . . . . . | 59,872 | 57,915 |
| NET INCOME. . . . . . . . . . . . . . . . . . . . . . . . . | 63,291 | 96,380 |
| PREFERRED AND PREFERENCE DIVIDENDS. . . . . . . . . . . . . | 6,709 | 6,709 |
| EARNINGS APPLICABLE TO COMMON STOCK . . . . . . . . . . . . | $ 56,582 | $ 89,671 |
| AVERAGE COMMON SHARES OUTSTANDING . . . . . . . . . . . . . | 61,816,659 | 61,617,873 |
| EARNINGS PER AVERAGE COMMON SHARE OUTSTANDING . . . . . . . | $ 0.92 | $ 1.46 |
| DIVIDENDS DECLARED PER COMMON SHARE . . . . . . . . . . . . | $ 1.01 | $ .99 |

(1) Information reflects the sales of the Missouri Properties (Note 2).
The Notes to Consolidated Financial Statements are an integral part of these statements.

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

| | Twelve Months Ended June 30, 1995 | 1994(1) |
|---|---|---|
| OPERATING REVENUES: | | |
| Electric. . . . . . . . . . . . . . . . . . . . . . . . . | $1,107,547 | $1,116,685 |
| Natural gas . . . . . . . . . . . . . . . . . . . . . . . | 381,818 | 692,186 |
| Total operating revenues. . . . . . . . . . . . . . . . . . | 1,489,365 | 1,808,871 |
| OPERATING EXPENSES: | | |
| Fuel used for generation: | | |
| Fossil fuel . . . . . . . . . . . . . . . . . . . . . . | 208,664 | 230,054 |
| Nuclear fuel. . . . . . . . . . . . . . . . . . . . . . | 15,231 | 16,521 |
| Power purchased . . . . . . . . . . . . . . . . . . . . . | 14,186 | 15,681 |
| Natural gas purchases . . . . . . . . . . . . . . . . . . | 221,781 | 446,276 |
| Other operations. . . . . . . . . . . . . . . . . . . . . | 310,128 | 333,967 |
| Maintenance . . . . . . . . . . . . . . . . . . . . . . . | 111,761 | 117,836 |
| Depreciation and amortization . . . . . . . . . . . . . . | 151,490 | 160,163 |
| Amortization of phase-in revenues . . . . . . . . . . . . | 17,544 | 17,545 |
| Taxes: | | |
| Federal income. . . . . . . . . . . . . . . . . . . . . | 66,346 | 66,169 |

| | | |
|---|---|---|
| State income. . . . . . . . . . . . . . . . . . . . . . | 17,617 | 16,733 |
| General . . . . . . . . . . . . . . . . . . . . . . . . | 96,207 | 114,414 |
| Total operating expenses. . . . . . . . . . . . . . . . | 1,230,955 | 1,535,359 |
| OPERATING INCOME. . . . . . . . . . . . . . . . . . . . . . | 258,410 | 273,512 |
| OTHER INCOME AND DEDUCTIONS: | | |
| Corporate-owned life insurance (net). . . . . . . . . . . | (6,898) | 2,480 |
| Gain on sale of Missouri Properties (see Note 2). . . . . | - | 30,701 |
| Miscellaneous (net) . . . . . . . . . . . . . . . . . . . | 15,132 | 13,762 |
| Income taxes (net). . . . . . . . . . . . . . . . . . . . | 5,626 | (6,568) |
| Total other income and deductions . . . . . . . . . . | 13,860 | 40,375 |
| INCOME BEFORE INTEREST CHARGES. . . . . . . . . . . . . . . | 272,270 | 313,887 |
| INTEREST CHARGES: | | |
| Long-term debt. . . . . . . . . . . . . . . . . . . . . . | 95,510 | 109,829 |
| Other . . . . . . . . . . . . . . . . . . . . . . . . . . | 25,269 | 18,571 |
| Allowance for borrowed funds used during construction (credit) . . . . . . . . . . . . . . . . | (2,867) | (2,726) |
| Total interest charges. . . . . . . . . . . . . . . . | 117,912 | 125,674 |
| NET INCOME. . . . . . . . . . . . . . . . . . . . . . . . . | 154,358 | 188,213 |
| PREFERRED AND PREFERENCE DIVIDENDS. . . . . . . . . . . . . | 13,418 | 13,466 |
| EARNINGS APPLICABLE TO COMMON STOCK . . . . . . . . . . . . | $ 140,940 | $ 174,747 |
| AVERAGE COMMON SHARES OUTSTANDING . . . . . . . . . . . . . | 61,716,449 | 61,065,571 |
| EARNINGS PER AVERAGE COMMON SHARE OUTSTANDING . . . . . . . | $ 2.28 | $ 2.86 |
| DIVIDENDS DECLARED PER COMMON SHARE . . . . . . . . . . . . | $ 2.00 | $ 1.96 |

(1) Information reflects the sales of the Missouri Properties (Note 2).
The Notes to Consolidated Financial Statements are an integral part of these statements.

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

| | Six Months Ended June 30, | |
|---|---|---|
| | 1995 | 1994(1) |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income. . . . . . . . . . . . . . . . . . . . . . . . | $ 63,291 | $ 96,380 |
| Depreciation and amortization . . . . . . . . . . . . . . | 77,337 | 77,477 |
| Other amortization (including nuclear fuel) . . . . . . . | 7,388 | 5,867 |
| Gain on sales of utility plant (net of tax) . . . . . . . | (951) | (19,296) |
| Deferred taxes and investment tax credits (net) . . . . . | (7,264) | (56,276) |
| Amortization of phase-in revenues . . . . . . . . . . . . | 8,772 | 8,772 |
| Corporate-owned life insurance. . . . . . . . . . . . . . | (23,806) | (25,013) |
| Amortization of gain from sale-leaseback. . . . . . . . . | (4,821) | (4,820) |
| Changes in working capital items (net of effects from the sale of the Missouri Properties): | | |
| Accounts receivable and unbilled revenues (net) . . . . | 40,917 | (38,787) |
| Fossil fuel . . . . . . . . . . . . . . . . . . . . . . | (11,489) | (9,291) |
| Gas stored underground. . . . . . . . . . . . . . . . . | 12,866 | 10,854 |
| Accounts payable . . . . . . . . . . . . . . . . . . . | (12,845) | (48,909) |
| Accrued taxes . . . . . . . . . . . . . . . . . . . . . | (11,015) | 46,816 |
| Other . . . . . . . . . . . . . . . . . . . . . . . . . | (3,750) | 21,377 |
| Changes in other assets and liabilities . . . . . . . . . | 13,942 | 89,297 |
| Net cash flows from operating activities. . . . . . . | 148,572 | 154,448 |
| CASH FLOWS USED IN INVESTING ACTIVITIES: | | |
| Additions to utility plant. . . . . . . . . . . . . . . . | 107,191 | 107,796 |
| Sales of utility plant. . . . . . . . . . . . . . . . . . | (1,723) | (402,076) |
| Non-utility investments (net) . . . . . . . . . . . . . . | 9,455 | 3,162 |
| Corporate-owned life insurance policies . . . . . . . . . | 54,041 | 54,340 |
| Death proceeds of corporate-owned life insurance policies | (287) | (1,063) |
| Net cash flows used in (from) investing activities. . | 168,677 | (237,841) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Short-term debt (net) . . . . . . . . . . . . . . . . . . | (25,400) | (223,095) |
| Bonds issued. . . . . . . . . . . . . . . . . . . . . . . | - | 235,923 |

| | | |
|---|---|---|
| Bonds retired | (105) | (223,906) |
| Revolving credit agreements (net) | 57,500 | (115,000) |
| Other long-term debt (net) | - | (67,893) |
| Borrowings against life insurance policies (net) | 47,696 | 69,249 |
| Common stock issued | 8,576 | - |
| Dividends on preferred, preference and common stock | (68,399) | (67,095) |
| Net cash flows from (used in) financing activities | 19,868 | (391,817) |
| INCREASE IN CASH AND CASH EQUIVALENTS | (237) | 472 |
| CASH AND CASH EQUIVALENTS: | | |
| Beginning of the period | 2,715 | 1,217 |
| End of the period | $ 2,478 | $ 1,689 |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION | | |
| CASH PAID FOR: | | |
| Interest on financing activities (net of amount capitalized) | $ 84,852 | $ 78,906 |
| Income taxes | 48,810 | 62,454 |

(1) Information reflects the sales of the Missouri Properties (Note 2).
The Notes to Consolidated Financial Statements are an integral part of these statements.

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

| | Twelve Months Ended June 30, 1995 | 1994(1) |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | $ 154,358 | $ 188,213 |
| Depreciation and amortization | 151,490 | 160,163 |
| Other amortization (including nuclear fuel) | 12,426 | 13,730 |
| Gain on sales of utility plant (net of tax) | (951) | (19,296) |
| Deferred taxes and investment tax credits (net) | 32,457 | (44,682) |
| Amortization of phase-in revenues | 17,544 | 17,545 |
| Corporate-owned life insurance | (48,885) | (46,273) |
| Amortization of gain from sale-leaseback | (9,641) | (9,640) |
| Changes in working capital items (net of effects from the sale of the Missouri Properties): | | |
| Accounts receivable and unbilled revenues (net) | 4,074 | (115,062) |
| Fossil fuel | (10,026) | (2,895) |
| Gas stored underground | (3,391) | (7,071) |
| Accounts payable | (5,618) | (15,334) |
| Accrued taxes | (37,075) | 39,544 |
| Other | 18,018 | 30,819 |
| Changes in other assets and liabilities | (11,066) | 105,509 |
| Net cash flows from operating activities | 263,714 | 295,270 |
| CASH FLOWS USED IN INVESTING ACTIVITIES: | | |
| Additions to utility plant | 237,091 | 248,727 |
| Utility investment | - | 2,500 |
| Sales of utility plant | (1,723) | (402,076) |
| Non-utility investments (net) | 15,334 | 16,179 |
| Corporate-owned life insurance policies | 56,451 | 57,694 |
| Death proceeds of corporate-owned life insurance policies | (287) | (11,412) |
| Net cash flows used in (from) investing activities | 306,866 | (88,388) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Short-term debt (net) | 65,000 | (150,373) |
| Bonds issued | - | 300,923 |
| Bonds retired | (105) | (441,372) |
| Revolving credit agreement (net) | 57,500 | (325,000) |
| Other long-term debt (net) | - | (13,980) |
| Borrowings against life insurance policies (net) | 49,080 | 251,888 |
| Common stock issued (net) | 8,576 | 125,991 |
| Preference stock redeemed | - | (2,734) |
| Dividends on preferred, preference and common stock | (136,110) | (131,868) |
| Net cash flows from (used in) financing activities | 43,941 | (386,525) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 789 | (2,867) |
| CASH AND CASH EQUIVALENTS: | | |
| Beginning of the period | 1,689 | 4,556 |
| End of the period | $ 2,478 | $ 1,689 |

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION
CASH PAID FOR:

| | | |
|---|---|---|
| Interest on financing activities (net of amount capitalized) | $ 140,731 | $ 165,285 |
| Income taxes | 76,585 | 95,807 |

(1) Information reflects the sales of the Missouri Properties (Note 2).
The Notes to Consolidated Financial Statements are an integral part of these statements.

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

| | June 30, 1995 (Unaudited) | | December 31, 1994 | |
|---|---|---|---|---|
| COMMON STOCK EQUITY (see statement): | | | | |
| Common stock, par value $5 per share, authorized 85,000,000 shares, outstanding 61,901,197 and 61,617,873 shares, respectively | $ 309,506 | | $ 308,089 | |
| Paid-in capital | 675,151 | | 667,992 | |
| Retained earnings | 492,506 | | 498,374 | |
| | 1,477,163 | 48% | 1,474,455 | 49% |
| CUMULATIVE PREFERRED AND PREFERENCE STOCK: | | | | |
| Not subject to mandatory redemption, | | | | |
| Par value $100 per share, authorized 600,000 shares, outstanding - | | | | |
| 4 1/2% Series, 138,576 shares | 13,858 | | 13,858 | |
| 4 1/4% Series, 60,000 shares | 6,000 | | 6,000 | |
| 5% Series, 50,000 shares | 5,000 | | 5,000 | |
| | 24,858 | | 24,858 | |
| Subject to mandatory redemption, | | | | |
| Without par value, $100 stated value, authorized 4,000,000 shares, outstanding - | | | | |
| 7.58% Series, 500,000 shares | 50,000 | | 50,000 | |
| 8.50% Series, 1,000,000 shares | 100,000 | | 100,000 | |
| | 150,000 | | 150,000 | |
| | 174,858 | 6% | 174,858 | 6% |
| LONG-TERM DEBT: | | | | |
| First mortgage bonds | 841,000 | | 841,000 | |
| Pollution control bonds | 521,817 | | 521,922 | |
| Revolving credit agreement | 57,500 | | - | |
| Less: | | | | |
| Unamortized premium and discount (net) | 5,684 | | 5,814 | |
| Long-term debt due within one year | 16,000 | | 80 | |
| | 1,398,633 | 46% | 1,357,028 | 45% |
| TOTAL CAPITALIZATION | $3,050,654 | 100% | $3,006,341 | 100% |

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

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

| | Common Stock | Paid-in Capital | Retained Earnings |
|---|---|---|---|
| BALANCE DECEMBER 31, 1993, 61,617,873 shares | $308,089 | $667,738 | $446,348 |
| Net income | | | 96,380 |
| Cash dividends: | | | |
| Preferred and preference stock | | | (6,709) |
| Common stock, $0.99 per share | | | (61,002) |
| Expenses on common stock | | (228) | |

| | | | |
|---|---|---|---|
| BALANCE JUNE 30, 1994, 61,617,873 shares . . . . . . | 308,089 | 667,510 | 475,017 |
| Net income. . . . . . . . . . . . . . . . . . . . . . | | | 91,067 |
| Cash dividends: | | | |
| Preferred and preference stock. . . . . . . . . . . | | | (6,709) |
| Common stock, $0.99 per share . . . . . . . . . . . | | | (61,001) |
| Distribution of common stock under the Customer Stock Purchase Plan . . . . . . . . . . . . . . . . | | 482 | |
| BALANCE DECEMBER 31, 1994, 61,617,873 shares. . . . . | 308,089 | 667,992 | 498,374 |
| Net income. . . . . . . . . . . . . . . . . . . . . . | | | 63,291 |
| Cash dividends: | | | |
| Preferred and preference stock. . . . . . . . . . . | | | (6,709) |
| Common stock, $1.01 per share . . . . . . . . . . . | | | (62,450) |
| Issuance of 283,324 shares of common stock. . . . . . | 1,417 | 7,159 | |
| BALANCE JUNE 30, 1995, 61,901,197 shares. . . . . . . | $309,506 | $675,151 | $492,506 |

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

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

1. ACCOUNTING POLICIES AND OTHER INFORMATION

General: The condensed consolidated financial statements of Western Resources, Inc. (the Company) include the accounts of its wholly-owned subsidiaries, Astra Resources, Inc. (Astra Resources), Astra Power, Astra Services, Kansas Gas and Electric Company (KG&E), KPL Funding Corporation (KFC), and Mid Continent Market Center Inc. (MCMC). KG&E owns 47% of the Wolf Creek Nuclear Operating Corporation (WCNOC), the operating company for the Wolf Creek Generating Station (Wolf Creek). The Company records its proportionate share of all transactions of WCNOC as it does other jointly-owned facilities. All significant intercompany transactions have been eliminated. The operations of Astra Resources, Astra Power, Astra Services, KFC, and MCMC were not material to the Company's results of operations. The Company is conducting its utility business as KPL, Gas Service, and through its wholly-owned subsidiaries, KG&E and MCMC. The Company is conducting its non-utility business through Astra Resources, Astra Power, and Astra Services.

The financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. In the opinion of the Company, the accompanying condensed consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the financial position of the Company as of June 30, 1995 and December 31, 1994, and the results of its operations for the three, six and twelve month periods ended June 30, 1995 and 1994. These condensed consolidated financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company's 1994 Annual Report on Form 10-K and the KG&E Annual Report on Form 10-K incorporated by reference in the Company's 1994 Annual Report on Form 10-K.

The accounting policies of the Company are in accordance with generally accepted accounting principles as applied to regulated public utilities. The accounting and rates of the Company are subject to requirements of the Kansas Corporation Commission (KCC), Oklahoma Corporation Commission, and the Federal Energy Regulatory Commission (FERC).

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

| | June 30, 1995 | December 31, 1994 |
|---|---|---|
| | (Dollars in Millions) | |
| Cash surrender value of contracts | $483.5 | $408.9 |
| Borrowings against contracts | (439.6) | (391.9) |
| COLI (net) | $ 43.9 | $ 17.0 |

COLI borrowings will be repaid upon receipt of proceeds from death benefits under contracts. Increases in the cash surrender value of contracts, resulting from premiums and investment earnings, are recognized as income on a tax free basis in Corporate-owned Life Insurance (net) on the Consolidated Statements of Income. For the three, six and twelve months ended June 30, 1995, income from increases in cash surrender value, net of premium and administrative expenses and income from death proceeds, was $4.2 million, $8.1 million, and $16.0 million respectively, compared to $4.3 million, $7.8 million and $20.6 million for the three, six and twelve months ended June 30, 1994, respectively. Interest expense on COLI borrowings is recorded as a tax deductible expense in Corporate-owned Life Insurance (net) on the Consolidated Statements of Income. For the three, six and twelve months ended June 30, 1995, interest expense on COLI borrowings was $6.0 million, $11.7 million, and $22.9 million respectively, compared to $5.0 million, $9.8 million and $18.1 million for the three, six and twelve months ended June 30, 1994, respectively.

As approved by the KCC, the Company is using a portion of the net income stream generated by COLI policies purchased in 1993 and 1992 by the Company to offset Statement of Financial Accounting Standards No. 106 (SFAS 106) and Statement of Financial Accounting Standards No. 112 (SFAS 112) expenses.

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

## 2. SALES OF MISSOURI NATURAL GAS DISTRIBUTION PROPERTIES

On January 31, 1994, the Company sold substantially all of its Missouri natural gas distribution properties and operations to Southern Union Company (Southern Union). The Company sold the remaining Missouri properties to United Cities Gas Company (United Cities) on February 28, 1994. The properties sold to Southern Union and United Cities are referred to herein as the "Missouri Properties." With the sales, the Company is no longer operating as a utility in the State of Missouri.

The portion of the Missouri Properties purchased by Southern Union was sold for $404 million, in cash. (For information regarding litigation in connection with the sale of the Missouri Properties to Southern Union, see Note 3.) United Cities purchased the Company's natural gas distribution system in and around the City of Palmyra, Missouri, for $665,000 in cash.

During the first quarter of 1994, the Company recognized a gain of approximately $19.3 million, net of tax, on the sale of the Missouri Properties. As of the respective dates of the sales of the Missouri Properties, the Company ceased recording the results of operations, and removed the assets and liabilities from the Consolidated Balance Sheet related to the Missouri Properties. The gain is reflected in Other Income and Deductions on the six and twelve months ended June 30, 1994 Consolidated Statements of Income.

The Company's operating revenues and operating income for the six and twelve months ended June 30, 1995, do not include any results related to the Missouri Properties.

The following table reflects the approximate operating revenues (unaudited) and operating income (unaudited) related to the Missouri Properties for the six and twelve months ended June 30, 1994, through the sale to Southern Union on January 31, 1994 and United Cities on February 28, 1994:

| | June 30, 1994 | |
|---|---|---|
| | 6 months ended | 12 months ended |
| | (Dollars in Thousands) | |
| Operating Revenues. . . . . . . . | $77,008 | $226,255 |
| Percent of Total Company. . . . | 8.6% | 12.5% |
| Operating Income. . . . . . . . . | $5,670 | $14,182 |
| Percent of Total Company. . . . | 4.4% | 5.2% |

Separate audited financial information was not kept by the Company for the Missouri Properties. This unaudited financial information is based on assumptions and allocations of expenses of the Company as a whole.

## 3. LEGAL PROCEEDINGS

On June 1, 1994, Southern Union filed an action against the Company, The Bishop Group, Ltd., and other entities affiliated with The Bishop Group, in the Federal District Court for the Western District of Missouri (the Court) (Southern Union Company v. Western Resources, Inc. et al., Case No. 94-509-CV-W-1) alleging, among other things, breach of the Missouri Properties sale agreement relating to certain gas supply contracts between the Company and various Bishop entities that Southern Union assumed, and requesting unspecified monetary damages as well as declaratory relief. On August 1, 1994, the Company filed its answer and counterclaim denying all claims asserted against it by Southern Union and requesting declaratory judgment with respect to certain adjustments in the purchase price for the Missouri Properties proposed by Southern Union and disputed by the Company. The disputed purchase price adjustments were submitted to an arbitrator in February 1995. Based on the decision of the arbitrator rendered in April 1995, Southern Union paid the Company $3.6 million including interest. For additional information regarding the sales of the Missouri Properties, see Note 2.

In April, 1995, Southern Union filed its amended complaint against the Company, alleging a variety of new theories in support of its revised damage claims. Southern Union now claims that it has overpaid the Company from between $38 to $53 million dollars for the Missouri Properties. The Company has filed its amended answer denying each and every claim made by Southern Union in its amended complaint. Discovery has been completed and the Company intends to file motions to dismiss in the near future. The resolution of this matter is not expected to have a material adverse impact on the Company.

On August 15, 1994, the Bishop entities filed an answer and claims against Southern Union and the Company alleging, among other things, breach of those certain gas supply contracts. The Bishop entities claimed damages up to $270 million against the Company and Southern Union. In March, 1995 this litigation between the Company and the Bishop entities was settled with the realignment of the commercial relationship between the parties. The resolution of this matter is not expected to have a material adverse impact on the Company.

The Company received a civil investigative demand from the U.S. Department of Justice seeking certain information in connection with the department's investigation "to determine whether there is, has been, or may be a violation of the Sherman Act Sec. 1-2" with respect to the natural gas business in Kansas and Missouri. The Company is cooperating with the Department of Justice, but is not aware of any violation of the antitrust laws in connection with its business operations.

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

## 4. RATE MATTERS AND REGULATION

KCC Rate Proceedings: On January 24, 1992, the KCC issued an order allowing the Company to defer service line replacement program costs incurred since January 1, 1992, including depreciation, property taxes, and carrying costs for recovery in the next general rate case. At June 30, 1995, approximately $10.6 million of these deferrals have been included in Deferred Charges and Other Assets, Other, on the Consolidated Balance Sheet.

## 5. COMMITMENTS AND CONTINGENCIES

As a part of its ongoing operations and construction program, the Company had commitments under purchase orders and contracts which had an unexpended balance of approximately $77 million at December 31, 1994. Approximately $32 million was attributable to modifications to upgrade the three turbines at Jeffrey Energy Center to be completed by December 31, 1998.

In January 1994, the Company entered into an agreement with Oklahoma Municipal Power Authority (OMPA). Under the agreement, the Company received a prepayment of approximately $41 million for which the Company will provide capacity and transmission services to OMPA through the year 2013.

Manufactured Gas Sites: The Company was previously associated with 20 former manufactured gas sites located in Kansas which may contain coal tar and other potentially harmful materials. These sites were operated decades ago by predecessor companies, and were owned by the Company for a period of time after operations had ceased. The Company and the Kansas Department of Health and Environment (KDHE) conducted preliminary assessments of the sites at a cost of approximately $500,000. The results of the preliminary investigations determined the Company does not have a connection to four of the sites.

The Company and KDHE entered into a consent agreement governing all future work at the remaining 16 sites. The terms of the consent agreement will allow the Company to investigate these sites and set remediation priorities based upon the results of the investigations and risk analysis. The prioritized sites will be investigated over a 10 year period. The agreement will allow the Company to set mutual objectives with the KDHE in order to expedite effective response activities and to control costs and environmental impact. The costs incurred for site investigation and risk assessment in 1994 were minimal and are expected to be minimal in 1995. The Company is aware of other utilities in Region VII of the EPA (Kansas, Missouri, Nebraska, and Iowa) which have incurred remediation costs for sites ranging between $500,000 and $10 million, depending on the site. The KCC has permitted another Kansas utility to recover its remediation costs through rates. To the extent that such remediation costs are not recovered through rates, the costs could be material to the Company's financial position or results of operations depending on the degree of remediation required and number of years over which the remediation must be completed.

Superfund Sites: The Company is one of numerous potentially responsible parties at a groundwater contamination site in Wichita, Kansas (Wichita site) which is listed by the EPA as a Superfund site. The Company has previously been associated with other Superfund sites of which the Company's liability has been classified as de minimis and any potential obligations have been settled at minimal cost. The Company's obligation at the Wichita site appears to be limited based on the Company's experience at similar sites given its limited exposure and settlement costs. In the opinion of the Company's management, the resolution of this matter will not have a material impact on the Company's financial position or results of operations.

Clean Air Act: The Clean Air Act Amendments of 1990 (the Act) require a two-phase reduction in sulfur dioxide and oxides of nitrogen (NOx) emissions effective in 1995 and 2000 and a probable reduction in toxic emissions. To meet the monitoring and reporting requirements under the acid rain program, the Company installed continuous monitoring and reporting equipment at a total cost of approximately $10 million. The Company does not expect additional equipment to reduce sulfur emissions to be necessary under Phase II. Although the Company has no units subject to Phase I regulations, the owners obtained an early substitution permit to bring the co-owned La Cygne Station under the Phase I regulations.

The NOx and air toxic limits, which were not set in the law, continue to be subject to the EPA's rules-making procedures. The Company will follow the development of these regulations and establish compliance strategies as appropriate.

Other Environmental Matters: As part of the sale of the Company's Missouri Properties to Southern Union, Southern Union assumed responsibility under an agreement for any environmental matters related to the Missouri Properties purchased by Southern Union pending at the date of the sale or that may arise after closing. For any environmental matters pending or discovered within two years of the date of the agreement, and after pursuing several other potential recovery options, the Company may be liable for up to a maximum of $7.5 million under a sharing arrangement with Southern Union provided for in the agreement.

Spent Nuclear Fuel Disposal: Under the Nuclear Waste Policy Act of 1982, the U.S. Department of Energy (DOE) is responsible for the ultimate storage and disposal of spent nuclear fuel removed from nuclear reactors. Under a contract with the DOE for disposal of spent nuclear fuel, the Company pays a quarterly fee to DOE of one mill per kilowatthour on net nuclear generation. These fees are included as part of nuclear fuel expense.

The Company along with the other co-owners of Wolf Creek are among 14 companies that filed a lawsuit on June 20, 1994, seeking an interpretation of the DOE's obligation to begin accepting spent nuclear fuel for disposal in 1998. The Federal Nuclear Waste Policy Act requires DOE ultimately to accept and dispose of nuclear utilities' spent fuel. The DOE has filed a motion to have this case dismissed. The issue to be decided in this case is whether DOE must begin accepting spent fuel in 1998 or at a future date. Wolf Creek contains an on-site spent fuel storage facility which, under current regulatory guidelines, provides space for the storage of spent fuel through the year 2006 while still maintaining full core off-load capability. The Company believes adequate additional storage space can be obtained as necessary.

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

Decommissioning costs are being charged to operating expenses in accordance with the KCC order. Electric rates charged to customers provide for recovery of these decommissioning costs over the life of Wolf Creek. Amounts so expensed ($3.5 million in 1994 increasing annually to $5.5 million in 2024) and earnings on trust fund assets are deposited in an external trust fund. The assumed return on trust assets is 5.9%.

The Company's investment in the decommissioning fund, including reinvested earnings was $19.4 million and $16.9 million at June 30, 1995 and December 31, 1994, respectively. These amounts are reflected in Decommissioning Trust, and the related liability is included in Deferred Credits and Other Liabilities, Other, on the Consolidated Balance Sheets.

The Company carries $118 million in premature decommissioning insurance. The insurance coverage has several restrictions. One of these is that it can only be used if Wolf Creek incurs an accident exceeding $500 million in expenses to safely stabilize the reactor, to decontaminate the reactor and reactor station site in accordance with a plan approved by the Nuclear Regulatory Commission (NRC), and to pay for on-site property damages. If the amount designated as decommissioning insurance is needed to implement the NRC-approved plan for stabilization and decontamination, it would not be available for decommissioning purposes.

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

The Owners carry decontamination liability, premature decommissioning liability, and property damage insurance for Wolf Creek totalling approximately $2.8 billion ($1.3 billion, Company's share). This insurance is provided by a combination of "nuclear insurance pools" ($500 million) and Nuclear Electric Insurance Limited (NEIL) ($2.3 billion). In the event of an accident, insurance proceeds must first be used for reactor stabilization and site decontamination. The Company's share of any remaining proceeds can be used for property damage up to $1.2 billion (Company's share) and premature decommissioning costs up to $118 million (Company's share) in excess of funds previously collected for decommissioning (as discussed under "Decommissioning").

The Owners also carry additional insurance with NEIL to cover costs of replacement power and other extra expenses incurred during a prolonged outage resulting from accidental property damage at Wolf Creek. If losses incurred at any of the nuclear plants insured under the NEIL policies exceed premiums, reserves, and other NEIL resources, the Company may be subject to retrospective assessments of approximately $13 million per year.

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

Federal Income Taxes: During 1991, the Internal Revenue Service (IRS) completed an examination of KG&E's federal income tax returns for the years 1984 through 1988. In October 1993, KG&E received another examination report for the years 1989 and 1990 covering the same issues identified in the previous examination report. In April 1995, KG&E reached agreement with the IRS on the ultimate disposition of the issues raised in the examination reports. Based on the settlement agreement, management believes that adequate tax reserves have been provided and the settlement will have no effect on the Company's financial position or results of operations.

Fuel Commitments: To supply a portion of the fuel requirements for its generating plants, the Company has entered into various commitments to obtain nuclear fuel, coal, and natural gas. Some of these contracts contain provisions for price escalation and minimum purchase commitments. At December 31, 1994, WCNOC's nuclear fuel commitments (Company's share) were approximately $12.6 million for uranium concentrates expiring at various times through 1997, $122.9 million for enrichment expiring at various times through 2014, and $56.5 million for fabrication through 2012. At December 31, 1994,

the Company's coal and natural gas contract commitments in 1994 dollars under the remaining terms of the contracts were approximately $3 billion and $9 million, respectively. The largest coal contract expires in 2020, with the remaining coal contracts expiring at various times through 2013. The majority of natural gas contracts expire in 1995 but have automatic one-year extension provisions. In the normal course of business, additional commitments and spot market purchases will be made to obtain adequate fuel supplies.

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

## 6. INCOME TAXES

Total income tax expense included in the Consolidated Statements of Income reflects the Federal statutory rate of 35%. The Federal statutory rate produces effective income tax rates of 29.2% and 33.4% for the three month periods, 32.3% and 34.9% for the six month periods, and 34.3% and 32.5% for the twelve month periods ended June 30, 1995 and 1994, respectively. The effective income tax rates vary from the Federal statutory rate due to permanent differences, including the amortization of investment tax credits, and accelerated amortization of certain deferred income taxes.

WESTERN RESOURCES, INC.

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

The following Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with Management's Discussion and Analysis of the Company's 1994 Annual Report on Form 10-K. The following updates the information provided in the 1994 Annual Report on Form 10-K and analyzes the changes in the results of operations between the three, six, and twelve month periods ended June 30, 1995 and comparable periods of 1994.

As a result of the sales of the Missouri Properties, as described in Note 2, Sales of Missouri Natural Gas Distribution Properties, of the Notes to Consolidated Financial Statements, the Company recognized a gain of approximately $19.3 million, net of tax, and ceased recording the results of operations for the Missouri Properties during the first quarter of 1994. Consequently, the Company's operating revenues and operating income for the six and twelve months ended June 30, 1995, do not include any results related to the Missouri Properties and are not fully comparable to the results of operations for the same periods ending June 30, 1994.

The following table reflects the approximate operating revenues (unaudited) and operating income (unaudited) related to the Missouri Properties for the six and twelve months ended June 30, 1994, through the sale to Southern Union on January 31, 1994 and United Cities on February 28, 1994:

| | June 30, 1994 | |
|---|---|---|
| | 6 months ended | 12 months ended |
| | (Dollars in Thousands) | |
| Operating Revenues. . . . . . . . | $77,008 | $226,255 |
| Percent of Total Company. . . . | 8.6% | 12.5% |
| Operating Income. . . . . . . . . | $5,670 | $14,182 |
| Percent of Total Company. . . . | 4.4% | 5.2% |

Separate audited financial information was not kept by the Company for the Missouri Properties. This unaudited financial information is based on assumptions and allocations of expenses of the Company as a whole.

For additional information regarding the sales of the Missouri Properties and the pending litigation see Note 2 and Note 3 of the Notes to Consolidated Financial Statements.

FINANCIAL CONDITION

General: Net income for the second quarter of 1995 was $22 million, down from net income of $30 million for the same period of 1994. The Company earned $0.30 per share of common stock for the second quarter of 1995, a decrease of $0.14 per share from the second quarter of 1994. Operating revenues were $333 million and $341 million for the three months ended June 30, 1995 and 1994, respectively. The decrease in net income, earnings per share, and operating revenues is primarily due to lower revenues as a result of decreased electric sales in all retail customer classes. The demand for air conditioning load was reduced due to mild spring temperatures.

Net income for the six and twelve months ended June 30, 1995, was $63 million and $154 million, respectively, compared to $96 million and $188 million for the same periods of 1994. The Company earned $0.92 and $2.28 per share of common stock, respectively, for the six and twelve months ended June 30, 1995 compared to $1.46 and $2.86 for the comparable periods of 1994. The decrease in net income and earnings per share is primarily due to the inclusion of the gain on the sales of, and operating income from, the Missouri Properties prior to the sales in the first quarter of 1994.

Operating revenues were $0.8 billion and $1.5 billion for the six and twelve months ended June 30, 1995, respectively. These revenues compare to $0.9 billion and $1.8 billion for the same periods of 1994. The decrease in revenues is a result of the sales of the Missouri Properties, mild winter and spring temperatures in 1995 compared to 1994, and a lower unit cost of natural gas passed on to customers through the purchased gas adjustment (PGA).

A quarterly dividend of $0.505 per share was declared in the second quarter of 1995, for an indicated annual rate of $2.02 per share. The book value per share was $23.86 at June 30, 1995, down from $23.93 at December 31, 1994. There were 61,885,556 and 61,617,873 average shares outstanding for the second quarter of 1995 and 1994, respectively.

Liquidity and Capital Resources: The Company's short-term financing requirements are satisfied, as needed, through the sale of commercial paper, short-term bank loans and borrowings under unsecured lines of credit maintained with banks. At June 30, 1995, short-term borrowings amounted to $283 million, of which $193 million was commercial paper.

RESULTS OF OPERATIONS

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

The following table reflects changes in electric sales for the three, six, and twelve months ended June 30, 1995 from the comparable periods of 1994.

Increase (decrease) in electric sales volumes:

| | 3 Months ended | 6 Months ended | 12 Months ended |
|---|---|---|---|
| Residential | (15.7)% | (9.3)% | (4.9)% |
| Commercial | (3.1)% | (0.6)% | 2.1% |
| Industrial | (0.1)% | 3.0% | 3.2% |
| Total retail sales | (5.9)% | (2.0)% | 0.2% |
| | | | |
| Wholesale and interchange | 4.6% | (10.7)% | (24.6)% |
| Total electric sales | (4.0)% | (3.9)% | (5.6)% |

Electric revenues decreased approximately six percent to $263 million for the three months ended June 30, 1995 compared to $279 million for the three months ended June 30, 1994. The decrease was primarily due to lower revenues as a result of decreased sales in all retail customer classes. Due to mild spring temperatures in the Company's service area, the number of cooling degree days decreased by 42 percent, as compared to the same quarter of last year. This decrease reduced the demand for air conditioning load. Also contributing to the decrease was an additional $1.6 million of amortization of the final merger refund for the three months ended June 30, 1995 compared to 1994.

Electric revenues decreased approximately three percent to $516 million for the six months ended June 30, 1995 as compared to $530 million for the six months ended June 30, 1994. Revenues for the twelve months ended June 30, 1995 decreased less than one percent. These decreases are largely due to lower revenues as a result of decreased sales to residential and wholesale and interchange customers. Sales to residential customers were lower due to mild winter and spring temperatures during 1995 as compared to 1994. The decreases in wholesale and interchange sales were primarily due to higher sales during the twelve months ended June 30, 1994 to other utilities while their generating units were down as a result of the 1993 floods. The decreases are also attributable to an additional $3.3 million and $6.8 million,

respectively, of amortization of the merger refund for the six and twelve months ended June 30, 1995 compared to 1994.

The following table reflects changes in natural gas sales for the three, six, and twelve months ended June 30, 1995 from the comparable periods of 1994.

Increase (decrease) in natural gas sales volumes:

| | Excluding Missouri Operations | | | Including Missouri Operations | | |
|---|---|---|---|---|---|---|
| | 3 Months ended | 6 Months ended | 12 Months ended | 3 Months ended | 6 Months ended | 12 Months ended |
| Residential | 8.0% | (3.9)% | (8.6)% | 8.0% | (24.4)% | (38.0)% |
| Commercial | (3.8)% | (7.6)% | (10.0)% | (3.8)% | (30.6)% | (42.6)% |
| Industrial | 111.8% | 12.0% | (15.4)% | 111.8% | 6.3% | (28.2)% |
| Transportation | 8.4% | 6.2% | 6.6% | 8.4% | (8.9)% | (23.8)% |
| Total Deliveries | 33.7% | 10.4% | 3.0% | 33.7% | (11.6)% | (29.5)% |

Total natural gas revenues for the three months ended June 30, 1995 were higher than the same period of 1994 due to increased industrial, transportation, and as-available gas sales. As-available gas is excess gas under contract that the Company did not require for customer sales or storage due to mild weather in 1995. According to our tariff, the profit made on as-available gas sales, is returned 50% to customers through the PGA and 50% is reflected in wholesale sales of the Company.

Natural gas revenues and sales decreased significantly for the six and twelve months ended June 30, 1995 compared to the same periods of 1994 as a result of the sales of the Missouri Properties in the first quarter of 1994.

Excluding natural gas sales related to the Missouri Properties, prior to the sales of those properties in the first quarter of 1994, total natural gas revenues would have been higher due to increased transportation sales and as-available gas sales for the six and twelve months ended June 30, 1995. These increases were partially offset by lower sales in other customer classes as a result of milder winter temperatures in 1995 compared to 1994, and a lower unit cost of natural gas which is passed on to customers through the PGA.

Operating Expenses: Total operating expenses decreased less than one percent for the three months ended June 30, 1995 compared to the same period of 1994. Partially offsetting this decrease was the expense related to the early retirement programs discussed below.

Total operating expenses decreased 16% and 20% for the six and twelve months ended June 30, 1995 compared to the same periods of 1994, respectively. These decreases were the result of the sales of the Missouri Properties and decreases in fuel and purchase power expenses as a result of the decrease in electric generation due to lower sales to residential and wholesale and interchange customers. Partially offsetting this decrease was the expense related to the early retirement programs discussed below.

Other Income and Deductions: Other Income and Deductions, Net of Taxes,

was lower for the three, six and twelve months ended June 30, 1995 compared to 1994 due to additional interest expense on increased COLI borrowings. Also significantly contributing to the decrease in other income for the six and twelve months ended June 30, 1995 compared to 1994 is the recognition of the gain on the sales of the Missouri Properties, of approximately $19.3 million, net of tax, during the first quarter of 1994.

Interest Charges and Preferred and Preference Dividend Requirements: Total interest charges increased nine percent for the three months ended and three percent for the six months ended June 30, 1995 from the comparable periods in 1994 due to higher interest rates on short-term borrowings.

Total interest charges decreased for the twelve months ended June 30, 1995 by six percent compared to the twelve months ended June 30, 1994 as a result of lower debt balances and the refinancing of higher cost debt. Also accounting for the decrease in interest expense was the impact of increased COLI borrowings which reduced the need for other long-term debt and thereby reduced interest expense. COLI interest is reflected in Other Income and Deductions on the Consolidated Statements of Income. Partially offsetting this decrease were higher interest rates on short-term borrowings.

OTHER INFORMATION

Merger Implementation: In accordance with the KCC Merger order, amortization of the acquisition adjustment will commence August 1995. The amortization will amount to approximately $20 million (after tax) per year for 40 years. The Company can recover the amortization of the acquisition adjustment through cost savings under a sharing mechanism approved by the KCC. While the Company has achieved savings from the Merger, there is no assurance that the savings achieved will be sufficient to, or the cost savings sharing mechanism will operate as to, fully offset the amortization of the acquisition adjustment.

Early Retirement: In April 1995, the Company announced a voluntary early retirement program for employees 55 years of age and older with a minimum of 10 years of service as of July 1, 1995. Of the approximately 420 employees who were eligible for the voluntary retirement program, 216 accepted.

In the second quarter of 1995, $5.5 million related to the early retirement program was recorded as expense. The Company estimates the cost savings for the program to be approximately $9.9 million annually.

WCNOC also offered a voluntary early retirement program for employees 55 years of age and older with a minimum of 5 years of service as of June 1, 1995. The total cost of the program for the 56 of the 70 eligible employees who accepted early retirement was approximately $2.1 million (Company's share). WCNOC estimates the cost savings from the program to be approximately $1.7 million (Company's share) annually.

WESTERN RESOURCES, INC.
Part II Other Information

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

The Company's Annual Meeting of shareholders was held on May 2, 1995. At the meeting the shareholders, representing 51,860,513 shares either in person or by proxy, voted to :

Elect the following directors to serve a term of three years:

| | Votes For | Votes Against |
|---|---|---|
| David H. Hughes | 50,948,032 | 830,061 |
| John H. Robinson | 51,043,253 | 830,061 |
| Susan M. Stanton | 50,991,699 | 830,061 |
| Kenneth J. Wagnon | 51,138,548 | 830,061 |

Item 5. Other Information

Mid-Continent Market Center: To capitalize on opportunities in the non-regulated natural gas industry, the Company has established a natural gas market center in Kansas to serve as a vehicle for producers, marketers, and local distribution companies to buy, sell, and trade natural gas. MCMC will also provide a full range of services including transportation, gathering, storage, and title transfer. On June 30, the KCC granted a certificate authorizing the business operations of MCMC. At the same time, changes allowing the Company to transport interstate gas on our intrastate system were initiated with the FERC. MCMC began operations on July 1, 1995 utilizing existing pipeline interconnections. At the time operations began, the Company transferred certain natural gas transmission assets having a value of approximately $50 million to MCMC. Upgrades and new interconnections will be constructed over the next six months to expand MCMC's capabilities.

Rate Plans: In April 1995, the Company announced it intends to file a proposal with the KCC in the summer of 1995 to increase the depreciation on the assets of Wolf Creek Generating Station by $59 million annually for seven years beginning in 1996. As a result, the Company will also seek to reduce electric rates for KG&E customers by approximately $9 million annually for the same seven year period. In addition, the Company also announced its intention to file a $36 million rate increase request for its Kansas natural gas properties in the summer of 1995. The increase is being sought to recover costs associated with the service line replacement program as well as other operating costs.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

| | | |
|---|---|---|
| Exhibit 27 | - | Financial Data Schedule |
| Exhibit 99 | - | Kansas Gas and Electric Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1995 |

(b) Reports on Form 8-K: None

SIGNATURES

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

Western Resources, Inc.

| | | | |
|---|---|---|---|
| Date | August 2, 1995 | By | S. L. KITCHEN<br>S. L. Kitchen, Executive Vice President and Chief Financial Officer |
| Date | August 2, 1995 | By | JERRY D. COURINGTON<br>Jerry D. Courington, Controller |

WARNING: THE EDGAR SYSTEM ENCOUNTERED ERROR(S) WHILE PROCESSING THIS SCHEDULE.

WESTERN RESOURCES, INC.
FINANCIAL DATA SCHEDULE
6/30/95

UT

THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE BALANCE SHEET AT JUNE 30, 1995 AND THE STATEMENT OF INCOME AND THE STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED JUNE 30, 1995 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1000

6-MOS
DEC-31-1995
JUN-30-1995
PER-BOOK
4,319,335
107,941
374,590
412,330
0
5,214,196
309,506
675,151
492,506
1,477,163
150,000
24,858
1,398,633
89,500
0
193,300
16,000
0
3,202
3,249
1,858,291
5,214,196
750,926
29,383
602,691
634,380
116,546
6,617
123,163
59,872
63,291
6,709
56,582
62,449
47,849
148,572
0.92
0

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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

For the quarterly period ended June 30, 1995

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

For the transition period from          to

Commission file number 1-7324

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

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

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

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

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

Yes X No

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

| Class | Outstanding at August 2, 1995 |
|---|---|
| Common Stock (No par value) | 1,000 Shares |

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

KANSAS GAS AND ELECTRIC COMPANY
INDEX

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

| | June 30, 1995 (Unaudited) | December 31, 1994 |
|---|---|---|
| ASSETS | | |
| UTILITY PLANT: | | |
| Electric plant in service . . . . . . . . . . . . . . . . . | $3,417,291 | $3,390,406 |
| Less - Accumulated depreciation . . . . . . . . . . . . . . | 867,597 | 833,953 |
| | 2,549,694 | 2,556,453 |
| Construction work in progress . . . . . . . . . . . . . . | 35,759 | 32,874 |
| Nuclear fuel (net). . . . . . . . . . . . . . . . . . . . | 41,414 | 39,890 |
| Net utility plant . . . . . . . . . . . . . . . . . . . | 2,626,867 | 2,629,217 |
| OTHER PROPERTY AND INVESTMENTS: | | |
| Decommissioning trust . . . . . . . . . . . . . . . . . . | 19,381 | 16,944 |
| Other . . . . . . . . . . . . . . . . . . . . . . . . . . | 7,592 | 11,561 |
| | 26,973 | 28,505 |
| CURRENT ASSETS: | | |
| Cash and cash equivalents . . . . . . . . . . . . . . . . | 72 | 47 |
| Accounts receivable and unbilled revenues (net) . . . . . | 67,980 | 67,833 |
| Advances to parent company . . . . . . . . . . . . . . . | 91,904 | 64,393 |
| Fossil fuel, at average cost. . . . . . . . . . . . . . . | 16,609 | 13,752 |
| Materials and supplies, at average cost . . . . . . . . . | 30,903 | 30,921 |
| Prepayments and other current assets. . . . . . . . . . . | 31,168 | 16,662 |
| | 238,636 | 193,608 |
| DEFERRED CHARGES AND OTHER ASSETS: | | |
| Deferred future income taxes . . . . . . . . . . . . . . | 102,789 | 102,789 |
| Deferred coal contract settlement costs . . . . . . . . . | 16,282 | 17,944 |
| Phase-in revenues . . . . . . . . . . . . . . . . . . . . | 52,634 | 61,406 |
| Other deferred plant costs. . . . . . . . . . . . . . . . | 31,662 | 31,784 |
| Corporate-owned life insurance (net). . . . . . . . . . . | 7,036 | 9,350 |
| Unamortized debt expense. . . . . . . . . . . . . . . . . | 26,685 | 27,777 |
| Other . . . . . . . . . . . . . . . . . . . . . . . . . . | 36,909 | 40,430 |
| | 273,997 | 291,480 |
| TOTAL ASSETS . . . . . . . . . . . . . . . . . . . . . | $3,166,473 | $3,142,810 |
| CAPITALIZATION AND LIABILITIES | | |
| CAPITALIZATION (see Statements) . . . . . . . . . . . . . | $1,946,667 | $1,925,196 |
| CURRENT LIABILITIES: | | |
| Short-term debt . . . . . . . . . . . . . . . . . . . . . | 25,000 | 50,000 |
| Long-term debt due within one year. . . . . . . . . . . . | 16,000 | - |
| Accounts payable. . . . . . . . . . . . . . . . . . . . . | 54,926 | 49,093 |
| Accrued taxes . . . . . . . . . . . . . . . . . . . . . . | 23,150 | 15,737 |
| Accrued interest. . . . . . . . . . . . . . . . . . . . . | 8,158 | 8,337 |
| Other . . . . . . . . . . . . . . . . . . . . . . . . . . | 10,325 | 11,160 |
| | 137,559 | 134,327 |
| DEFERRED CREDITS AND OTHER LIABILITIES: | | |
| Deferred income taxes . . . . . . . . . . . . . . . . . . | 680,498 | 689,169 |
| Deferred investment tax credits . . . . . . . . . . . . . | 74,595 | 74,841 |
| Deferred gain from sale-leaseback . . . . . . . . . . . . | 247,520 | 252,341 |
| Other . . . . . . . . . . . . . . . . . . . . . . . . . . | 79,634 | 66,936 |
| | 1,082,247 | 1,083,287 |
| COMMITMENTS AND CONTINGENCIES (Note 2) | | |
| TOTAL CAPITALIZATION AND LIABILITIES . . . . . . . . . | $3,166,473 | $3,142,810 |

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

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

| | Three Months Ended June 30, 1995 | Three Months Ended June 30, 1994 |
|---|---|---|
| OPERATING REVENUES. . . . . . . . . . . . . . . . . . . . . | $ 144,747 | $ 154,987 |
| OPERATING EXPENSES: | | |
| Fuel used for generation: | | |
| Fossil fuel . . . . . . . . . . . . . . . . . . . . . . | 19,167 | 23,096 |
| Nuclear fuel. . . . . . . . . . . . . . . . . . . . . . | 5,076 | 4,232 |
| Power purchased . . . . . . . . . . . . . . . . . . . . . | 523 | 2,241 |
| Other operations. . . . . . . . . . . . . . . . . . . . . | 31,794 | 27,954 |
| Maintenance . . . . . . . . . . . . . . . . . . . . . . . | 12,359 | 13,890 |
| Depreciation and amortization . . . . . . . . . . . . . . | 18,316 | 19,142 |
| Amortization of phase-in revenues . . . . . . . . . . . . | 4,386 | 4,386 |
| Taxes: | | |
| Federal income. . . . . . . . . . . . . . . . . . . . . | 8,208 | 11,604 |
| State income . . . . . . . . . . . . . . . . . . . . . | 2,387 | 2,875 |
| General . . . . . . . . . . . . . . . . . . . . . . . . | 11,752 | 12,019 |
| Total operating expenses. . . . . . . . . . . . . . . | 113,968 | 121,439 |
| OPERATING INCOME. . . . . . . . . . . . . . . . . . . . . . | 30,779 | 33,548 |
| OTHER INCOME AND DEDUCTIONS: | | |
| Corporate-owned life insurance (net). . . . . . . . . . . | (1,821) | (758) |
| Miscellaneous (net) . . . . . . . . . . . . . . . . . . . | 731 | 1,950 |
| Income taxes (net) . . . . . . . . . . . . . . . . . . . | 2,184 | 1,451 |
| Total other income and deductions . . . . . . . . . . | 1,094 | 2,643 |
| INCOME BEFORE INTEREST CHARGES. . . . . . . . . . . . . . . | 31,873 | 36,191 |
| INTEREST CHARGES: | | |
| Long-term debt. . . . . . . . . . . . . . . . . . . . . . | 11,783 | 12,005 |
| Other . . . . . . . . . . . . . . . . . . . . . . . . . . | 1,107 | 1,119 |
| Allowance for borrowed funds used during construction (credit). . . . . . . . . . . . . . | (584) | (556) |
| Total interest charges. . . . . . . . . . . . . . . . | 12,306 | 12,568 |
| NET INCOME. . . . . . . . . . . . . . . . . . . . . . . . . | $ 19,567 | $ 23,623 |

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

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

| | Six Months Ended June 30, 1995 | Six Months Ended June 30, 1994 |
|---|---|---|
| OPERATING REVENUES. . . . . . . . . . . . . . . . . . . . . | $ 283,304 | $ 291,591 |
| OPERATING EXPENSES: | | |
| Fuel used for generation: | | |
| Fossil fuel . . . . . . . . . . . . . . . . . . . . . . | 37,396 | 43,935 |
| Nuclear fuel. . . . . . . . . . . . . . . . . . . . . . | 9,764 | 8,095 |
| Power purchased . . . . . . . . . . . . . . . . . . . . . | 1,206 | 3,493 |
| Other operations. . . . . . . . . . . . . . . . . . . . . | 62,199 | 58,585 |
| Maintenance . . . . . . . . . . . . . . . . . . . . . . . | 24,626 | 25,230 |
| Depreciation and amortization . . . . . . . . . . . . . . | 36,669 | 38,261 |
| Amortization of phase-in revenues . . . . . . . . . . . . | 8,772 | 8,772 |
| Taxes: | | |
| Federal income. . . . . . . . . . . . . . . . . . . . . | 15,478 | 18,073 |
| State income . . . . . . . . . . . . . . . . . . . . . | 4,462 | 4,585 |
| General . . . . . . . . . . . . . . . . . . . . . . . . | 23,386 | 24,136 |

| | | |
|---|---|---|
| Total operating expenses | 223,958 | 233,165 |
| OPERATING INCOME | 59,346 | 58,426 |
| OTHER INCOME AND DEDUCTIONS: | | |
| Corporate-owned life insurance (net) | (3,537) | (1,993) |
| Miscellaneous (net) | 2,830 | 2,808 |
| Income taxes (net) | 3,819 | 3,238 |
| Total other income and deductions | 3,112 | 4,053 |
| INCOME BEFORE INTEREST CHARGES | 62,458 | 62,479 |
| INTEREST CHARGES: | | |
| Long-term debt | 23,551 | 24,098 |
| Other | 2,612 | 2,472 |
| Allowance for borrowed funds used during construction (credit) | (1,144) | (924) |
| Total interest charges | 25,019 | 25,646 |
| NET INCOME | $ 37,439 | $ 36,833 |

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

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

| | Twelve Months Ended June 30, 1995 | 1994 |
|---|---|---|
| OPERATING REVENUES | $ 611,593 | $ 619,629 |
| OPERATING EXPENSES: | | |
| Fuel used for generation: | | |
| Fossil fuel | 83,844 | 95,306 |
| Nuclear fuel | 15,231 | 16,521 |
| Power purchased | 4,857 | 9,988 |
| Other operations | 118,674 | 114,824 |
| Maintenance | 47,384 | 50,004 |
| Depreciation and amortization | 69,865 | 76,116 |
| Amortization of phase-in revenues | 17,544 | 17,545 |
| Taxes: | | |
| Federal income | 47,617 | 44,374 |
| State income | 12,304 | 10,940 |
| General | 44,342 | 46,523 |
| Total operating expenses | 461,662 | 482,141 |
| OPERATING INCOME | 149,931 | 137,488 |
| OTHER INCOME AND DEDUCTIONS: | | |
| Corporate-owned life insurance (net) | (6,898) | 2,480 |
| Miscellaneous (net) | 5,101 | 4,561 |
| Income taxes (net) | 7,871 | 6,508 |
| Total other income and deductions | 6,074 | 13,549 |
| INCOME BEFORE INTEREST CHARGES | 156,005 | 151,037 |
| INTEREST CHARGES: | | |
| Long-term debt | 47,280 | 50,005 |
| Other | 5,323 | 5,583 |
| Allowance for borrowed funds used during construction (credit) | (1,730) | (1,482) |
| Total interest charges | 50,873 | 54,106 |
| NET INCOME | $ 105,132 | $ 96,931 |

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

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

| | Six Months Ended June 30, 1995 | 1994 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income. . . . . . . . . . . . . . . . . . . . . . . . . . | $ 37,439 | $ 36,833 |
| Depreciation and amortization . . . . . . . . . . . . . . . . | 36,669 | 38,261 |
| Other amortization (including nuclear fuel) . . . . . . . . | 7,388 | 5,867 |
| Gain on sales of utility plant (net of tax) . . . . . . . . | (951) | - |
| Deferred taxes and investment tax credits (net) . . . . . . | (10,360) | 4,319 |
| Amortization of phase-in revenues . . . . . . . . . . . . . | 8,772 | 8,772 |
| Corporate-owned life insurance. . . . . . . . . . . . . . . | (8,665) | (8,830) |
| Amortization of gain from sale-leaseback. . . . . . . . . . | (4,821) | (4,820) |
| Changes in working capital items: | | |
| Accounts receivable and unbilled revenues (net) . . . . . | (147) | (46,211) |
| Fossil fuel . . . . . . . . . . . . . . . . . . . . . . . | (2,857) | (5,479) |
| Accounts payable. . . . . . . . . . . . . . . . . . . . . | 5,833 | 9,008 |
| Interest and taxes accrued. . . . . . . . . . . . . . . . | 6,605 | 13,670 |
| Other . . . . . . . . . . . . . . . . . . . . . . . . . . | (12,881) | (12,120) |
| Changes in other assets and liabilities . . . . . . . . . . | 9,254 | (1,436) |
| Net cash flows from operating activities. . . . . . . . | 71,278 | 37,834 |
| CASH FLOWS USED IN INVESTING ACTIVITIES: | | |
| Additions to utility plant. . . . . . . . . . . . . . . . . | 40,556 | 47,306 |
| Sales of utility plant. . . . . . . . . . . . . . . . . . . | (1,723) | - |
| Corporate-owned life insurance policies . . . . . . . . . . | 25,639 | 24,008 |
| Death proceeds of corporate-owned life insurance. . . . . . | (250) | - |
| Net cash flows used in investing activities . . . . . . | 64,222 | 71,314 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Short-term debt (net) . . . . . . . . . . . . . . . . . . . | (25,000) | (130,600) |
| Advances to parent company (net). . . . . . . . . . . . . . | (27,511) | 77,214 |
| Bonds issued. . . . . . . . . . . . . . . . . . . . . . . . | - | 160,422 |
| Bonds retired . . . . . . . . . . . . . . . . . . . . . . . | (25) | (46,440) |
| Other long-term debt (net). . . . . . . . . . . . . . . . . | - | (67,893) |
| Borrowings against life insurance policies (net). . . . . . | 45,505 | 40,791 |
| Net cash flows from (used in) financing activities . . . | (7,031) | 33,494 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS . . . . . . . . . . | 25 | 14 |
| CASH AND CASH EQUIVALENTS: | | |
| BEGINNING OF PERIOD . . . . . . . . . . . . . . . . . . . . | 47 | 63 |
| END OF PERIOD . . . . . . . . . . . . . . . . . . . . . . . | $ 72 | $ 77 |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION | | |
| CASH PAID FOR: | | |
| Interest on financing activities (net of amount capitalized) . . . . . . . . . . . . . . . . . . . . . | $ 48,809 | $ 43,809 |
| Income taxes . . . . . . . . . . . . . . . . . . . . . . . | 18,100 | 18,400 |

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

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

| | Twelve Months Ended June 30, 1995 | 1994 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income. . . . . . . . . . . . . . . . . . . . . . . . . . | $ 105,132 | $ 96,931 |
| Depreciation and amortization . . . . . . . . . . . . . . . . | 69,865 | 76,116 |
| Other amortization (including nuclear fuel) . . . . . . . . | 12,426 | 13,730 |
| Gain on sales of utility plant (net of tax) . . . . . . . . | (951) | - |
| Deferred taxes and investment tax credits (net) . . . . . . | 10,670 | 21,396 |
| Amortization of phase-in revenues . . . . . . . . . . . . . | 17,544 | 17,545 |
| Corporate-owned life insurance. . . . . . . . . . . . . . . | (17,081) | (22,379) |
| Amortization of gain from sale-leaseback. . . . . . . . . . | (9,641) | (9,640) |
| Changes in working capital items: | | |
| Accounts receivable and unbilled revenues (net) . . . . . | (10,657) | (34,638) |
| Fossil fuel . . . . . . . . . . . . . . . . . . . . . . . | (3,536) | (1,027) |
| Accounts payable. . . . . . . . . . . . . . . . . . . . . | (5,177) | 3,262 |
| Interest and taxes accrued. . . . . . . . . . . . . . . . | (2,557) | 294 |

| | | |
|---|---|---|
| Other | (1,683) | (14,054) |
| Changes in other assets and liabilities | (491) | 3,360 |
| Net cash flows from operating activities | 163,863 | 150,896 |
| CASH FLOWS USED IN INVESTING ACTIVITIES: | | |
| Additions to utility plant | 83,130 | 91,679 |
| Sales of utility plant | (1,723) | - |
| Corporate-owned life insurance policies | 28,049 | 26,650 |
| Death proceeds of corporate-owned life insurance | (250) | (10,158) |
| Net cash flows used in investing activities | 109,206 | 108,171 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Short-term debt (net) | (200) | (61,000) |
| Advances to parent company (net) | 23,674 | (82,080) |
| Bonds issued | - | 225,422 |
| Bonds retired | (25) | (186,440) |
| Other long-term debt (net) | - | (13,980) |
| Borrowings against life insurance policies (net) | 46,889 | 223,430 |
| Revolving credit agreement (net) | - | (150,000) |
| Dividends to parent company | (125,000) | - |
| Net cash flows from (used in) financing activities | (54,662) | (44,648) |
| NET (DECREASE) IN CASH AND CASH EQUIVALENTS | (5) | (1,923) |
| CASH AND CASH EQUIVALENTS: | | |
| BEGINNING OF PERIOD | 77 | 2,000 |
| END OF PERIOD | $ 72 | $ 77 |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION | | |
| CASH PAID FOR: | | |
| Interest on financing activities (net of amount capitalized) | $ 73,544 | $ 82,541 |
| Income taxes | 28,209 | 40,254 |

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

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

| | June 30, 1995 (Unaudited) | | December 31, 1994 | |
|---|---|---|---|---|
| COMMON STOCK EQUITY (see Statements): | | | | |
| Common stock, without par value, authorized and issued 1,000 shares | $1,065,634 | | $1,065,634 | |
| Retained earnings | 197,009 | | 159,570 | |
| Total common stock equity | 1,262,643 | 65% | 1,225,204 | 64% |

LONG-TERM DEBT:
First Mortgage Bonds:

| Series | Due | 1995 | 1994 | June 30, 1995 | December 31, 1994 |
|---|---|---|---|---|---|
| 5-5/8% | 1996 | $ 16,000 | $ 16,000 | | |
| 7.6% | 2003 | 135,000 | 135,000 | | |
| 6-1/2% | 2005 | 65,000 | 65,000 | | |
| 6.20% | 2006 | 100,000 | 100,000 | | |
| | | | | 316,000 | 316,000 |
| Pollution Control Bonds: | | | | | |
| 5.10% | 2023 | 13,957 | 13,982 | | |
| Variable (a) | 2027 | 21,940 | 21,940 | | |
| 7.0% | 2031 | 327,500 | 327,500 | | |
| Variable (a) | 2032 | 14,500 | 14,500 | | |
| Variable (a) | 2032 | 10,000 | 10,000 | | |
| | | | | 387,897 | 387,922 |
| Total bonds | | | | 703,897 | 703,922 |

| | June 30, 1995 | | December 31, 1994 | |
|---|---|---|---|---|
| Less: | | | | |
| Unamortized premium and discount (net) | 3,873 | | 3,930 | |
| Long-term debt due within one year | 16,000 | | - | |
| Total long-term debt | 684,024 | 35% | 699,992 | 36% |
| TOTAL CAPITALIZATION | $1,946,667 | 100% | $1,925,196 | 100% |

(a) Market-Adjusted Tax Exempt Securities (MATES). As of June 30, 1995, the rates on these bonds were 3.90%.

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

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

| | Common Stock | Retained Earnings |
|---|---|---|
| BALANCE DECEMBER 31, 1992, 1,000 shares. . . . . . . | $1,065,634 | $ 71,941 |
| Net income . . . . . . . . . . . . . . . . . . . . . | | 108,103 |
| BALANCE DECEMBER 31, 1993, 1,000 shares. . . . . . . | 1,065,634 | 180,044 |
| Net income . . . . . . . . . . . . . . . . . . . . . | | 104,526 |
| Dividend to parent company . . . . . . . . . . . . . | | (125,000) |
| BALANCE DECEMBER 31, 1994, 1,000 shares. . . . . . . | 1,065,634 | 159,570 |
| Net Income . . . . . . . . . . . . . . . . . . . . . | | 37,439 |
| Balance June 30, 1995, 1,000 shares . . . . . . . . | $1,065,634 | $ 197,009 |

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

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

1. ACCOUNTING POLICIES AND OTHER INFORMATION

General: On March 31, 1992, Western Resources, Inc. (Western Resources) through its wholly-owned subsidiary KCA Corporation (KCA), acquired all of the outstanding common and preferred stock of Kansas Gas and Electric Company (KG&E) for $454 million in cash and 23,479,380 shares of Western Resources common stock (the Merger). Simultaneously, KCA and KG&E merged and adopted the name of Kansas Gas and Electric Company (the Company).

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

The financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. In the opinion of the Company, the accompanying condensed financial statements reflect all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the financial position of the Company as of June 30, 1995 and December 31, 1994, and the results of its operations for the three, six and twelve month periods ended June 30, 1995 and 1994. These condensed financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company's 1994 Annual Report on Form 10-K.

The accounting policies of the Company are in accordance with generally accepted accounting principles as applied to regulated public utilities. The accounting and rates of the Company are subject to requirements of the Kansas Corporation Commission (KCC) and the Federal Energy Regulatory Commission.

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

| | June 30, 1995 | December 31, 1994 |
|---|---|---|
| | (Dollars in Millions) | |
| Cash surrender value of contracts. . | $363.7 | $320.6 |
| Borrowings against contracts . . . . | (356.7) | (311.2) |
| COLI (net) . . . . . . . . . . . | $ 7.0 | $ 9.4 |

COLI borrowings will be repaid upon receipt of proceeds from death benefits under contracts. Increases in the cash surrender value of contracts, resulting from premiums and investment earnings, are recognized as income on a tax free basis in Corporate-owned Life Insurance (net) on the Statements of Income. For the three, six and twelve months ended June 30, 1995, income from increases in cash surrender value, net of premium and administrative expenses and income from death proceeds, was $4.2 million, $8.1 million and $16.0 million, respectively, compared to $4.3 million, $7.8 million and $20.6 million for the three, six and twelve months ended June 30, 1994, respectively. Interest expense on COLI borrowings is recorded as a tax deductible expense in Corporate-owned Life Insurance (net) on the Statements of Income. For the three, six and twelve months ended June 30, 1995, interest expense on COLI borrowings was $6.0 million, $11.7 million and $22.9 million, respectively, compared to $5.0 million, $9.8 million and $18.1 million for the three, six, and twelve months ended June 30, 1994, respectively.

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

2. COMMITMENTS AND CONTINGENCIES

Manufactured Gas Sites: The Company was previously associated with six 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) conducted preliminary assessments of these sites at minimal cost. The results of the preliminary investigations determined the Company does not have a connection to two of the sites.

The Company and KDHE entered into a consent agreement governing all future work at the four remaining sites. The terms of the consent agreement will allow the Company to investigate these sites and set remediation priorities based upon the results of the investigations and risk analysis. The prioritized sites will be investigated over a 10 year period. The agreement will allow the Company to set mutual objectives with the KDHE in order to expedite effective response activities and to control costs and environmental impact. The costs incurred for site investigation and risk assessment are expected to be minimal in 1995. The Company is aware of other utilities in Region VII of the EPA (Kansas, Missouri, Nebraska, and Iowa) which have incurred remediation costs for such sites ranging between $500,000 and $10 million, depending on the site. The KCC has permitted another Kansas utility to recover its remediation costs through rates. To the extent that such remediation costs are not recovered through rates, the costs could be material to the Company's financial position or results of operations depending on the degree of remediation and number of years over which the remediation must be completed.

Spent Nuclear Fuel Disposal: Under the Nuclear Waste Policy Act of 1982, the U.S. Department of Energy (DOE) is responsible for the ultimate storage and disposal of spent nuclear fuel removed from nuclear reactors. Under a contract with the DOE for disposal of spent nuclear fuel, the Company pays a quarterly fee to DOE of one mill per kilowatthour on net nuclear generation. These fees are included as part of nuclear fuel expense.

The Company along with the other co-owners of Wolf Creek are among 14 companies that filed a lawsuit on June 20, 1994, seeking an interpretation of the DOE's obligation to begin accepting spent nuclear fuel for disposal in 1998. The Federal Nuclear Waste Policy Act requires DOE ultimately to accept and dispose of nuclear utilities' spent fuel. The DOE has filed a motion to have this case dismissed. The issue to be decided in this case is whether DOE must begin accepting spent fuel in 1998 or at a future date. Wolf Creek contains an on-site spent fuel storage facility which, under current regulatory guidelines, provides space for the storage of spent fuel through the year 2006 while still maintaining full core off-load capability. The Company believes adequate additional storage space can be obtained as necessary.

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

Decommissioning costs are being charged to operating expenses in accordance with the KCC order. Electric rates charged to customers provide for recovery of these decommissioning costs over the life of Wolf Creek. Amounts so expensed ($3.5 million in 1994 increasing annually to $5.5 million in 2024) and earnings on trust fund assets are deposited in an external trust fund. The assumed return on trust assets is 5.9%.

The Company's investment in the decommissioning fund, including reinvested earnings was $19.4 million and $16.9 million at June 30, 1995 and December 31, 1994, respectively. These amounts are reflected in Decommissioning Trust, and the related liability is included in Deferred Credits and Other Liabilities, Other, on the Balance Sheets.

The Company carries $118 million in premature decommissioning insurance. The insurance coverage has several restrictions. One of these is that it can only be used if Wolf Creek incurs an accident exceeding $500 million in expenses to safely stabilize the reactor, to decontaminate the reactor and reactor station site in accordance with a plan approved by the Nuclear Regulatory Commission (NRC), and to pay for on-site property damages. If the amount designated as decommissioning insurance is needed to implement the NRC-approved plan for stabilization and decontamination, it would not be available for decommissioning purposes.

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

The Owners carry decontamination liability, premature decommissioning liability, and property damage insurance for Wolf Creek totalling approximately $2.8 billion ($1.3 billion, Company's share). This insurance is provided by a combination of "nuclear insurance pools" ($500 million) and Nuclear Electric Insurance Limited (NEIL) ($2.3 billion). In the event of an accident, insurance proceeds must first be used for reactor stabilization and site decontamination. The Company's share of any remaining proceeds can be used for property damage up to $1.2 billion (Company's share) and premature decommissioning costs up to $118 million (Company's share) in excess of funds previously collected for decommissioning (as discussed under "Decommissioning").

The Owners also carry additional insurance with NEIL to cover costs of replacement power and other extra expenses incurred during a prolonged outage resulting from accidental property damage at Wolf Creek. If losses incurred at any of the nuclear plants insured under the NEIL policies exceed premiums, reserves, and other NEIL resources, the Company may be subject to retrospective assessments of approximately $13 million per year.

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

Clean Air Act: The Clean Air Act Amendments of 1990 (the Act) require a two-phase reduction in sulfur dioxide and oxides of nitrogen (NOx) emissions effective in 1995 and 2000 and a probable reduction in toxic emissions. To meet the monitoring and reporting requirements under the acid rain program, the Company installed continuous monitoring and reporting equipment at a total cost of approximately $2.3 million. The Company does not expect additional equipment to reduce sulfur emissions to be necessary under Phase II. Although the Company has no units subject to Phase I regulations, the owners obtained an early substitution permit to bring the co-owned La Cygne Station under the Phase I regulations.

The NOx and air toxic limits, which were not set in the law, continue to be subject to the EPA's rules-making procedures. The Company will follow the development of these regulations and establish compliance strategies as appropriate.

Federal Income Taxes: During 1991, the Internal Revenue Service (IRS) completed an examination of the Company's federal income tax returns for the years 1984 through 1988. In October 1993, the Company received another examination report for the years 1989 and 1990 covering the same issues identified in the previous examination report. In April 1995, the Company reached agreement with the IRS on the ultimate disposition of the issues raised in the examination reports. Based on the settlement agreement, management believes that adequate tax reserves have been provided and the settlement will have no effect on the Company's financial position or results of operations.

Fuel Commitments: To supply a portion of the fuel requirements for its generating plants, the Company has entered into various commitments to obtain nuclear fuel, coal, and natural gas. Some of these contracts contain provisions for price escalation and minimum purchase commitments. At December 31, 1994, WCNOC's nuclear fuel commitments (Company's share) were approximately $12.6 million for uranium concentrates expiring at various times through 1997, $122.9 million for enrichment expiring at various times through 2014, and $56.5 million for fabrication through 2012. At December 31, 1994, the Company's coal and natural gas contract commitments in 1994 dollars under the remaining terms of the contracts were $721 million and $9 million, respectively. The largest coal contract was renegotiated in early 1993 and expires in 2020, with the remaining coal contracts expiring at various times through 2013. The majority of natural gas contracts expire in 1995 but have automatic one-year extension provisions. In the normal course of business, additional commitments and spot market purchases will be made to obtain adequate fuel supplies.

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

## 3. INCOME TAXES

Total income tax expense included in the Statements of Income reflects the Federal statutory rate of 35 percent. The Federal statutory rate produces effective income tax rates of 30.1% and 35.5% for the three month periods, 30.1% and 34.5% for the six month periods, and 33.1% and 33.5% for the twelve months ended June 30, 1995 and 1994, respectively. The effective income tax rates vary from the Federal statutory rate due to the permanent differences, including the amortization of investment tax credits, and accelerated amortization of certain deferred income taxes.

KANSAS GAS AND ELECTRIC COMPANY

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

The following Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with Item 7 of the Company's Annual Report on Form 10-K for 1994.

The following updates the information provided in the 1994 Form 10-K, and analyzes the changes in the results of operations between the three, six and twelve month periods ended June 30, 1995 and comparable periods of 1994.

## FINANCIAL CONDITION

General: The Company had net income of $19.6 million for the second quarter of 1995 compared to $23.6 million for the second quarter in 1994. The decrease in net income was primarily due to lower revenues as a result of decreased sales in all retail customer classes. The mild spring temperatures experienced during 1995, as compared to 1994, reduced the demand for air conditioning load.

Net income for the six and twelve months ended June 30, 1995, was $37.4 million and $105.1 million, respectively, compared to $36.8 million and $96.9 million for the comparable periods of 1994, respectively. The increase in net income is primarily due to lower fuel and purchased power expenses as a result of the decrease in electric generation caused by the decrease in sales to residential and wholesale and interchange customers.

Liquidity and Capital Resources: The KG&E common and preferred stock was redeemed in connection with the Merger, leaving 1,000 shares of common stock held by Western Resources. The debt structure of the Company and available sources of funds were not affected by the Merger.

The Company's short-term financing requirements are satisfied through short-term bank loans and borrowings under unsecured lines of credit maintained with banks. At June 30, 1995, short-term borrowing amounted to $25 million compared to $50 million at December 31, 1994.

In 1986 the Company purchased corporate-owned life insurance policies on certain of its employees. On June 1, 1995, the Company increased its borrowings against the accumulated cash surrender values of the policies by $42.4 million.

OPERATING RESULTS

The following discussion explains variances for the three, six and twelve months ended June 30, 1995, to the comparable periods of 1994.

Revenues: The Company's revenues vary with levels of usage as a result of changing weather conditions during comparable periods and are sensitive to seasonal fluctuations between consecutive periods.

Increase (decrease) in electric sales volumes:

| | 3 Months Ended | 6 Months Ended | 12 Months Ended |
|---|---|---|---|
| Residential | (18.3)% | (11.2)% | (6.6)% |
| Commercial | (3.0)% | (0.9)% | 2.9% |
| Industrial | (0.6)% | 4.2% | 4.1% |
| Total Retail | (6.5)% | (1.8)% | 0.4% |
| | | | |
| Wholesale & Interchange | (4.0)% | (29.1)% | (44.4)% |
| Total electric sales | (6.2)% | (7.3)% | (10.0)% |

Revenues for the second quarter of 1995 decreased approximately seven percent to $144.7 million, compared to second quarter 1994 revenues of $155.0 million, primarily due to decreased sales in all retail customer classes. The cooler spring temperatures experienced in the Company's service territory during the second quarter of 1995 decreased the number of cooling degree days by 55 percent, as compared to the second quarter of last year, which reduced customer demand for air conditioning load. Also contributing to the decrease was an additional $1 million (Company's share) of amortization of the final merger refund for the three months ended June 30, 1995 compared to 1994.

Revenues for the six and twelve months ended June 30, 1995, of $283.3 million and $611.6 million, decreased from revenues of $291.6 million and $619.6 million for the comparable periods of 1994, respectively. The decrease is largely due to decreased sales to residential and wholesale and interchange customers. Sales to residential customers were lower primarily due to mild winter and spring temperatures during 1995 as compared to 1994. The decrease in wholesale and interchange sales was primarily due to the higher sales during the twelve months ended June 30 1994 to other utilities while their generating units were down as a result of the 1993 floods. Also contributing to the decrease was an additional $1.9 million and $3.4 million, respectively, (Company's share) of amortization of the final merger refund.

Operating Expenses: Total operating expenses decreased $7.5 million, $9.2 million and $20.5 million for the three, six and twelve months ended June 30, 1995 compared to the same periods of 1994, respectively. These decreases are attributable to decreases in fuel and purchase power expenses as a result of the decrease in electric generation due to lower sales to residential and wholesale and interchange customers. Partially offsetting these decreases was the expense related to the early retirement programs discussed below.

Partially offsetting the decreases for the twelve months ended June 30, 1995, was increased federal income taxes due to the completion at December 31, 1993, of the accelerated amortization of deferred income tax reserves relating to the allowance for borrowed funds used during construction capitalized for Wolf Creek. The completion of the amortization of these deferred income tax reserves increased income taxes and thereby reduced net income by approximately $6 million for the twelve months ended June 30, 1995 compared to 1994.

Other Income and Deductions: Other income and deductions, net of taxes, decreased for the three, six and twelve months ended June 30, 1995, compared to the same periods of 1994 primarily as a result of increased interest expense on higher COLI borrowings.

Partially offsetting these decreases was a $1.6 million gain realized from the sale of rail cars during the first quarter of 1995.

Interest Expense: Interest expense decreased approximately two percent for the three and six months ended and six percent for the twelve months ended June 30, 1995 compared to the same periods of 1994, respectively. These decreases resulted primarily from lower interest rates on variable-rate debt due to refinancing of higher cost fixed-rate debt. Also accounting for the decrease was the impact of increased COLI borrowings which reduced the need for other long-term debt and thereby reduced interest expense. COLI interest is reflected in Other Income and Deductions on the Statements of Income.

OTHER INFORMATION

Merger Implementation: In accordance with the KCC Merger order, amortization of the acquisition adjustment will commence August 1995. The amortization will amount to approximately $20 million (after tax) per year for 40 years. Western Resources and the Company (combined companies) can recover the amortization of the acquisition adjustment through cost savings under a sharing mechanism approved by the KCC. While the combined companies have achieved savings from the Merger, there is no assurance that the savings achieved will be sufficient to, or the cost savings sharing mechanism will operate as to, fully offset the amortization of the acquisition adjustment.

Early Retirement: In April 1995, Western Resources announced a voluntary early retirement program for employees 55 years of age and older with a minimum of 10 years of service as of July 1, 1995. Of the approximately 420 employees who were eligible for the voluntary retirement program, 216 accepted. Although the Company has no employees, costs of the early retirement program along with any cost savings realized by Western Resources will be allocated to the Company.

In the second quarter of 1995, $5.5 million ($1.3 million Company's share). related to the early retirement program was recorded as expense. Western Resources estimates the cost savings for the program to be approximately $9.9 million ($2.3 million Company's share) annually.

WCNOC also offered a voluntary early retirement program for employees 55 years of age and older with a minimum of 5 years of service as of June 1, 1995. The total cost of the program for the 56 of the 70 eligible employees who accepted early retirement was approximately $2.1 million (Company's share). WCNOC estimates the cost savings from the program to be approximately $1.7 million (Company's share) annually.

KANSAS GAS AND ELECTRIC COMPANY
Part II Other Information

Item 5. Other Information

Rate Plan: In April 1995, the Company announced it intends to file a proposal with the KCC in the summer of 1995 to increase the depreciation on the assets of Wolf Creek Generating Station by $59 million annually for seven years beginning in 1996. As a result, the Company will also seek to reduce electric rates for its customers by approximately $9 million annually for the same seven year period.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

Exhibit 27 - Financial Data Schedule

(b) Reports on Form 8-K:

None

SIGNATURE

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

KANSAS GAS AND ELECTRIC COMPANY

August 2, 1995 By Richard D. Terrill

Richard D. Terrill

Secretary, Treasurer and

General Counsel