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

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2004

OR

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

For the transition period from ______ to ______

Commission File Number 1-7324

Kansas Gas and Electric Company

(Exact name of registrant as specified in its charter)

Kansas	**48-1093840**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

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

Common Stock, No Par Value	1,000 Shares
(Class)	**(Outstanding at November 4, 2004)**

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

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FORWARD-LOOKING STATEMENTS

Certain matters discussed in this Form 10-Q are "forward-looking statements." The Private Securities Litigation Reform Act of 1995 has established that these statements qualify for safe harbors from liability. Forward-looking statements may include words like we "believe," "anticipate," "target," "expect," "pro forma," "estimate," "intend" and words of similar meaning. Forward-looking statements describe our future plans, objectives, expectations or goals. Such statements address future events and conditions concerning:

- capital expenditures,
- earnings,
- liquidity and capital resources,
- litigation,
- accounting matters,
- compliance with debt and other restrictive covenants,
- interest rates,
- environmental matters,
- nuclear operations, and
- the overall economy of our service area.

What happens in each case could vary materially from what we expect because of such things as:

- electric utility deregulation or re-regulation,
- regulated and competitive markets,
- ongoing municipal, state and federal activities,
- economic and capital market conditions,
- changes in accounting requirements and other accounting matters,
- changing weather,
- rates, cost recoveries and other regulatory matters,
- the impact of changes and downturns in the energy industry and the market for trading wholesale electricity,
- the impact of "Hours of Service" legislation that was enacted in January 2004 on the number of hours during which employees may operate equipment,
- the outcome of the notice of violation received by Westar Energy, Inc. on January 22, 2004 from the Environmental Protection Agency and other environmental matters,
- political, legislative, judicial and regulatory developments,
- the impact of the purported shareholder and employee class action lawsuits filed against Westar Energy, Inc.,
- the impact of changes in interest rates,
- changes in, and the discount rate assumptions used for, Wolf Creek Nuclear Operating Corporation pension and other post-retirement benefit liability calculations, as well as actual and assumed investment returns on pension plan assets,
- the impact of changing interest rates and other assumptions on our decommissioning liability for Wolf Creek Generating Station,
- transmission reliability rules,
- homeland security considerations,
- coal, natural gas and oil prices, and
- other circumstances affecting anticipated operations, sales and costs.

These lists are not all-inclusive because it is not possible to predict all factors. This report should be read in its entirety and in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2003. No one section of this report deals with all aspects of the subject matter and additional information on some matters that could impact our operations and financial results may be included in our Annual Report on Form 10-K for the year ended December 31, 2003. Any forward-looking statement speaks only as of the date such statement was made, and we do not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement was made except as required by applicable laws or regulations.

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PART I. Financial Information

ITEM 1. CONDENSED FINANCIAL STATEMENTS

KANSAS GAS AND ELECTRIC COMPANY

CONSOLIDATED BALANCE SHEETS
(Dollars in Thousands)
(Unaudited)

	September 30, 2004	December 31, 2003
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 4,366	$ 6,321
Accounts receivable, net	105,324	80,771
Inventories and supplies	59,515	66,930
Energy marketing contracts	1,942	8,688
Deferred tax assets	4,885	1,064
Prepaid expenses	33,434	24,657
Other	1,727	1,457
Total Current Assets	211,193	189,888
PROPERTY, PLANT AND EQUIPMENT, NET	2,338,640	2,362,371
OTHER ASSETS:		
Regulatory assets	328,824	316,670
Nuclear decommissioning trust	84,123	80,075
Other	41,351	31,225
Total Other Assets	454,298	427,970
TOTAL ASSETS	$ 3,004,131	$2,980,229
LIABILITIES AND SHAREHOLDER’S EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt	$ 65,000	$ —
Accounts payable	42,236	42,231
Payable to affiliates	62,978	81,380
Accrued interest	6,940	8,246
Accrued taxes	43,953	28,059
LaCygne 2 lease	27,632	32,543
Energy marketing contracts	3,807	6,799
Other	15,458	10,578
Total Current Liabilities	268,004	209,836
LONG-TERM LIABILITIES:		
Long-term debt, net	487,416	549,604
Deferred income taxes and investment tax credits	733,658	731,736
Deferred gain from sale-leaseback	141,938	150,810
Asset retirement obligation	85,512	80,695
Nuclear decommissioning	84,123	80,075
Other	104,085	91,895
Total Long-Term Liabilities	1,636,732	1,684,815
COMMITMENTS AND CONTINGENCIES (Note 6)		
SHAREHOLDER’S EQUITY:		
Common stock, no par value; authorized and issued 1,000 shares	1,065,634	1,065,634
Retained earnings	33,761	19,944
Total Shareholder’s Equity	1,099,395	1,085,578
TOTAL LIABILITIES AND SHAREHOLDER’S EQUITY	$ 3,004,131	$2,980,229

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

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KANSAS GAS AND ELECTRIC COMPANY

CONSOLIDATED STATEMENTS OF INCOME
AND COMPREHENSIVE INCOME
(Dollars in Thousands)
(Unaudited)

	Three Months Ended September 30,	
	2004	2003
SALES	$202,209	$207,261
OPERATING EXPENSES:		
Fuel and purchased power	52,726	51,498
Operating and maintenance	57,097	56,007
Depreciation and amortization	23,009	22,601
Selling, general and administrative	18,932	19,086
Total Operating Expenses	151,764	149,192
INCOME FROM OPERATIONS	50,445	58,069
OTHER INCOME (EXPENSE):		
Other income	7,113	5,744
Other expense	(4,404)	(5,077)
Total Other Income	2,709	667
Interest expense	6,921	19,362
INCOME BEFORE INCOME TAXES	46,233	39,374
Income tax expense	12,285	10,451
NET INCOME	33,948	28,923
OTHER COMPREHENSIVE LOSS, NET OF TAX:		
Unrealized holding loss on cash flow hedges arising during the period	—	(1,261)
Adjustment for gain included in net income	—	(4,255)
Income tax benefit related to items of other comprehensive income	—	2,194
Total other comprehensive loss, net of tax	—	(3,322)
COMPREHENSIVE INCOME	$ 33,948	$ 25,601

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

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KANSAS GAS AND ELECTRIC COMPANY

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(Dollars in Thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2004	2003
SALES	$544,634	$552,096
OPERATING EXPENSES:		
Fuel and purchased power	147,502	135,615
Operating and maintenance	170,463	167,702
Depreciation and amortization	68,656	67,935
Selling, general and administrative	53,008	51,423
Total Operating Expenses	439,629	422,675
INCOME FROM OPERATIONS	105,005	129,421
OTHER INCOME (EXPENSE):		
Other income	19,274	8,058
Other expense	(11,296)	(11,320)
Total Other Income (Expense)	7,978	(3,262)
Interest expense	24,846	42,842
INCOME BEFORE INCOME TAXES	88,137	83,317
Income tax expense	24,320	21,386
NET INCOME	63,817	61,931
OTHER COMPREHENSIVE LOSS, NET OF TAX:		
Unrealized holding gain on cash flow hedges arising during the period	—	3,512
Adjustment for gain included in net income	—	(5,021)
Income tax benefit related to items of other comprehensive income	—	600
Total other comprehensive loss, net of tax	—	(909)
COMPREHENSIVE INCOME	$ 63,817	$ 61,022

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

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KANSAS GAS AND ELECTRIC COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)
(Unaudited)

	Nine Months Ended September 30, 2004	Nine Months Ended September 30, 2003
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:		
Net income	$ 63,817	$ 61,931
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	68,656	67,935
Amortization of nuclear fuel	10,631	10,616
Amortization of deferred gain from sale-leaseback	(8,871)	(8,871)
Amortization of prepaid corporate-owned life insurance	9,770	9,467
Net deferred taxes	1,272	450
Net changes in energy marketing assets and liabilities	3,924	(1,727)
Changes in working capital items:		
Accounts receivable, net	(24,553)	(33,167)
Inventories and supplies	7,415	1,025
Prepaid expenses and other	(43,138)	(47,352)
Accounts payable	(286)	5,795
Payable to affiliates	(18,402)	4,607
Accrued and other current liabilities	10,691	15,196
Changes in other, assets	(887)	1,193
Changes in other, liabilities	(316)	11,573
Cash flows from operating activities	79,723	98,671
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:		
Additions to property, plant and equipment	(60,015)	(64,698)
Investment in corporate-owned life insurance	(19,658)	(19,599)
Cash flows used in investing activities	(79,673)	(84,297)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:		
Proceeds of long-term debt	321,540	—
Retirements of long-term debt	(329,138)	(5)
Funds in trust for debt repayments	—	5,130
Net borrowings against cash surrender value of corporate-owned life insurance	55,593	57,299
Dividends to parent company	(50,000)	(75,000)
Cash flows used in financing activities	(2,005)	(12,576)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,955)	1,798
CASH AND CASH EQUIVALENTS:		
Beginning of period	6,321	6,150
End of period	$ 4,366	$ 7,948
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
CASH PAID FOR:		
Interest, net of amount capitalized	$ 24,634	$ 27,833

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

KANSAS GAS AND ELECTRIC COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2004
(Unaudited)

1. DESCRIPTION OF BUSINESS

Kansas Gas and Electric Company is a regulated electric utility incorporated in 1990 in the state of Kansas. Unless the context otherwise indicates, all references in this Form 10-Q to “the company,” “KGE,” “we,” “us,” “our” and similar words are to Kansas Gas and Electric Company. We are a wholly owned subsidiary of Westar Energy, Inc. (Westar Energy) and we provide rate-regulated electric service, together with the electric utility operations of Westar Energy, using the name Westar Energy. We provide electric generation, transmission and distribution services to approximately 300,000 customers in south-central and southeastern Kansas, including the Wichita metropolitan area.

We own a 47% interest in the Wolf Creek Generating Station (Wolf Creek), a nuclear power plant located near Burlington, Kansas, and a 47% interest in Wolf Creek Nuclear Operating Corporation (WCNOC), the operating company for Wolf Creek.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

We prepare our condensed consolidated financial statements in accordance with generally accepted accounting principles (GAAP) for the United States of America for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, certain information and footnote disclosures normally included in financial statements presented in accordance with GAAP have been condensed or omitted. The accompanying condensed consolidated financial statements and notes should be read in conjunction with the consolidated financial statements and the notes included in our Annual Report on Form 10-K for the year ended December 31, 2003 (2003 Form 10-K).

Use of Management’s Estimates

When we prepare our consolidated financial statements, we are required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of our consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. We evaluate our estimates on an on-going basis, including those related to bad debts, inventories, valuation of commodity contracts, depreciation, unbilled revenue, valuation of our energy marketing portfolio, intangible assets, income taxes, our portion of WCNOC’s pension and other post-retirement benefits, our asset retirement obligations including decommissioning of Wolf Creek, environmental issues and litigation. Actual results may differ from those estimates under different assumptions or conditions. The results of operations for the three and nine months ended September 30, 2004 are not necessarily indicative of the results to be expected for the full year.

Reclassifications

We have reclassified certain prior year amounts to conform with classifications used in the current-year presentation as necessary for a fair presentation of the financial statements.

Our previously filed consolidated statement of cash flows for the nine months ended September 30, 2003 presented cash flow activity related to our corporate-owned life insurance (COLI) policies net in the Operating Activities section of our consolidated statement of cash flows. For the nine months ended September 30, 2004, our consolidated statement of cash flows reports cash outflows associated with the portion of the premium payment that increases the cash surrender value of the COLI policies as an investing activity and the cash received from borrowings against the COLI policies as a financing activity. Accordingly, on our statement of cash flows for the nine months ended September 30, 2003, we have decreased cash flows from operating activities by $37.7 million, increased cash flows used in investing activities by $19.6 million as it relates to cash outflows associated with the portion of the premium payment that increases the cash surrender value of the COLI policies, and decreased cash flows used in financing activities by $57.3 million as it relates to the cash received from borrowings against the COLI policies.

3. RATE MATTERS AND REGULATION — CURRENT STATUS OF THE DEBT REDUCTION PLAN

In August 2003, we began ratably recording a regulatory liability for rebates that will be paid to customers in 2005 and 2006. Accordingly, as of September 30, 2004, we have recorded a regulatory liability of $4.6 million for these rebates, which is included in current liabilities on our consolidated balance sheet.

4. ACCOUNTS RECEIVABLE SALES PROGRAM

On July 28, 2000, Westar Energy and we entered into an agreement with WR Receivables Corporation, a wholly owned, bankruptcy-remote special purpose entity (SPE), to sell Westar Energy's and our accounts receivable arising from the sale of electricity to the SPE. These transfers are accounted for as sales in accordance with SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities." The SPE may sell up to $125 million of an undivided interest in our combined accounts receivable to a third-party conduit under various terms and conditions. The percentage ownership interest in receivables held by the third-party conduit will increase or decrease over time, depending on the characteristics of the SPE's receivables, including delinquency rates and debtor concentrations. The agreement with the third-party conduit is renewable annually upon agreement by all parties. On July 21, 2004, the agreement was extended through July 19, 2005 on substantially similar terms.

The net SPE receivables represent our retained interests in the transferred receivables and is recorded at book value, net of allowances for bad debts. This approximates fair value due to the short-term nature of the receivable. The SPE receivable is included in accounts receivable, net, on our consolidated balance sheets. The interests that we hold are included in the table below:

	September 30, 2004	December 31, 2003
	(In Thousands)	
Undivided Interest — Retained, net	$ 96,022	$ 71,213
Undivided Interest — Third-party conduit, net	9,029	9,186
SPE receivables, net	$ 105,051	$ 80,399

The outstanding balance of SPE receivables is net of $90.0 million at September 30, 2004 and $80.0 million at December 31, 2003 in undivided ownership interests sold by the SPE to the third-party conduit.

The following table provides gross proceeds and repayments between the SPE and the third-party conduit. These amounts are provided for cash flow purposes and may not be reflective of accrual accounting. These items are recorded on the consolidated statements of cash flows in the accounts receivable, net, line of cash flows from operating activities.

	Nine Months Ended September 30,	
	2004	2003
	(In Thousands)	
Proceeds from the sale of an undivided interest from the third-party conduit	$ 40,000	$ —
Repayments to the conduit for net collection of its receivable	(30,000)	(10,000)
SPE proceeds and repayments, net	$ 10,000	$(10,000)

5. INCOME TAXES

We recorded income tax expense of approximately $12.3 million for the three months ended September 30, 2004 as compared to $10.5 million for the same period of 2003. We recorded income tax expense of approximately $24.3 million for the nine months ended September 30, 2004 as compared to $21.4 million for the same period of 2003. Under the effective tax rate method, we compute the tax related to year-to-date income, except for significant, unusual or extraordinary items, at an estimated annual effective tax rate. We individually compute and recognize, when the transaction occurs, income tax expense related to significant, unusual or extraordinary items.

6. COMMITMENTS AND CONTINGENCIES — EPA NEW SOURCE REVIEW

The United States Environmental Protection Agency (EPA) is conducting investigations nationwide to determine whether modifications at coal-fired power plants are subject to New Source Review requirements or New Source Performance Standards under Section 114(a) of the Clean Air Act (Section 114). These investigations focus on whether projects at coal-fired plants were routine maintenance or whether the projects were substantial modifications that could have reasonably been expected to result in a significant net increase in emissions. The Clean Air Act requires companies to obtain permits and, if necessary, install control equipment to remove emissions when making a major modification or a change in operation if either is expected to cause a significant net increase in emissions.

The EPA has requested information from Westar Energy under Section 114 regarding projects and maintenance activities that have been conducted since 1980 at the three coal-fired plants it operates. On January 22, 2004, the EPA notified Westar Energy that certain projects completed at Jeffrey Energy Center violated pre-construction permitting requirements of the Clean Air Act.

Westar Energy is in discussions with the EPA concerning this matter in an attempt to reach a settlement. Westar Energy expects that any settlement with the EPA could require Westar Energy and us to update or install emissions controls at Jeffrey Energy Center over an agreed upon number of years. Additionally, Westar Energy might be required to update or install emissions controls at its other coal-fired plants, pay fines or penalties, or take other remedial action. Together, these costs could be material. The EPA may refer the matter to the United States Department of Justice for it to consider whether to pursue an enforcement action. We believe that costs related to updating or installing emissions controls would qualify for recovery through rates. It is possible that Westar Energy may be assessed a penalty as a result of the EPA's allegation. The penalty could be material and may not be recovered in rates. We anticipate that a portion of any of these potential costs would be allocated to us.

7. LEGAL PROCEEDINGS

We are involved in various legal, environmental and regulatory proceedings. We believe that adequate provisions have been made and accordingly believe that the ultimate disposition of such matters will not have a material adverse effect on our consolidated financial position or results of operations. See also Note 6 for discussion of alleged violations of the Clean Air Act.

8. LONG-TERM DEBT

During the nine months ended September 30, 2004, we refinanced a portion of our debt as follows:

Long-term Debt Refinancing:	Balance as of December 31, 2003	Securities Redeemed	Securities Issued	Balance as of September 30, 2004
		(In Thousands)		
Pollution control bond series:				
7.00% due 2031	$ 327,500	$(327,500)	$ —	$ —
5.30% due 2031	—	—	108,600	108,600
2.65% due 2031 and putable 2006	—	—	100,000	100,000
5.30% due 2031	—	—	18,900	18,900
Variable rate due 2031	—	—	100,000	100,000
	$ 327,500	$(327,500)	$327,500	$ 327,500

9. SHORT-TERM DEBT

On March 12, 2004, Westar Energy entered into a new revolving credit facility. The credit facility matures on March 12, 2007 and will be used as a source of short-term liquidity. It allows Westar Energy borrowings up to an aggregate limit of $300.0 million, including letters of credit up to a maximum aggregate amount of $50.0 million. At September 30, 2004, Westar Energy had no outstanding borrowings and $10.7 million of letters of credit outstanding under the revolving credit facility. All borrowings under the revolving credit facility are secured by our first mortgage bonds.

10. RELATED PARTY TRANSACTIONS

Our cash management function, including cash receipts and disbursements, is performed by Westar Energy. An intercompany account is used to record receipts and disbursements between Westar Energy and us and between WR Receivables Corporation and us. The net amount payable to affiliates was approximately $63.0 million at September 30, 2004 and approximately $81.4 million at December 31, 2003 as reflected on our consolidated balance sheets.

Westar Energy provides all employees we use. Certain operating expenses have been allocated to us from Westar Energy. These expenses are allocated, depending on the nature of the expense, based on allocation studies, net investment, number of customers and/or other appropriate factors. We believe such allocation procedures are reasonable.

We declared and paid dividends of $25.0 million to Westar Energy for the three months ended September 30, 2004 and 2003. We declared and paid dividends to Westar Energy for the nine months ended September 30, 2004 of $50.0 million and for the nine months ended September 30, 2003, we paid dividends of $75.0 million.

As we reported in our 2003 Form 10-K, Westar Energy maintained shared services agreements with ONEOK, Inc. (ONEOK) pursuant to which Westar Energy and ONEOK provided customer service functions to each other, including meter reading, customer billing and call center operations. ONEOK notified Westar Energy of its decision to terminate portions of this shared services agreement. Major items that were terminated in September 2004 included electric service orders, call center functions, bill processing and remittance processing. In addition to joint meter reading, Westar Energy and ONEOK plan to continue to share some facilities and a mobile communications system.

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11. INTERIM PENSION AND POST-RETIREMENT BENEFIT DISCLOSURE

The following table summarizes the net periodic costs for our 47% interest of the WCNOC pension and post-retirement benefit plans.

	Pension Benefits		Post-retirement Benefits	
Three Months Ended September 30,	**2004**	**2003**	**2004**	**2003**
	(In Thousands)			
Components of Net Periodic Cost:				
Service cost	$ 643	$ 636	$ 59	$ 54
Interest cost	824	732	89	72
Expected return on plan assets	(695)	(616)	—	—
Amortization of:				
Transition obligation, net	14	14	15	14
Prior service costs	8	8	—	—
Loss	201	151	35	25
Net periodic cost	$ 995	$ 925	$ 198	$ 165

	Pension Benefits		Post-retirement Benefits	
Nine Months Ended September 30,	**2004**	**2003**	**2004**	**2003**
	(In Thousands)			
Components of Net Periodic Cost:				
Service cost	$ 1,906	$ 1,905	$ 179	$ 163
Interest cost	2,443	2,191	264	217
Expected return on plan assets	(2,060)	(1,844)	—	—
Amortization of:				
Transition obligation, net	42	43	45	43
Prior service costs	23	24	—	—
Loss	597	451	106	74
Net periodic cost	$ 2,951	$ 2,770	$ 594	$ 497

In December 2003, the United States Congress passed and the President signed into law the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (Medicare Act). The Medicare Act introduced a prescription drug benefit under Medicare as well as a federal subsidy beginning in 2006. This subsidy will be paid to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare. WCNOC believes its retiree health care benefits plan is at least actuarially equivalent to Medicare and is eligible for the federal subsidy. We elected to defer the recognition of the effects of the Medicare Act on our consolidated financial statements until final authoritative guidance on the subsidy was issued by the Financial Accounting Standards Board (FASB). The final guidance under FASB Staff Position (FSP) Financing Accounting Standards (FAS) No. 106-2, “Accounting and Disclosure Requirements Related to the Medicare Prescription Drug Improvement and Modernization Act of 2003,” was issued on May 19, 2004. We adopted the guidance in the third quarter of 2004. The impact of FSP No. 106-2 is not material.

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

INTRODUCTION

We are a regulated electric utility in Kansas and a wholly owned subsidiary of Westar Energy. We provide rate-regulated electric service, together with the electric utility operations of Westar Energy, using the name Westar Energy. We produce, transmit and sell electricity at retail in Kansas under the regulation of the KCC and at wholesale in a multi-state region in the central United States and under the regulation of the Federal Energy Regulatory Commission (FERC).

Our goals are to improve our business by improving customer service, continuing to expand our wholesale sales, improving our credit quality, and improving our relationships with regulators, and other interested parties.

Key factors affecting our business in any given period include the weather, the economic well-being of our service territory, performance of our physical plant, conditions in the markets for fuel and wholesale electricity, impacts of regulation and the effects of public policy initiatives.

As you read Management's Discussion and Analysis, please refer to our condensed consolidated financial statements and the accompanying notes, which contain our operating results.

CRITICAL ACCOUNTING ESTIMATES

Our discussion and analysis of financial conditions and results of operations are based on our condensed consolidated financial statements, which have been prepared in conformity with GAAP. Note 2 of the Notes to Consolidated Financial Statements, "Summary of Significant Accounting Policies," contains a summary of our significant accounting policies, many of which require the use of estimates and assumptions by management. The policies highlighted in our 2003 Form 10-K have an impact on our reported results that may be material due to the levels of judgment and subjectivity necessary to account for uncertain matters or susceptibility of matters subject to change.

Since December 31, 2003, we have not experienced any significant changes in our critical accounting estimates. For additional information on our critical accounting estimates, see our 2003 Form 10-K.

OPERATING RESULTS

We evaluate operating results based on income from operations. We have various classifications of sales, defined as follows:

Retail: Sales of energy made to residential, commercial and industrial customers.

Other retail: Sales of energy for lighting public streets and highways, net of revenues reserved for rebates.

Tariff-based wholesale: Includes the sales of electricity to electric cooperatives, municipalities and other electric utilities, the rate for which is generally based on cost as prescribed by FERC tariffs, and changes in valuations of contracts that have yet to settle.

Market-based wholesale: Includes sales of electricity to other wholesale customers, the rate for which is based on prevailing market rates as allowed by our FERC approved market-based tariff, and changes in valuations of contracts that have yet to settle.

Energy marketing: Includes (1) financially settled products and physical transactions sourced outside our control area; and (2) changes in valuations for contracts that have yet to settle that may not be recorded either in cost of fuel or tariff- or market-based wholesale revenues.

Network integration: Reflects a network transmission tariff with the Southwest Power Pool (SPP) as described in more detail in our 2003 Form 10-K.

Other: Includes miscellaneous revenues.

Regulated electric utility sales are significantly impacted by, among other factors, rate regulation, customer conservation efforts, wholesale demand, the overall economy of our service area, the weather and competitive forces. Our wholesale sales are impacted by, among other factors, demand, cost of fuel and purchased power, price volatility and available generation capacity.

Three Months Ended September 30, 2004 Compared to Three Months Ended September 30, 2003: Below we discuss our operating results for the three months ended September 30, 2004 as compared to the results for the three months ended September 30, 2003. Changes in results of operations are as follows:

	Three Months Ended September 30,			
	2004	2003	Change	% Change
	(In Thousands)			
SALES:				
Residential	$ 76,264	$ 83,583	$(7,319)	(8.8)
Commercial	52,428	50,957	1,471	2.9
Industrial	40,504	40,937	(433)	(1.1)
Other retail	238	566	(328)	(58.0)
Total Retail Sales	169,434	176,043	(6,609)	(3.8)
Tariff-based wholesale	7,300	8,301	(1,001)	(12.1)
Market-based wholesale	15,127	9,292	5,835	62.8
Energy marketing	(2,117)	1,726	(3,843)	(222.7)
Network integration (a)	7,820	7,479	341	4.6
Other	4,645	4,420	225	5.1
Total Sales	202,209	207,261	(5,052)	(2.4)
OPERATING EXPENSES:				
Fuel used for generation (b)	45,037	43,994	1,043	2.4
Purchased power	7,689	7,504	185	2.5
Operating and maintenance	57,097	56,007	1,090	1.9
Depreciation and amortization	23,009	22,601	408	1.8
Selling, general and administrative	18,932	19,086	(154)	(0.8)
Total Operating Expenses	151,764	149,192	2,572	1.7
INCOME FROM OPERATIONS	$ 50,445	$ 58,069	$(7,624)	(13.1)

(a) **Network integration expense:** For the three months ended September 30, 2004, our transmission costs were approximately $8.3 million. This amount, less approximately $0.5 million that was retained by the SPP as administration cost, was returned to us as revenues. For the three months ended September 30, 2003, our transmission costs were approximately $8.5 million with an administration cost of approximately $1.0 million retained by the SPP.

(b) **Fuel used for generation:** Includes cost of fuel burned, changes in fair value of fuel contracts and allocated net dispatch costs, which are net changes or benefits related to energy transactions allocated to us by our parent.

The following table reflects changes in electric sales volumes, as measured by thousands of megawatt hours (MWh) of electricity. No sales volumes are shown for energy marketing, network integration, or other. Energy marketing activities are unrelated to the electricity we generate.

	Three Months Ended September 30,			
	2004	2003	Change	% Change
	(Thousands of MWh)			
Residential	923	1,019	(96)	(9.4)
Commercial	806	796	10	1.3
Industrial	895	902	(7)	(0.8)
Other retail	11	11	—	—
Total Retail	2,635	2,728	(93)	(3.4)
Tariff-based wholesale	138	175	(37)	(21.1)
Market-based wholesale	452	333	119	35.7
Total	3,225	3,236	(11)	(0.3)

Our retail and tariff-based wholesale customers used less energy and our sales decreased because of cooler weather. When measured by cooling degree days, the weather during the three months ended September 30, 2004 was 20% cooler than the same period last year and 17% below normal. We measure cooling degree days at a weather station we believe to be generally reflective of conditions in our service territory.

Market-based wholesale sales increased due to increased sales volumes and an approximate 20% increase in the average price per MWh. As a result of the milder weather, at certain times during the three months ended September 30, 2004, we had additional low-cost energy production available for sale that was not needed to serve our retail and tariff-based wholesale customers. Increased sales volumes accounted for approximately $4.0 million of the increased market-based wholesale sales and higher average market prices accounted for $1.8 million of the increase. Changes in the fair value of energy marketing contracts are recognized as an increase or decrease to sales pursuant to the provisions of SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities,” as amended by SFAS Nos. 137, 138 and 149 (collectively, SFAS No. 133). We had unfavorable changes in 2004 as compared to the favorable changes in 2003 in the settlement and the fair value of remaining positions receiving mark-to-market accounting treatment.

Two components comprise our fuel cost: actual fuel burned at the generating units we own and allocated net dispatch costs, which are costs allocated to us by Westar Energy. Fuel expense declined because we used approximately 2% less fuel for generation due to the lower demand caused by the cooler weather. However, an increase in the allocated net dispatch costs more than offset the decrease in the cost of fuel and caused the net increase for fuel used for generation reported in the table above.

Operating and maintenance expense increased due primarily to increased planned and unplanned generating unit maintenance during the third quarter of 2004.

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Nine Months Ended September 30, 2004 Compared to Nine Months Ended September 30, 2003: Below we discuss our operating results for the nine months ended September 30, 2004 as compared to the results for the nine months ended September 30, 2003. Changes in results of operations are as follows:

	Nine Months Ended September 30,			
	2004	2003	Change	% Change
	(In Thousands)			
SALES:				
Residential	$173,748	$177,712	$ (3,964)	(2.2)
Commercial	134,594	130,016	4,578	3.5
Industrial	116,790	116,046	744	0.6
Other retail	719	2,998	(2,279)	(76.0)
Total Retail Sales	425,851	426,772	(921)	(0.2)
Tariff-based wholesale	17,141	17,397	(256)	(1.5)
Market-based wholesale	65,800	67,561	(1,761)	(2.6)
Energy marketing	(1,433)	3,834	(5,267)	(137.4)
Network integration (a)	23,339	22,348	991	4.4
Other	13,936	14,184	(248)	(1.7)
Total Sales	544,634	552,096	(7,462)	(1.4)
OPERATING EXPENSES:				
Fuel used for generation (b)	123,398	119,196	4,202	3.5
Purchased power	24,104	16,419	7,685	46.8
Operating and maintenance	170,463	167,702	2,761	1.6
Depreciation and amortization	68,656	67,935	721	1.1
Selling, general and administrative	53,008	51,423	1,585	3.1
Total Operating Expenses	439,629	422,675	16,954	4.0
INCOME FROM OPERATIONS	$105,005	$129,421	$(24,416)	(18.9)

(a) **Network integration expense:** For the nine months ended September 30, 2004, our transmission costs were approximately $25.0 million. This amount, less approximately $1.7 million that was retained by the SPP as administration cost, was returned to us as revenues. For the nine months ended September 30, 2003, our transmission costs were approximately $24.6 million with an administration cost of approximately $2.3 million retained by the SPP.

(b) **Fuel used for generation:** Includes cost of fuel burned, changes in fair value of fuel contracts and allocated net dispatch costs, which are net changes or benefits related to energy transactions allocated to us by our parent.

The following table reflects changes in electric sales volumes, as measured by thousands of MWh of electricity. No sales volumes are shown for energy marketing or network integration. Energy marketing activities are unrelated to the electricity we generate.

	Nine Months Ended September 30,			
	2004	2003	Change	% Change
	(Thousands of MWh)			
Residential	2,221	2,268	(47)	(2.1)
Commercial	2,122	2,054	68	3.3
Industrial	2,636	2,597	39	1.5
Other retail	33	33	—	—
Total Retail	7,012	6,952	60	0.9
Tariff-based wholesale	342	383	(41)	(10.7)
Market-based wholesale	2,027	2,046	(19)	(0.9)
Total	9,381	9,381	—	—

Our retail and tariff-based wholesale customers used less energy and our sales decreased because of cooler weather. When measured by cooling degree days, the weather during the nine months ended September 30, 2004 was 5% cooler than the same period last year and 9% below normal. We measure cooling degree days at a weather station we believe to be generally reflective of conditions in our service territory. The accrual for rebates to be paid to customers in 2005 and 2006 pursuant to the July 25, 2003 KCC order also reduced retail sales. During the nine months ended September 30, 2004, we accrued $3.0 million as compared to $0.6 million accrued during the same period of 2003.

Market-based wholesale sales decreased due primarily to an approximate 2% decrease in the average price per MWh and decreased sales volumes. Lower average market prices accounted for approximately $1.2 million of the decreased market-based wholesale sales and decreased sales volumes accounted for $0.6 million of the decrease. Energy marketing sales decreased due to unfavorable changes in 2004 as compared to the favorable changes in 2003 in the settlement and the fair value of remaining positions receiving mark-to-market accounting treatment.

The expense for actual fuel burned at our generating units increased $11.0 million because we used approximately 3% more fuel for generation at an 8% higher average cost. Increases in the cost of fuel used for generation accounted for approximately $8.1 million of the increase in fuel expense. Increases in the amount of fuel burned accounted for approximately $2.9 million of the increase. A decline of $6.0 million in net dispatch costs allocated to us by Westar Energy partially offset the increase in fuel expense. At Jeffrey Energy Center, one of our largest coal-fired base-load units, the average availability factor was 85% during the nine months ended September 30, 2004 compared to 92% during the nine months ended September 30, 2003. To compensate for the loss of energy, we relied more heavily on some of our more expensive units that use natural gas or oil.

Purchased power expense increased due primarily to a 56% increase in volumes purchased during the nine months ended September 30, 2004 as compared to the same period of 2003. At times, it was more economical to purchase power than to operate our available generating units. This is due to the unavailability or reduced operating capability of our units or the availability of economically priced power due to cooler weather in our region.

LIQUIDITY AND CAPITAL RESOURCES

Overview

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

We expect our internally generated cash, advances from our parent and availability of cash through our parent’s credit facilities to be sufficient to fund operations and debt service payments. We do not maintain independent short-term credit facilities and rely on Westar Energy for short-term cash needs. If Westar Energy is unable to borrow under its credit facilities, we could have a short-term liquidity problem that could require us to obtain a credit facility for our short-term cash needs and that could result in higher borrowing costs.

On March 12, 2004, Westar Energy entered into a new revolving credit facility. The credit facility matures on March 12, 2007 and will be used as a source of short-term liquidity. It allows Westar Energy borrowings up to an aggregate limit of $300.0 million, including letters of credit up to a maximum aggregate amount of $50.0 million. At September 30, 2004, Westar Energy had no outstanding borrowings and $10.7 million of letters of credit outstanding under the revolving credit facility. All borrowings under the revolving credit facility are secured by our first mortgage bonds.

Future Cash Requirements

We own a 50% undivided interest in the LaCygne 1 generating unit and are the lessee of a 50% undivided interest in the LaCygne 2 generating unit, both of which are operated by Kansas City Power & Light Company (KCPL). KCPL has informed us that environmental-related equipment may be installed on these units. KCPL anticipates that costs will be incurred beginning in 2005 and continuing through the completion of installation in 2007. We expect that costs related to updating or installing emissions controls will be material. We believe that these costs would qualify for recovery through rates.

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Refinancing of Long-term Debt

During the nine months ended September 30, 2004, we refinanced a portion of our debt as follows:

Long-term Debt Refinancing:	Balance as of December 31, 2003	Securities Redeemed	Securities Issued	Balance as of September 30, 2004
		(In Thousands)		
Pollution control bond series:				
7.00% due 2031	$ 327,500	$(327,500)	$ —	$ —
5.30% due 2031	—	—	108,600	108,600
2.65% due 2031 and putable 2006	—	—	100,000	100,000
5.30% due 2031	—	—	18,900	18,900
Variable rate due 2031	—	—	100,000	100,000
	$ 327,500	$(327,500)	$327,500	$ 327,500

Credit Ratings

On July 22, 2004, Standard & Poor's Ratings Group improved its ratings on our first mortgage bonds to BBB from BB+. On April 14, 2004, Moody's Investors Service (Moody's) affirmed its ratings for Westar Energy's and our first mortgage bonds and unsecured debt and changed its outlook of our credit ratings to positive from negative. Moody's also raised the speculative liquidity rating it assigned to Westar Energy to SGL-2 from SGL-3, reflecting its view that Westar Energy has "good" liquidity. Since March 1, 2004, Fitch Investors Service has not changed its ratings for Westar Energy's or our first mortgage bonds or Westar Energy's unsecured debt. For additional information on our credit ratings, see our 2003 Form 10-K, "Liquidity and Capital Resources — Credit Ratings."

OFF-BALANCE SHEET ARRANGEMENTS — ACCOUNTS RECEIVABLE SALES PROGRAM

On July 28, 2000, Westar Energy and we entered into an agreement with WR Receivables Corporation, a wholly owned, bankruptcy-remote SPE, to sell Westar Energy's and our accounts receivable arising from the sale of electricity to the SPE. These transfers are accounted for as sales in accordance with SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities." The SPE may sell up to $125 million of an undivided interest in our combined accounts receivable to a third-party conduit under various terms and conditions. The percentage ownership interest in receivables held by the third-party conduit will increase or decrease over time, depending on the characteristics of the SPE's receivables, including delinquency rates and debtor concentrations. The agreement with the third-party conduit is renewable annually upon agreement by all parties. On July 21, 2004, the agreement was extended through July 19, 2005 on substantially similar terms.

The net SPE receivables represent our retained interests in the transferred receivables and is recorded at book value, net of allowances for bad debts. This approximates fair value due to the short-term nature of the receivable. The SPE receivable is included in accounts receivable, net, on our consolidated balance sheets. The interests that we hold are included in the table below:

	September 30, 2004	December 31, 2003
	(In Thousands)	
Undivided Interest — Retained, net	$ 96,022	$ 71,213
Undivided Interest — Third-party conduit, net	9,029	9,186
SPE receivables, net	$ 105,051	$ 80,399

The outstanding balance of SPE receivables is net of $90.0 million at September 30, 2004 and $80.0 million at December 31, 2003 in undivided ownership interests sold by the SPE to the third-party conduit.

The following table provides gross proceeds and repayments between the SPE and the third-party conduit. These amounts are provided for cash flow purposes and may not be reflective of accrual accounting. These items are recorded on the consolidated statements of cash flows in the accounts receivable, net, line of cash flows from operating activities.

	Nine Months Ended September 30,	
	2004	2003
	(In Thousands)	
Proceeds from the sale of an undivided interest from the third-party conduit	$ 40,000	$ —
Repayments to the conduit for net collection of its receivable	(30,000)	(10,000)
SPE proceeds and repayments, net	$ 10,000	$ (10,000)

CONTRACTUAL CASH OBLIGATIONS

Since December 31, 2003, we have not experienced any material changes in our contractual obligations. For additional information regarding our contractual obligations, see our 2003 Form 10-K.

OTHER INFORMATION

Public Utility Holding Company Act of 1935

Westar Energy is a holding company under the Public Utility Holding Company Act of 1935 (1935 Act) as a result of its ownership of us and Westar Generating, Inc., which is also a wholly-owned subsidiary of Westar Energy. Currently, Westar Energy claims an exemption from registration under the 1935 Act based on its operations being conducted “predominantly” within the state of Kansas. Following a recent decision by the Securities and Exchange Commission (SEC) with respect to its interpretation of the criteria that must be satisfied to claim a “predominantly” intrastate exemption. Westar Energy has been asked by the SEC to provide information regarding its eligibility for an exemption from registration and has responded to the SEC’s requests.

As a result of the amount of sales of wholesale electricity outside of the state of Kansas by Westar Energy’s energy marketing operations, it is possible that the SEC could question its eligibility for an exemption from registration under the 1935 Act. In that event, Westar Energy would evaluate its options, including filing an application for exemption and asking the SEC to formally consider that request, becoming a registered holding company, restructuring its operations in a manner that would allow it to maintain eligibility to claim an exemption or restructuring its organizational structure to consolidate all utility operations into one entity so that Westar Energy is no longer a utility holding company.

In the event Westar Energy elects to register, the 1935 Act and related regulations issued by the SEC would govern its activities and the activities of its subsidiaries with respect to the acquisition, issuance and sale of securities, acquisition and sale of utility assets, certain transactions among affiliates, engaging in business activities not directly related to the utility or energy business and other matters. We are unable to predict the outcome of this inquiry, however, we believe that Westar Energy becoming a registered holding company under the 1935 Act or taking steps, together with us, to reorganize its corporate structure to avoid registration would not have a material impact on our consolidated financial position, results of operations or cash flows.

Radioactive Waste Disposal

The Low-Level Radioactive Waste Policy Amendments Act of 1985 mandated that the various states, individually or through interstate compacts, develop alternative low-level radioactive waste disposal facilities. The states of Kansas, Nebraska, Arkansas, Louisiana and Oklahoma formed the Central Interstate Low-Level Radioactive Waste Compact (Compact), and the Compact Commission, which is responsible for causing a new disposal facility to be developed within one of the member states. The Compact Commission selected Nebraska as the host state for the disposal facility. WCNOC and the owners of the other five nuclear units in the Compact provided most of the pre-construction financing for this project. Our net investment in the Compact is approximately $7.4 million.

In December 1998, the Nebraska agencies responsible for considering the developer's license application denied the application. The license applicant sought a hearing on the license denial, but a United States District Court indefinitely delayed proceedings related to the hearing. Most of the utilities that had provided the project's pre-construction financing (including WCNOC) filed a federal court lawsuit contending Nebraska officials acted in bad faith while handling the license application. In September 2002, the court entered a $151.4 million judgment, about one-third of which constitutes prejudgment interest, in favor of the Compact Commission and against Nebraska, finding that Nebraska had acted in bad faith in handling the license application. On Nebraska's appeal, the 8th Circuit, United States Court of Appeals, upheld the District Court's decision in February 2004. Nebraska sought United States Supreme Court review of the decision. In August 2004, Nebraska and the Compact Commission settled the case under terms whereby Nebraska would pay the Compact Commission either a one-time amount of $140.5 million or four annual installments of $38.5 million beginning in August 2005. The parties agreed to dismiss all pending litigation and appeals relating to this matter. Once Nebraska makes its final payment, it will be relieved of its responsibility to host a disposal facility. Meanwhile, the Compact Commission will pursue other strategies for providing disposal capability for waste generators in the Compact region.

Nebraska no longer is a member of the Compact as a result of its notice of voluntary withdrawal given in 1999 and the Compact Commission's 2003 revocation of the state's membership, both of which became effective in late summer 2004.

City of Wichita Franchise

On February 10, 2004, the Wichita City Council approved a 10-year renewal of the franchise agreement pursuant to which we provide retail electric service within the city of Wichita. The new 10-year franchise agreement is on terms that we believe to be reasonably similar to those previously in effect.

Southwest Power Pool

On October 1, 2004, the FERC granted regional transmission organization (RTO) status to the SPP. Westar Energy is now a member of the SPP RTO. Since we provide electric service together with the electric utility operations of Westar Energy, we are a member of the SPP through Westar Energy's membership and do not have a separate KGE membership.

Fair Value of Energy Marketing Contracts

The tables below show the fair value of energy marketing contracts that were outstanding at September 30, 2004, their sources and maturity periods:

	Fair Value of Contracts
	(In Thousands)
Net fair value of contracts outstanding at the beginning of the period	$ 2,014
Contracts outstanding at the beginning of the period that were realized or otherwise settled during the period	(1,760)
Changes in fair value of contracts outstanding at the beginning and end of the period	(1,123)
Fair value of new contracts entered into during the period	(1,041)
Fair value of contracts outstanding at the end of the period	$ (1,910)

The sources of the fair values of the financial instruments related to these contracts are summarized in the following table:

Sources of Fair Value	Total Fair Value	Maturity Less Than 1 Year	Maturity 1-3 Years	Maturity 4-5 Years
	Fair Value of Contracts at End of Period			
	(In Thousands)			
Prices provided by other external sources (swaps and forwards)	$ (1,981)	$ (1,936)	$ (67)	$ 22
Prices based on the Black Option Pricing model (options and other) (a)	71	71	—	—
Total fair value of contracts outstanding	$ (1,910)	$ (1,865)	$ (67)	$ 22

(a) The Black Option Pricing model is a variant of the Black-Scholes Option Pricing model.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk, including market changes, changes in commodity prices and interest rates. From December 31, 2003 to September 30, 2004, there have been no significant changes in our exposure to market risk except as related to interest rates as discussed below. For additional information on our market risk, see our 2003 Form 10-K, “Item 7A. Quantitative and Qualitative Disclosures About Market Risk.”

Interest Rate Exposure

From December 31, 2003 to September 30, 2004, our variable rate debt and current maturities of fixed rate debt increased $165.0 million. A 100 basis point change in interest rates applicable to each of these instruments would impact net income on an annualized basis by approximately $2.0 million. This represents an increase in our exposure to interest rate risk on an annualized basis of approximately $1.5 million, from $0.5 million at December 31, 2003.

ITEM 4. CONTROLS AND PROCEDURES

We are a wholly owned subsidiary of Westar Energy and all evaluations of our controls and procedures were conducted in conjunction with those undertaken by Westar Energy. Under the supervision and with the participation of Westar Energy’s management, and including our president and our principal financial and accounting officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934. These controls and procedures are designed to ensure that material information relating to the company is communicated to our president and our principal financial and accounting officer. Based on that evaluation, our president and our principal financial and accounting officer concluded that, as of September 30, 2004, our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

There were no changes in our internal controls over financial reporting during the three months ended September 30, 2004 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

KANSAS GAS AND ELECTRIC COMPANY

PART II. Other Information

ITEM 1. LEGAL PROCEEDINGS

We are involved in various legal, environmental and regulatory proceedings. We believe adequate provisions have been made and accordingly believe that the ultimate disposition of such matters will not have a material adverse effect upon our consolidated financial position or results of operations. See also Note 6 of the Notes to Consolidated Financial Statements, “Commitments and Contingencies — EPA New Source Review.” The Notes to Consolidated Financial Statements are incorporated herein by reference.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

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

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

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

31(a)	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 certifying the quarterly report provided for the period ended September 30, 2004
31(b)	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 certifying the quarterly report provided for the period ended September 30, 2004
32	Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 certifying the quarterly report provided for the quarter ended September 30, 2004 (furnished and not to be considered filed as part of the Form 10-Q)

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SIGNATURE

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

KANSAS GAS AND ELECTRIC COMPANY

Date:	November 8, 2004	By:	/s/ Mark A. Ruelle
			Mark A. Ruelle, Vice President and Treasurer

KANSAS GAS AND ELECTRIC COMPANY
PRINCIPAL EXECUTIVE OFFICER
CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, William B. Moore, as chairman of the board and president of Kansas Gas and Electric Company, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended September 30, 2004 of Kansas Gas and Electric Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. [Reserved]

   c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect registrant’s ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 8, 2004

By: /s/ William B. Moore

William B. Moore,
Chairman of the Board and President
(Principal Executive Officer)

Exhibit 31(b)

KANSAS GAS AND ELECTRIC COMPANY
PRINCIPAL FINANCIAL AND ACCOUNTING OFFICER
CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Mark A. Ruelle, as vice president and treasurer of Kansas Gas and Electric Company, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended September 30, 2004 of Kansas Gas and Electric Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. [Reserved]
    c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect registrant’s ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 8, 2004

By: /s/ Mark A. Ruelle

Mark A. Ruelle,
Vice President and Treasurer
(Principal Financial and Accounting Officer)

Exhibit 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Kansas Gas and Electric Company (the Company) on Form 10-Q for the quarter ended September 30, 2004 (the Report), which this certification accompanies, William B. Moore, in my capacity as Chairman of the Board and President (Principle Executive Officer) of the Company, and Mark A. Ruelle, in my capacity as Vice President and Treasurer (Principle Financial and Accounting Officer) of the Company, certify that the Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date:	November 8, 2004	By:	/s/ William B. Moore
			William B. Moore, Chairman of the Board and President (Principal Executive Officer)
Date:	November 8, 2004	By:	/s/ Mark A. Ruelle
			Mark A. Ruelle, Vice President and Treasurer (Principal Financial and Accounting Officer)