
**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, 2005

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
(State or other jurisdiction of
incorporation or organization)

48-1093840
(I.R.S. Employer
Identification No.)

**777 West Central
Wichita, Kansas 67203
(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 by check mark whether the registrant is a shell company (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

(Class)

1,000 Shares

(Outstanding at November 4, 2005)

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.

TABLE OF CONTENTS

| | <u>Page</u> |
|---------------------------------------------------------------------------------------------------------------|-------------|
| PART I. Financial Information | |
| Item 1. Condensed Financial Statements (Unaudited) | |
| Consolidated Balance Sheets | 4 |
| Consolidated Statements of Income | 5-6 |
| Consolidated Statements of Cash Flows | 7 |
| Notes to Condensed Consolidated Financial Statements | 8 |
| Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations | 17 |
| Item 3. Quantitative and Qualitative Disclosures About Market Risk | 31 |
| Item 4. Controls and Procedures | 31 |
| PART II. Other Information | |
| Item 1. Legal Proceedings | 32 |
| Item 2. Unregistered Sales of Equity Securities and Use of Proceeds | 32 |
| Item 3. Defaults Upon Senior Securities | 32 |
| Item 4. Submission of Matters to a Vote of Security Holders | 32 |
| Item 5. Other Information | 32 |
| Item 6. Exhibits | 32 |
| Signature | 33 |

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,
- possible corporate restructurings, acquisitions and dispositions,
- 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,
- the outcome of the pending rate review filed with the Kansas Corporation Commission on May 2, 2005, and the Federal Energy Regulatory Commission transmission rate review also filed on May 2, 2005,
- 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 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 changes in interest rates,
- changes in, and the discount rate assumptions used for, Wolf Creek Nuclear Operating Corporation’s 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 regarding our Wolf Creek Generating Station decommissioning trust,
- regulatory requirements for utility service reliability,
- homeland security considerations,
- coal, natural gas, oil and wholesale electricity prices,
- availability and timely provision of our coal supply, 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, 2004. 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, 2004. 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.

[Table of Contents](#)**PART I. Financial Information****ITEM 1. CONDENSED FINANCIAL STATEMENTS****KANSAS GAS AND ELECTRIC COMPANY****CONSOLIDATED BALANCE SHEETS****(Dollars in Thousands)****(Unaudited)**

| | <u>September 30, 2005</u> | <u>December 31, 2004</u> |
|----------------------------------------------------------------|-------------------------------|------------------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 3,773 | \$ 812 |
| Accounts receivable, net | 117,949 | 92,284 |
| Inventories and supplies | 54,839 | 64,397 |
| Energy marketing contracts | 2,904 | 4,020 |
| Deferred tax assets | — | 544 |
| Prepaid expenses | 34,173 | 24,070 |
| Other | 2,086 | 2,633 |
| | <hr/> | <hr/> |
| Total Current Assets | 215,724 | 188,760 |
| | <hr/> | <hr/> |
| PROPERTY, PLANT AND EQUIPMENT, NET | 2,327,850 | 2,349,673 |
| | <hr/> | <hr/> |
| OTHER ASSETS: | | |
| Regulatory assets | 363,520 | 321,359 |
| Nuclear decommissioning trust | 98,326 | 91,095 |
| Other | 36,860 | 40,303 |
| | <hr/> | <hr/> |
| Total Other Assets | 498,706 | 452,757 |
| | <hr/> | <hr/> |
| TOTAL ASSETS | \$ 3,042,280 | \$ 2,991,190 |
| | <hr/> | <hr/> |
| LIABILITIES AND SHAREHOLDER'S EQUITY | | |
| CURRENT LIABILITIES: | | |
| Current maturities of long-term debt | \$ 100,000 | \$ 65,000 |
| Accounts payable | 20,814 | 39,772 |
| Payable to affiliates | 151,954 | 91,504 |
| Accrued interest | 7,012 | 7,308 |
| Accrued taxes | 39,517 | 29,420 |
| Energy marketing contracts | 7,457 | 2,497 |
| Deferred tax liability | 3,570 | — |
| Other | 36,757 | 30,079 |
| | <hr/> | <hr/> |
| Total Current Liabilities | 367,081 | 265,580 |
| | <hr/> | <hr/> |
| LONG-TERM LIABILITIES: | | |
| Long-term debt, net | 387,425 | 487,419 |
| Deferred income taxes | 672,408 | 656,838 |
| Unamortized investment tax credits | 44,131 | 46,073 |
| Deferred gain from sale-leaseback | 131,887 | 138,981 |
| Asset retirement obligation | 92,319 | 87,118 |
| Nuclear decommissioning | 98,326 | 91,095 |
| Other | 111,872 | 126,280 |
| | <hr/> | <hr/> |
| Total Long-Term Liabilities | 1,538,368 | 1,633,804 |
| | <hr/> | <hr/> |
| COMMITMENTS AND CONTINGENCIES (See Note 6) | | |
| SHAREHOLDER'S EQUITY: | | |
| Common stock, no par value; authorized and issued 1,000 shares | 1,065,634 | 1,065,634 |
| Retained earnings | 71,197 | 26,172 |
| | <hr/> | <hr/> |
| Total Shareholder's Equity | 1,136,831 | 1,091,806 |
| | <hr/> | <hr/> |
| TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY | \$ 3,042,280 | \$ 2,991,190 |
| | <hr/> | <hr/> |

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

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

| | Three Months Ended September 30, | |
|-------------------------------------|-------------------------------------|------------|
| | 2005 | 2004 |
| SALES | \$ 229,058 | \$ 202,209 |
| OPERATING EXPENSES: | | |
| Fuel and purchased power | 77,976 | 52,726 |
| Operating and maintenance | 59,832 | 57,097 |
| Depreciation and amortization | 23,185 | 23,009 |
| Selling, general and administrative | 20,862 | 18,932 |
| Total Operating Expenses | 181,855 | 151,764 |
| INCOME FROM OPERATIONS | 47,203 | 50,445 |
| OTHER INCOME (EXPENSE): | | |
| Other income | 11,862 | 7,113 |
| Other expense | (5,094) | (4,404) |
| Total Other Income | 6,768 | 2,709 |
| Interest expense | 7,094 | 6,921 |
| INCOME BEFORE INCOME TAXES | 46,877 | 46,233 |
| Income tax expense | 10,334 | 12,285 |
| NET INCOME | \$ 36,543 | \$ 33,948 |

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

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

| | Nine Months Ended September 30, | |
|-------------------------------------|------------------------------------|------------|
| | 2005 | 2004 |
| SALES | \$ 575,838 | \$ 544,634 |
| OPERATING EXPENSES: | | |
| Fuel and purchased power | 184,543 | 147,502 |
| Operating and maintenance | 178,712 | 170,463 |
| Depreciation and amortization | 69,242 | 68,656 |
| Selling, general and administrative | 60,617 | 53,008 |
| Total Operating Expenses | 493,114 | 439,629 |
| INCOME FROM OPERATIONS | 82,724 | 105,005 |
| OTHER INCOME (EXPENSE): | | |
| Other income | 30,805 | 19,274 |
| Other expense | (13,102) | (11,296) |
| Total Other Income | 17,703 | 7,978 |
| Interest expense | 21,243 | 24,846 |
| INCOME BEFORE INCOME TAXES | 79,184 | 88,137 |
| Income tax expense | 14,159 | 24,320 |
| NET INCOME | \$ 65,025 | \$ 63,817 |

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

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

| | Nine Months Ended September 30, | |
|----------------------------------------------------------------------------------------|------------------------------------|-----------------|
| | 2005 | 2004 |
| CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES: | | |
| Net income | \$ 65,025 | \$ 63,817 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 69,242 | 68,656 |
| Amortization of nuclear fuel | 9,368 | 10,631 |
| Amortization of deferred gain from sale-leaseback | (7,095) | (8,871) |
| Amortization of prepaid corporate-owned life insurance | 10,504 | 9,770 |
| Net deferred taxes and credits | 22,044 | 1,272 |
| Net changes in energy marketing assets and liabilities | 6,377 | 3,924 |
| Changes in working capital items: | | |
| Accounts receivable, net | (25,665) | (24,553) |
| Inventories and supplies | 9,558 | 7,836 |
| Prepaid expenses and other | (43,766) | (43,138) |
| Accounts payable | (19,267) | (707) |
| Payable to affiliates | 60,450 | (18,402) |
| Accrued and other current liabilities | 6,212 | 15,603 |
| Changes in other, assets | (38,984) | (887) |
| Changes in other, liabilities | (19,417) | (5,228) |
| | <u>104,586</u> | <u>79,723</u> |
| CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES: | | |
| Additions to property, plant and equipment | (60,251) | (60,015) |
| Investment in corporate-owned life insurance | (19,346) | (19,658) |
| Proceeds from investment in corporate-owned life insurance | 10,794 | — |
| Proceeds from other investments | 6,818 | — |
| | <u>(61,985)</u> | <u>(79,673)</u> |
| CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES: | | |
| Proceeds from long-term debt | — | 321,540 |
| Retirement of long-term debt | (65,000) | (329,138) |
| Borrowings against cash surrender value of corporate-owned life insurance | 56,532 | 55,593 |
| Repayment of borrowings against cash surrender value of corporate-owned life insurance | (11,172) | — |
| Dividends to parent company | (20,000) | (50,000) |
| | <u>(39,640)</u> | <u>(2,005)</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | <u>2,961</u> | <u>(1,955)</u> |
| CASH AND CASH EQUIVALENTS: | | |
| Beginning of period | 812 | 6,321 |
| End of period | <u>\$ 3,773</u> | <u>\$ 4,366</u> |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION: | | |
| CASH PAID FOR: | | |
| Interest on financing activities, net of amount capitalized | \$ 19,431 | \$ 24,634 |

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

KANSAS GAS AND ELECTRIC COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. DESCRIPTION OF BUSINESS

Kansas Gas and Electric Company is a regulated electric utility incorporated in 1990 in Kansas. Unless the context otherwise indicates, all references in this quarterly report on 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. 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 305,000 customers in south-central and southeastern Kansas, including the city of Wichita.

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. In our opinion, all adjustments, consisting only of normal recurring adjustments considered necessary for a fair presentation of the financial statements, have been included.

The accompanying condensed consolidated financial statements and notes should be read in conjunction with the consolidated financial statements and notes included in our Annual Report on Form 10-K for the year ended December 31, 2004 (2004 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, contingencies 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, 2005 are not necessarily indicative of the results to be expected for the full year.

New Accounting Pronouncement

Accounting for Conditional Asset Retirement Obligations: In March 2005, the Financial Accounting Standards Board (FASB) issued Interpretation No. (FIN) 47, "Accounting for Conditional Asset Retirement Obligations." FIN 47 clarifies that the term "conditional asset retirement obligation" as used in Statement of Financial Accounting Standards (SFAS) No. 143, "Accounting for Asset Retirement Obligations," refers to a legal obligation to perform an asset retirement activity in which the timing or method of settlement are conditional on a future event. An entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. Uncertainty about the timing or method of settlement of a conditional asset retirement obligation should be factored into the measurement of the liability when sufficient information exists. FIN 47 also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. FIN 47 is effective for the year ended December 31, 2005.

We currently have insulating materials at our power plants that contain asbestos. We have determined that the disposal of the asbestos represents a conditional asset retirement obligation that is within the scope of FIN 47. It is likely that we will record an asset retirement obligation pursuant to the requirements of FIN 47. We are currently in the process of determining the fair value of that disposal obligation. The amount of the retirement obligation will be recorded as of 1983, the date when the Occupational Safety and Health Administration published the Emergency Temporary Standard for asbestos. We will also capitalize the retirement obligation as an increase to the power plant's carrying value. The amount of depreciation and accretion expense accruing since 1983 will be recorded as a regulatory asset.

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.

3. RATE MATTERS AND REGULATION

Retail Rate Review

In accordance with a Kansas Corporation Commission (KCC) order, we filed an application with the KCC on May 2, 2005, to increase our retail electric rates and to adopt other practices under the KCC's jurisdiction. We anticipate that any changes in our rates as a result of the rate review will become effective in January 2006. Key components of the application are as follows:

- Increasing our retail electric rates by \$36.3 million annually
- Implementing a fuel and purchased power adjustment clause
- Sharing of market-based wholesale margins between customers and us
- Recovering transmission costs through a separate Federal Energy Regulatory Commission (FERC) transmission delivery charge
- Adopting a tariff to provide more timely recovery of investments and expenditures associated with adding and operating pollution control equipment at our power plants
- Recovering \$35.1 million of deferred maintenance costs associated with restoring utility service to our customers stemming from damage to our lines and equipment in the ice storms that occurred in 2002 and 2005
- Increasing depreciation expense by approximately \$14.2 million
- Establishing customer service targets and the potential for rebates to customers based on our financial and customer service performance

[Table of Contents](#)

On September 9, 2005, the KCC staff and intervenors in our rate case filed testimony with the KCC that proposes adjustments that would significantly decrease our electric rates. The KCC staff's suggested adjustments would result in a decrease in our rates by approximately \$59.4 million. On October 3, 2005, we filed with the KCC additional testimony to update our filing and rebut the KCC staff's and intervenors' findings, conclusions and proposed adjustments. The adoption of the KCC staff's or intervenors' proposed adjustments to our rates would have a material adverse effect on our financial condition and results of operations. The KCC is not bound by the recommendations of its staff or other intervenors. We anticipate a ruling by the KCC on or before December 28, 2005 but are unable to predict the outcome.

FERC Proceedings

Request for Change in Transmission Rates

On May 2, 2005, we filed an application with FERC to change our transmission rates. The application proposes a formula transmission rate that provides for annual adjustments to reflect changes in Westar Energy's and our transmission costs. This is consistent with our proposal filed with the KCC on May 2, 2005 to separately charge retail customers for transmission service. We expect our proposed rates to become effective on December 1, 2005, subject to refund. We can provide no assurance that FERC will approve our application as filed.

Market-based Rates

On March 23, 2005, FERC instituted a proceeding concerning the reasonableness of Westar Energy's and our market-based rates in our electrical control area and the electrical control areas of Midwest Energy, Inc. and Aquila, Inc.'s West Plains Energy division. On April 21, 2005, Westar Energy and we provided FERC with information it requested to complete its analysis. A FERC decision, expected by late 2005, could affect how we price future wholesale power sales to wholesale customers in our control area and to Midwest Energy and West Plains Energy and wholesale customers in their control areas. We do not expect the outcome of this matter to significantly impact our consolidated results of operations.

Service Reliability Standards

On February 10, 2004, the North American Electric Reliability Council (NERC) issued reliability improvement initiatives stemming from an investigation of the August 14, 2003 blackout in portions of the northeastern United States. In February 2005, NERC approved reliability standards, which went into effect on April 1, 2005. We are in compliance with these standards and did not have to make any significant expenditures to be in compliance.

4. ACCOUNTS RECEIVABLE SALES PROGRAM

We sell our accounts receivable to WR Receivables Corporation, a wholly owned subsidiary of Westar Energy. WR Receivables has an agreement to sell up to \$125.0 million of our qualified accounts receivable to a financial institution pursuant to an agreement entered into in 2000. The agreement has been extended annually since 2000 pursuant to mutual agreement of the parties. We renewed the agreement in July 2005 for one year on terms substantially similar to the expiring agreement.

The receivables sold by WR Receivables to the financial institution are not reflected in the accounts receivable balance in the accompanying consolidated balance sheets. The amounts sold to the financial institution were \$105.0 million at September 30, 2005 and \$80.0 million at December 31, 2004. We record this activity on the consolidated statements of cash flows in the "accounts receivable, net" line of cash flows from operating activities.

[Table of Contents](#)

We service, administer and collect the receivables on behalf of the financial institution. We paid administrative expenses to the financial institution of \$1.2 million for the three months ended September 30, 2005 and \$0.6 million for the same period of 2004 associated with the sale of these receivables, which represent the loss on the sale. We paid administrative expenses of \$2.8 million for the nine months ended September 30, 2005 and \$1.5 million for the same period of 2004. We include these expenses in other expense on our consolidated statements of income.

We record receivables transferred to WR Receivables at book value, net of allowance for bad debts. This approximates fair value due to the short-term nature of the receivable. We include the transferred accounts receivable in "accounts receivable, net," on our consolidated balance sheets. The interests that we hold are presented in the table below.

| | September 30, 2005 | December 31, 2004 |
|-------------------------------------------------------------|-----------------------|----------------------|
| | (In Thousands) | |
| Accounts receivable retained by WR Receivables, net | \$ 107,621 | \$ 81,842 |
| Accounts receivable reserved for financial institution, net | 10,152 | 10,023 |
| | <u> </u> | <u> </u> |
| Transferred receivables, net | \$ 117,773 | \$ 91,865 |
| | <u> </u> | <u> </u> |

5. INCOME TAXES AND TAXES OTHER THAN INCOME TAXES

We recorded income tax expense of approximately \$10.3 million for the three months ended September 30, 2005 as compared to \$12.3 million for the same period of 2004, and \$14.2 million for the nine months ended September 30, 2005 as compared to \$24.3 million for the same period of 2004.

We are a member of Westar Energy's consolidated tax group. We file consolidated tax returns with Westar Energy. Westar Energy allocates to us our portion of consolidated income taxes based on our contribution to consolidated taxable income.

As of September 30, 2005 and December 31, 2004, we had recorded reserves for uncertain income tax positions of \$3.5 million and \$2.9 million, respectively. The tax positions may involve income, deductions or credits reported in prior year income tax returns that we believe were treated properly on such tax returns. The tax returns containing these tax reporting positions are currently under audit or will likely be audited by the Internal Revenue Service or other taxing authorities. The timing of the resolution of these audits is uncertain. If the positions taken on the tax returns are ultimately upheld or not challenged within the time available for such challenges, we will reverse these tax provisions to income. If the positions taken on the tax returns are determined to be inappropriate, we may be required to make cash payments for taxes and interest. The reserves are determined based on our best estimate of probable assessments by the applicable taxing authorities and are adjusted, from time to time, based on changing facts and circumstances.

As of September 30, 2005 and December 31, 2004, we also had a reserve of \$1.2 million and \$0.9 million, respectively, for probable assessments of taxes other than income taxes.

6. COMMITMENTS AND CONTINGENCIES

Environmental Matters

Our activities are subject to environmental regulation by federal, state, and local governmental authorities. These regulations generally involve the use of water, discharges of effluents into the water, emissions into the air, the handling, storage and use of hazardous substances, and waste handling, remediation and disposal, among others. Congress or the State of Kansas may enact legislation, and the Environmental Protection Agency (EPA) or the State of Kansas may propose new regulations or change existing regulations, that could require us to reduce certain emissions at our plants.

Uncertain legislative and regulatory outcomes result in a wide range of potential expenditures. On August 9, 2005, Kansas City Power & Light Company (KCPL), the operator of our jointly owned La Cygne Generating Station (La Cygne), announced that it will begin preparations for the installation of environmental upgrades at La Cygne Unit No. 1. As work on these upgrades progresses, we will incur costs beginning in 2005 and continuing through the completion of installation in 2009. We anticipate that our share of these costs will be approximately \$105.0 million. Additionally, we have identified the potential for up to \$240.0 million of expenditures for other environmental projects over approximately 10 years. In addition to the capital investment, were we to install such equipment, we anticipate that we would incur a significant annual expense to operate and maintain the equipment and the operation of the equipment would reduce net production from our plants.

The degree to which we will need to reduce emissions and the timing of when such emissions control equipment may be required is uncertain. Both the timing and the nature of required investments depend on specific outcomes that result from interpretation of regulations, new regulations, legislation, and the resolution of the EPA New Source Review described below. Although we expect to recover such costs through our utility rates, we can provide no assurance that we would be able to fully and timely recover all or any increased costs relating to environmental compliance. Failure to recover these associated costs could have a material adverse effect on our consolidated financial condition or results of operations.

EPA New Source Review

Under Section 114(a) of the Clean Air Act (Section 114), the 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. 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 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 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 informed Westar Energy that it has referred this matter to the Department of Justice (DOJ) for it to consider whether to pursue an enforcement action in federal district court. We believe that costs related to updating or installing emissions controls would qualify for recovery through rates. If Westar Energy were to reach a settlement with the EPA, Westar Energy may be assessed a penalty. 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.

Nuclear Decommissioning

Nuclear decommissioning is a nuclear industry term for the permanent shutdown of a nuclear power plant in accordance with Nuclear Regulatory Commission (NRC) requirements. The NRC requires companies with nuclear power plants to prepare formal financial plans to fund nuclear decommissioning. We file a nuclear decommissioning and dismantlement study with the KCC every three years.

We filed an updated nuclear decommissioning and dismantlement cost estimate study with the KCC on September 1, 2005. Costs outlined by this study were developed to decommission Wolf Creek following a shutdown. The analyses relied upon the site-specific, technical information, updated to reflect current plant conditions and operating assumptions. Based on this study, our share of Wolf Creek's decommissioning costs, under the immediate dismantlement method, is estimated to be approximately \$243.3 million in 2005 dollars. These costs include decontamination, dismantling and site restoration and are not inflated, escalated, or discounted over the period of expenditure. We anticipate a KCC order on the September 2005 decommissioning study in the second quarter of 2006. The actual decommissioning costs may vary from the estimates because of changes in technology and changes in costs for labor, materials and equipment.

7. ICE STORM

On January 4 and 5, 2005, substantially all of our service territory experienced a severe ice storm. The storm interrupted electric service in a large portion of our service territory and damaged a significant portion of our electric distribution system. On March 22, 2005, we received an accounting authority order from the KCC that allows us to accumulate and defer for recovery the maintenance costs related to system restoration, as well as accumulate and record a carrying charge on the deferred balance. As of September 30, 2005, we have recorded \$24.8 million as a regulatory asset related to these costs. Recovery of these costs is being considered as part of our rate review as discussed in Note 3, "Rate Matters and Regulation."

8. 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 and us. The net amount payable to affiliates was approximately \$152.0 million at September 30, 2005 and approximately \$91.5 million at December 31, 2004 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 to Westar Energy for the nine months ended September 30, 2005 of \$20.0 million and \$50.0 million for the same period of 2004.

9. DEBT

The table below shows our long-term debt outstanding at September 30, 2005 and December 31, 2004.

| | September 30, 2005 | December 31, 2004 |
|------------------------------------------------|-----------------------|----------------------|
| (In Thousands) | | |
| First mortgage bond series: | | |
| 6.50% due 2005 | \$ — | \$ 65,000 |
| 6.20% due 2006 | 100,000 | 100,000 |
| | <u>100,000</u> | <u>165,000</u> |
| Pollution control bond series: | | |
| 5.10% due 2023 | 13,488 | 13,488 |
| Variable due 2027, 2.70% at September 30, 2005 | 21,940 | 21,940 |
| 5.30% due 2031 | 108,600 | 108,600 |
| 5.30% due 2031 | 18,900 | 18,900 |
| 2.65% due 2031 and putable 2006 | 100,000 | 100,000 |
| Variable due 2031, 2.65% at September 30, 2005 | 100,000 | 100,000 |
| Variable due 2032, 2.65% at September 30, 2005 | 14,500 | 14,500 |
| Variable due 2032, 2.65% at September 30, 2005 | 10,000 | 10,000 |
| | <u>387,428</u> | <u>387,428</u> |
| Unamortized debt discount (a) | (3) | (9) |
| Long-term debt due within one year | (100,000) | (65,000) |
| Long-term debt, net | <u>\$ 387,425</u> | <u>\$ 487,419</u> |

(a) We amortize debt discount over the term of the respective issue.

On August 1, 2005, we repaid the outstanding \$65.0 million aggregate principal amount of our 6.5% first mortgage bonds.

On May 6, 2005, Westar Energy amended its revolving credit facility dated March 12, 2004 to extend the term and reduce borrowing costs. The amended revolving credit facility matures on May 6, 2010. The facility allows Westar Energy to borrow up to an aggregate amount of \$350.0 million, including letters of credit up to a maximum aggregate amount of \$100.0 million. So long as there is no default or event of default under the revolving credit facility, Westar Energy may elect, subject to lender participation, to increase the aggregate amount of borrowings under this facility to \$500.0 million. All borrowings under the revolving credit facility are secured by our first mortgage bonds.

10. 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 results of operations.

11. FERC SETTLEMENT

On May 19, 2005, Westar Energy and FERC reached a settlement regarding the matters related to the FERC investigation of power trades with Cleco Corporation and its affiliates, power transactions between Westar Energy's system and its marketing operations and power trades in which Westar Energy or other trading companies acted as intermediaries. While these energy transactions do not apply to us, the FERC investigation included all transactions of both Westar Energy and us. The settlement does not require Westar Energy to make any monetary payments. As part of the settlement, Westar Energy and we will follow a three-year plan to ensure compliance with FERC rules. The settlement was neither a finding of wrongdoing by FERC nor an admission of wrongdoing by Westar Energy.

12. WCNOG INTERIM PENSION AND POST-RETIREMENT BENEFIT DISCLOSURE

As a co-owner of WCNOG, we are indirectly responsible for 47% of the liabilities and expenses associated with the WCNOG pension and post-retirement plans. We accrue our 47% of the WCNOG cost of pension and post-retirement benefits during the years an employee provides service. The following table summarizes the net periodic costs for our 47% share of the WCNOG pension and post-retirement benefit plans.

| Three Months Ended September 30, | Pension Benefits | | Post-retirement Benefits | |
|---------------------------------------------------|------------------|-----------------|--------------------------|---------------|
| | 2005 | 2004 | 2005 | 2004 |
| | (In Thousands) | | | |
| Components of Net Periodic Cost (Benefit): | | | | |
| Service cost | \$ 705 | \$ 643 | \$ 60 | \$ 59 |
| Interest cost | 932 | 824 | 96 | 89 |
| Expected return on plan assets | (779) | (695) | — | — |
| Amortization of: | | | | |
| Transition obligation, net | 14 | 14 | 15 | 15 |
| Prior service costs | 8 | 8 | — | — |
| Loss, net | 336 | 201 | 42 | 35 |
| Net periodic cost | \$ 1,216 | \$ 995 | \$ 213 | \$ 198 |
| | Pension Benefits | | Post-retirement Benefits | |
| | 2005 | 2004 | 2005 | 2004 |
| | (In Thousands) | | | |
| Components of Net Periodic Cost (Benefit): | | | | |
| Service cost | \$ 2,121 | \$ 1,906 | \$ 179 | \$ 179 |
| Interest cost | 2,806 | 2,443 | 288 | 264 |
| Expected return on plan assets | (2,344) | (2,060) | — | — |
| Amortization of: | | | | |
| Transition obligation, net | 42 | 42 | 45 | 45 |
| Prior service costs | 24 | 23 | — | — |
| Loss, net | 1,010 | 597 | 126 | 106 |
| Net periodic cost | \$ 3,659 | \$ 2,951 | \$ 638 | \$ 594 |

13. LA CYGNE UNIT NO. 2 LEASE

On June 30, 2005, we and the owner of the La Cygne Unit No. 2 amended certain terms of the agreement relating to our lease of La Cygne Unit No. 2, including an extension of the lease term. The lease was entered into in 1987 with an initial term ending in September 2016. With the June 30, 2005 extension, the term of the lease will expire in September 2029. Upon expiration of the lease term in 2029, we have a fixed price option to purchase La Cygne Unit No. 2 for a price that is estimated to be the fair market value of the facility in 2029. We can also elect to renew the lease at the expiration of the lease term in 2029. However, any renewal period, when added to the initial lease term, cannot exceed 80% of La Cygne Unit No. 2's estimated useful life.

[Table of Contents](#)

On June 30, 2005, we caused the owner of La Cygne Unit No. 2 to refinance the debt used by the owner to finance the purchase of the facility. At June 30, 2005, we had an unamortized gain, net of transaction costs, of \$168.0 million as a result of the original transaction. This balance will be amortized over the term of the extended lease period. The savings resulting from extending the term of the lease and refinancing the debt will reduce our annual lease expense by approximately \$11.0 million. These savings will be reflected in future utility rates.

The table below shows the estimated commitments for the La Cygne Unit No. 2 lease as reported in our 2004 Form 10-K as of December 31, 2004 and with the effect of the new lease as of September 30, 2005.

La Cygne Unit No. 2 Lease Commitments

| | As of September 30, 2005 | As of December 31, 2004 |
|--------------------------|-----------------------------|----------------------------|
| | (In Thousands) | |
| Future commitments: | | |
| 2005 | \$ — | \$ 38,013 |
| 2006 | 33,535 | 42,287 |
| 2007 | 23,464 | 78,268 |
| 2008 | 32,892 | 12,609 |
| 2009 | 32,964 | 42,287 |
| Thereafter | 388,846 | 289,154 |
| | <u>\$ 511,701</u> | <u>\$ 502,618</u> |
| Total future commitments | <u>\$ 511,701</u> | <u>\$ 502,618</u> |

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 and at wholesale in a multi-state region in the central United States under the regulation of the KCC and FERC.

In Management's Discussion and Analysis, we discuss our general financial condition, significant changes since December 31, 2004, and our operating results for the three and nine months ended September 30, 2005 and 2004. 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.

SUMMARY OF SIGNIFICANT ITEMS

Overview

Several significant items have impacted us and our business operations since January 1, 2005, either directly or indirectly through Westar Energy.

- We filed an application with the KCC on May 2, 2005 for an increase in our retail electric rates of \$36.3 million annually. See Note 3 of the Notes to Condensed Consolidated Financial Statements, "Rate Matters and Regulation," for additional information.
- We incurred approximately \$32.1 million in costs to restore our electric distribution system as a result of a severe ice storm that occurred in January 2005. See Note 7 of the Notes to Condensed Consolidated Financial Statements, "Ice Storm," for additional information.
- We refinanced debt as it matured or as market conditions allowed, which reduced our interest expense. See Note 9 of the Notes to Condensed Consolidated Financial Statements, "Debt," for additional information.
- We recorded \$5.9 million of income from corporate-owned life insurance.
- We received proceeds from the Central Interstate Low-Level Radioactive Waste Compact (Central States Compact) of \$9.2 million as a result of the settlement of a federal lawsuit. The proceeds include the return of our original \$6.8 million investment and \$2.4 million in interest.
- Coal delivery issues have caused our coal inventory levels to decline significantly below desired levels.
- Wholesale sales volumes have declined, and could continue to decline, due to the cost and availability of fuel.
- The cost of sales has increased significantly as discussed in more detail in the following section.

Increasing Cost of Sales

The cost of power is impacted by, among other factors, customer demand, cost and availability of fuel and purchased power, price volatility, available generation capacity and operating constraints. Higher fuel and purchased power costs, unit outages, and operating constraints related to our efforts to conserve coal have increased our cost of sales.

[Table of Contents](#)

Cost of Fuel and Purchased Power: The cost of fossil fuel has increased significantly, especially the cost of natural gas and oil. This higher cost of fuel affects not only the cost of fuel we burn, but also increases the market prices for both our wholesale sales and the power we purchase. The cost and availability of fuel may cause us to use higher priced fuel types or to purchase power to meet the needs of our customers. The effects of the fuel price increases are reflected in our operating results.

Unit Availability: Our operating results are significantly influenced by the availability of our generating units. If our more economical units are not available, we must rely on more expensive sources of power to meet our load requirements. During the nine months ended September 30, 2005, due to various planned and unplanned unit outages as well as some coal conservation efforts, we produced approximately 865,000 less megawatt hours (MWh) than during the same period of 2004. The primary outages during the nine months ended September 30, 2005 were the scheduled refueling and maintenance outage at Wolf Creek and planned and unplanned outages at La Cygne Unit No. 1. The primary outages during the nine months ended September 30, 2004 were the planned and unplanned outages and reduced availability of Jeffrey Energy Center.

Operating Constraints: Our operating results are influenced by operating constraints on our generating units, such as coal conservation. If our more economical units are constrained, we must rely on more expensive sources of power to meet our load requirements and/or forego some opportunities in the wholesale power market. During the nine months ended September 30, 2005, coal conservation efforts, at times, reduced the energy generated at our more economical units and contributed to the decline in our market-based wholesale sales volumes. Coal conservation was initiated due to slower than expected coal deliveries as discussed below.

Coal Inventory and Delivery: Coal deliveries from the Powder River Basin region of Wyoming have been slower than expected due primarily to problems with the rail tracks used to deliver our coal and operational problems at the mines where the coal is obtained. Nearly all of the coal used in our coal-fired generating stations is from the Powder River Basin region of Wyoming. Longer rail delivery cycle times could have a material adverse effect on our financial condition and results of operations.

We have taken compensating measures based on current delivery cycle times, our assumptions about future delivery cycle times, fuel usage and planned inventory levels. These measures include, but are not limited to, reducing coal consumption during off-peak periods by revising normal operational dispatch of generating units, purchasing power or using more expensive power to serve customers, decreasing wholesale sales and ordering additional rail cars for delivery next year. Through September 30, 2005, these actions have helped reduce the financial impact resulting from slower delivery cycle times. The effect of the reduction in sales due to longer coal deliveries has been partially offset by higher prices in the power markets received for the power we have sold.

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 Condensed 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 2004 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.

From December 31, 2004 through September 30, 2005, we have not experienced any significant changes in our critical accounting estimates. For additional information, see our 2004 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 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: Sales of energy to electric cooperatives, municipalities and other electric utilities, the rate for which is generally based on cost as prescribed by FERC tariffs. Also includes changes in valuations of contracts that have yet to settle.

Market-based wholesale: Sales of energy to other wholesale customers, the rate for which is based on prevailing market rates as allowed by our FERC approved market-based tariff. Also includes 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.

Transmission: Reflects transmission revenues received, including those based on a tariff with the Southwest Power Pool (SPP).

Other: Miscellaneous electric revenues including ancillary service revenues and rent from electric property leased to others.

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, available generation capacity and transmission availability.

[Table of Contents](#)

Three Months Ended September 30, 2005 Compared to Three Months Ended September 30, 2004

Below we discuss our operating results for the three months ended September 30, 2005 as compared to the results for the three months ended September 30, 2004. Changes in results of operations are as follows:

| | Three Months Ended September 30, | | | |
|-------------------------------------|----------------------------------|------------------|-------------------|--------------|
| | 2005 | 2004 | Change | % Change |
| (In Thousands) | | | | |
| SALES: | | | | |
| Residential | \$ 86,339 | \$ 76,264 | \$10,075 | 13.2 |
| Commercial | 56,256 | 52,428 | 3,828 | 7.3 |
| Industrial | 41,435 | 40,504 | 931 | 2.3 |
| Other retail | 200 | 238 | (38) | (16.0) |
| Total Retail Sales | 184,230 | 169,434 | 14,796 | 8.7 |
| Tariff-based wholesale | 11,876 | 6,979 | 4,897 | 70.2 |
| Market-based wholesale | 23,589 | 15,448 | 8,141 | 52.7 |
| Energy marketing | (2,812) | (2,117) | (695) | (32.8) |
| Transmission (a) | 8,996 | 9,148 | (152) | (1.7) |
| Other | 3,179 | 3,317 | (138) | (4.2) |
| Total Sales | 229,058 | 202,209 | 26,849 | 13.3 |
| OPERATING EXPENSES: | | | | |
| Fuel used for generation (b) | 52,948 | 45,037 | 7,911 | 17.6 |
| Purchased power | 25,028 | 7,689 | 17,339 | 225.5 |
| Operating and maintenance | 59,832 | 57,097 | 2,735 | 4.8 |
| Depreciation and amortization | 23,185 | 23,009 | 176 | 0.8 |
| Selling, general and administrative | 20,862 | 18,932 | 1,930 | 10.2 |
| Total Operating Expenses | 181,855 | 151,764 | 30,091 | 19.8 |
| INCOME FROM OPERATIONS | \$ 47,203 | \$ 50,445 | \$ (3,242) | (6.4) |

- (a) **Transmission:** Includes an SPP network transmission tariff. For the three months ended September 30, 2005, our SPP network transmission costs were approximately \$8.1 million. This amount, less approximately \$0.8 million that was retained by the SPP as administration cost, was returned to us as revenues. For the three months ended September 30, 2004, our SPP network transmission costs were approximately \$8.3 million with an administration cost of approximately \$0.5 million retained by the SPP.
- (b) **Fuel used for generation:** Includes cost of fuel used, 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, transmission, or other. Energy marketing activities are unrelated to electricity we generate.

| | Three Months Ended September 30, | | | |
|------------------------|----------------------------------|--------------|------------|------------|
| | 2005 | 2004 | Change | % Change |
| (Thousands of MWh) | | | | |
| Residential | 1,051 | 923 | 128 | 13.9 |
| Commercial | 878 | 806 | 72 | 8.9 |
| Industrial | 945 | 895 | 50 | 5.6 |
| Other retail | 11 | 11 | — | — |
| Total Retail | 2,885 | 2,635 | 250 | 9.5 |
| Tariff-based wholesale | 202 | 138 | 64 | 46.4 |
| Market-based wholesale | 421 | 452 | (31) | (6.9) |
| Total | 3,508 | 3,225 | 283 | 8.8 |

Residential and commercial sales and sales volumes increased due primarily to warmer weather during the three months ended September 30, 2005 as compared to the same period of 2004. When measured by cooling degree days, the weather during the three months ended September 30, 2005 was 20% warmer than the same period last year and about the same as the 20-year average. We measure cooling degree days at a weather station we believe to be generally reflective of conditions in our service territory.

The warmer weather was also the primary reason tariff-based wholesale sales and sales volumes increased. We had more energy available from Jeffrey Energy Center, which also contributed to the increased tariff-based wholesale sales.

[Table of Contents](#)

Market-based wholesale sales increased due to higher market prices, which increased due largely to higher prevailing fuel prices. Market-based wholesale sales volumes declined because less energy was available for sale due to the increase in retail and tariff-based wholesale sales as well as coal conservation efforts.

Fuel expense increased due primarily to higher fuel prices, primarily natural gas. Fuel prices for the three months ended September 30, 2005 were approximately 31% higher than in the same period of 2004. We used approximately 3% more fuel to meet the increased demand reflected in our higher sales volumes. In addition, we used more expensive sources of generation because of the planned and unplanned outages and coal conservation at some of our more economical generating units.

The quantity of power purchased more than doubled due to higher customer demand, lower unit availability or operating constraints at some of our more economical generating units. Also affecting the increased purchased power expense were 17% higher average market prices. At times, it was more economical to purchase power than to operate our available generating units.

Operating and maintenance expense increased due primarily to a \$3.5 million charge to write off plant operating system development costs at Wolf Creek due to non-performance of the vendor developing the system. Costs of operating and maintaining our distribution system increased \$1.8 million due primarily to higher labor costs allocated to us and additional maintenance projects. These higher expenses were partially offset by a decline in expense related to the changes in the La Cygne Unit No. 2 operating lease as discussed in Note 13 of the Notes to Condensed Consolidated Financial Statements, "La Cygne Unit No. 2 Lease" and a decrease in maintenance expenses for our generating units.

Selling, general and administrative expense increased due primarily to the allocated portion of Westar Energy's higher employee pension and benefit costs. Partially offsetting this increase were declines in insurance costs and general expenses.

[Table of Contents](#)

Nine Months Ended September 30, 2005 Compared to Nine Months Ended September 30, 2004

Below we discuss our operating results for the nine months ended September 30, 2005 as compared to the results for the nine months ended September 30, 2004. Changes in results of operations are as follows:

| | Nine Months Ended September 30, | | | |
|-------------------------------------|---------------------------------|------------------|-------------------|---------------|
| | 2005 | 2004 | Change | % Change |
| (In Thousands) | | | | |
| SALES: | | | | |
| Residential | \$185,346 | \$173,748 | \$11,598 | 6.7 |
| Commercial | 140,983 | 134,594 | 6,389 | 4.7 |
| Industrial | 116,738 | 116,790 | (52) | — |
| Other retail | (98) | 719 | (817) | (113.6) |
| Total Retail Sales | 442,969 | 425,851 | 17,118 | 4.0 |
| Tariff-based wholesale | 26,922 | 16,178 | 10,744 | 66.4 |
| Market-based wholesale | 71,642 | 66,763 | 4,879 | 7.3 |
| Energy marketing | (1,913) | (1,433) | (480) | (33.5) |
| Transmission (a) | 27,535 | 27,635 | (100) | (0.4) |
| Other | 8,683 | 9,640 | (957) | (9.9) |
| Total Sales | 575,838 | 544,634 | 31,204 | 5.7 |
| OPERATING EXPENSES: | | | | |
| Fuel used for generation (b) | 141,330 | 123,398 | 17,932 | 14.5 |
| Purchased power | 43,213 | 24,104 | 19,109 | 79.3 |
| Operating and maintenance | 178,712 | 170,463 | 8,249 | 4.8 |
| Depreciation and amortization | 69,242 | 68,656 | 586 | 0.9 |
| Selling, general and administrative | 60,617 | 53,008 | 7,609 | 14.4 |
| Total Operating Expenses | 493,114 | 439,629 | 53,485 | 12.2 |
| INCOME FROM OPERATIONS | \$82,724 | \$105,005 | \$(22,281) | (21.2) |

- (a) **Transmission:** Includes an SPP network transmission tariff. For the nine months ended September 30, 2005, our SPP network transmission costs were approximately \$24.7 million. This amount, less approximately \$1.9 million that was retained by the SPP as administration cost, was returned to us as revenues. For the nine months ended September 30, 2004, our SPP network transmission costs were approximately \$25.0 million with an administration cost of approximately \$1.7 million retained by the SPP.
- (b) **Fuel used for generation:** Includes cost of fuel used, 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, transmission or other. Energy marketing activities are unrelated to electricity we generate.

| | Nine Months Ended September 30, | | | |
|------------------------|---------------------------------|--------------|------------|------------|
| | 2005 | 2004 | Change | % Change |
| (Thousands of MWh) | | | | |
| Residential | 2,373 | 2,221 | 152 | 6.8 |
| Commercial | 2,227 | 2,122 | 105 | 4.9 |
| Industrial | 2,676 | 2,636 | 40 | 1.5 |
| Other retail | 33 | 33 | — | — |
| Total Retail | 7,309 | 7,012 | 297 | 4.2 |
| Tariff-based wholesale | 543 | 342 | 201 | 58.8 |
| Market-based wholesale | 1,588 | 2,027 | (439) | (21.7) |
| Total | 9,440 | 9,381 | 59 | 0.6 |

Residential and commercial sales and sales volumes increased due to warmer weather during the nine months ended September 30, 2005 as compared with the same period of 2004. When measured by cooling degree days, the weather during the nine months ended September 30, 2005 was 17% warmer than the same period last year and about 7% above the 20-year average.

The warmer weather was also the primary reason tariff-based wholesale sales and sales volumes increased. Additionally, about \$2.1 million, or approximately 20%, of the increase in tariff-based wholesale sales was due to the Wolf Creek outage. We sold more tariff-based wholesale power to a co-owner of Wolf Creek in accordance with a contract to supply replacement power to the co-owner when Wolf Creek is not available. We had more energy available from Jeffrey Energy Center, which also contributed to the increased sales.

Table of Contents

Market-based wholesale sales increased due to higher market prices, which increased due largely to higher prevailing fuel prices and current market conditions. Market-based wholesale sales volumes declined because less energy was available for sale due to the increase in retail and tariff-based wholesale sales, the reduced availability of some of our generating units, primarily Wolf Creek, as well as coal conservation efforts. Wolf Creek generated 18% less electricity in the nine months ended September 30, 2005 than in the same period of 2004 due to the scheduled refueling and maintenance outage.

Fuel expense increased due primarily to higher fuel prices, primarily natural gas. Fuel prices for the nine months ended September 30, 2005 were approximately 25% higher than in the same period of 2004. Partially offsetting the increase in the fuel price was an approximate 8% decline in the quantity of fuel burned.

Purchased power expense increased due to an approximate 55% increase in the quantity purchased due to the various outages, reduced operating capability or coal conservation at some of our more economical generating units and a 16% increase in the market price of such power. At times, it was more economical to purchase power than to operate our available generating units.

Costs of operating and maintaining our distribution system increased \$4.0 million primarily associated with higher labor costs allocated to us and additional maintenance projects. Also contributing to the higher operating and maintenance expense was a \$3.5 million expense to write off plant operating system development costs at Wolf Creek due to non-performance of the vendor developing the system, an increase of \$1.6 million in maintenance costs at our generating units due to the outages as discussed above in “—Unit Availability” and a \$0.9 million increase in taxes other than income tax. These higher expenses were partially offset by a decline in expense related to the changes in the La Cygne Unit No. 2 operating lease.

Selling, general and administrative expense increased due primarily to the allocated portion of Westar Energy’s higher employee pension and benefit costs. Partially offsetting this increase were declines in insurance costs and general expenses.

LIQUIDITY AND CAPITAL RESOURCES

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 Westar Energy, availability of cash through Westar Energy’s credit facilities and access to capital markets to be sufficient to fund operations and debt service payments. We do not maintain independent short-term credit facilities. We 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.

Debt Financings

On August 1, 2005, we repaid the outstanding \$65.0 million aggregate principal amount of our 6.5% first mortgage bonds.

On May 6, 2005, Westar Energy amended its revolving credit facility dated March 12, 2004 to extend the term and reduce borrowing costs. The amended revolving credit facility matures on May 6, 2010. The facility allows Westar Energy to borrow up to an aggregate amount of \$350.0 million, including letters of credit up to a maximum aggregate amount of \$100.0 million. So long as there is no default or event of default under the revolving credit facility, Westar Energy may elect, subject to lender participation, to increase the aggregate amount of borrowings under this facility to \$500.0 million. All borrowings under the revolving credit facility are secured by our first mortgage bonds.

[Table of Contents](#)

A default by Westar Energy or us under other indebtedness totaling more than \$25.0 million is a default under this facility. Westar Energy is required to maintain a consolidated indebtedness to consolidated capitalization ratio not greater than 65% at all times. Available liquidity under the facility is not impacted by a decline in Westar Energy's credit ratings. Also, the facility does not contain a material adverse effect clause requiring Westar Energy to represent, prior to each borrowing, that no event resulting in a material adverse effect has occurred.

Future Cash Requirements

On August 9, 2005, KCPL, the operator of our jointly owned La Cygne Generating Station, announced that it will begin preparations for the installation of environmental upgrades at La Cygne Unit No. 1. As work on these upgrades progresses, we will incur costs beginning in 2005 and continuing through the completion of installation in 2009. We anticipate that our share of these costs will be approximately \$105.0 million.

Pension Obligation

The WCNOG pension plan expense and liabilities are measured using assumptions, which include discount rates, compensation rates and past and future estimated plan asset returns. Due to a decrease in interest rates and a corresponding decrease in the discount rates used to estimate pension liabilities, the fair value of WCNOG's pension plan assets may fall below the accumulated benefit obligation at the next measurement date. The combined effects of these factors could result in the recognition of additional liabilities. We anticipate that at December 31, 2005, we may be required to make additional cash contributions or to incur a charge to equity, unless we are able to obtain authority from the KCC to recognize as a regulatory asset the amount of the potential charge to equity. The amounts will depend on plan asset performance for the year and the discount rate in effect when the plan liabilities are measured. We are unable to determine the financial impact at this time, which may or may not be material.

OFF-BALANCE SHEET ARRANGEMENTS

From December 31, 2004 through September 30, 2005, there have been no material changes in our off-balance sheet arrangements other than the extension of the term of the La Cygne Unit No. 2 lease as discussed in Note 13 of the Notes to Condensed Consolidated Financial Statements to Condensed Consolidated Financial Statements, "La Cygne Unit No. 2 Lease." For additional information, see our 2004 Form 10-K.

CONTRACTUAL OBLIGATIONS

Contractual Cash Obligations

There have been material changes in our contractual obligations since December 31, 2004. On June 30, 2005, we and the owner of La Cygne Unit No. 2 amended certain terms of the agreement relating to our lease of La Cygne Unit No. 2, including an extension of the term of the lease to September 2029. In addition, we caused the owner of La Cygne Unit No. 2 to refinance the debt used by the owner to finance the purchase of the facility. See Note 13 of the Notes to Condensed Consolidated Financial Statements, "La Cygne Unit No. 2 Lease," for additional information regarding these transactions.

[Table of Contents](#)

- The Price Anderson Amendments Act of 1988, which provides the framework for nuclear liability protection, will be extended by twenty years to 2025.
- Federal support will be available for certain clean coal power initiatives, nuclear power projects and renewable energy technologies.

The implementation of the 2005 Energy Act requires proceedings at the state level and the development of regulations by FERC and the Department of Energy, as well as other federal agencies. We cannot predict when these proceedings and regulations will commence or be finalized. We are in the process of assessing the potential impact this legislation may have on our financial condition, future capital expenditure plans and future results of operations.

Fair Value of Energy Marketing Contracts

The tables below show the fair value of energy marketing and fuel contracts that were outstanding at September 30, 2005, their sources and maturity periods:

| | <u>Fair Value of Contracts</u> |
|----------------------------------------------------------------------------------------------------------------|--------------------------------|
| | <u>(In Thousands)</u> |
| Net fair value of contracts outstanding at December 31, 2004 | \$ 1,625 |
| Contracts outstanding at the beginning of the period that were realized or otherwise settled during the period | (1,299) |
| Changes in fair value of contracts outstanding at the beginning and end of the period | (2,348) |
| Changes in fair value of new contracts entered into during the period | (2,729) |
| Fair value of contracts outstanding at September 30, 2005 | <u>\$ (4,751)</u> |

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

| <u>Sources of Fair Value</u> | <u>Fair Value of Contracts at September 30, 2005</u> | | |
|------------------------------------------------------------------------|------------------------------------------------------|----------------------------------|---------------------------|
| | <u>Total Fair Value</u> | <u>Maturity Less Than 1 Year</u> | <u>Maturity 1-3 Years</u> |
| | | <u>(In Thousands)</u> | |
| Prices provided by other external sources (swaps and forwards) | \$ (5,508) | \$ (5,310) | \$ (198) |
| Prices based on the Black Option Pricing model (options and other) (a) | 757 | 757 | — |
| Total fair value of contracts outstanding | <u>\$ (4,751)</u> | <u>\$ (4,553)</u> | <u>\$ (198)</u> |

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

New Accounting Pronouncement

Accounting for Conditional Asset Retirement Obligations: In March 2005, FASB issued FIN 47, which clarifies that the term “conditional asset retirement obligation” as used in SFAS No. 143, refers to a legal obligation to perform an asset retirement activity in which the timing or method of settlement are conditional on a future event. An entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. Uncertainty about the timing or method of settlement of a conditional asset retirement obligation should be factored into the measurement of the liability when sufficient information exists. FIN 47 also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. FIN 47 is effective for the year ended December 31, 2005.

[Table of Contents](#)

We currently have insulating materials at our power plants that contain asbestos. We have determined that the disposal of the asbestos represents a conditional asset retirement obligation that is within the scope of FIN 47. It is likely that we will record an asset retirement obligation pursuant to the requirements of FIN 47. We are currently in the process of determining the fair value of that disposal obligation. The amount of the retirement obligation will be recorded as of 1983, the date when the Occupational Safety and Health Administration published the Emergency Temporary Standard for asbestos. We will also capitalize the retirement obligation as an increase to the power plant's carrying value. The amount of depreciation and accretion expense accruing since 1983 will be recorded as a regulatory asset.

RISK FACTORS

Like other companies in our industry, our consolidated financial results will be impacted by weather, the economy of our service territory and the performance of our customers. Our creditworthiness will be affected by national and international macroeconomic trends, general market conditions and the expectations of the investment community, all of which are largely beyond our control. In addition, the following statements highlight risk factors that may affect our consolidated financial condition and results of operations. These are not intended to be an exhaustive discussion of all such risks, and the statements below must be read together with factors discussed elsewhere in this document and in our other filings with the Securities and Exchange Commission.

Our Revenues Depend Upon Rates Determined by the KCC

The KCC regulates many aspects of our business and operations, including the retail rates that we charge customers for electric service. Our retail rates are set by the KCC using a cost-of-service approach that takes into account our historical operating expenses, fixed obligations and recovery of capital investments, including potentially stranded obligations. Using this approach, the KCC sets rates at a level calculated to recover such costs, adjusted to reflect known and measurable changes, and a permitted return on investment. Other parties to a rate review or the KCC staff may contend that our current or proposed rates are excessive. In July 2003, the KCC approved a stipulation and agreement that required us to file for a review of our rates by May 2, 2005. Accordingly, on May 2, 2005, we filed a request for an increase in rates of \$36.3 million annually. On September 9, 2005, the KCC staff and intervenors in our rate case filed testimony with the KCC that proposes adjustments that would significantly decrease our electric rates. The KCC staff's suggested adjustments would result in a decrease in our rates by approximately \$59.4 million. On October 3, 2005, we filed with the KCC additional testimony to update our filing and rebut the KCC staff's and intervenors' findings, conclusions and proposed adjustments. The adoption of the KCC staff's or intervenors' proposed adjustments to our rates would have a material adverse effect on our financial condition and results of operations. The KCC is not bound by the recommendations of its staff or other intervenors. We anticipate that any changes in our rates as a result of the rate review will become effective in January 2006. We expect that the rates permitted by the KCC in the rate review will be a decisive factor in determining our revenues for the succeeding periods and may have a material impact on our consolidated earnings, cash flows and financial position. We are unable to predict the outcome of the rate review.

Our Costs May not be Fully Recovered in Retail Rates

Once established by the KCC, our rates generally remain fixed until changed in a subsequent rate review, except to the extent the KCC permits us to modify our tariffs using interim adjustment clauses. We may elect to file a rate review to request a change in our rates or intervening parties may request that the KCC review our rates for possible adjustment, subject to any limitations that may have been ordered by the KCC. Earnings could be reduced to the extent that our operating costs increase more than our revenues during the period between rate reviews, which may occur because of maintenance and repair of plants, fuel and purchased power expenses, employee or labor costs, inflation or other factors.

Equipment Failures and Other External Factors Can Adversely Affect Our Results

The generation and transmission of electricity requires the use of expensive and complicated equipment. While we have a maintenance program in place, generating plants are subject to unplanned outages because of equipment failure. In these events, we must either produce replacement power from more expensive units or purchase power from others at unpredictable and potentially higher cost in order to supply our customers and perform our contractual agreements. This can increase our costs materially and prevent us from selling excess power at wholesale. Coal deliveries from the Powder River Basin region of Wyoming, which is the primary source for our coal, have been slower than expected due primarily to problems with the rail tracks used to deliver our coal and operational problems at the mines where the coal is obtained. If rail delivery cycle times do not improve, we may be required to increase our coal conservation efforts and take other compensating measures. These measures include, but are not limited to, further reducing coal consumption by revising normal dispatch of generation units, purchasing power or using more expensive power to serve customers and decreasing or, if necessary, eliminating market-based wholesale sales that could have a material adverse effect on our financial condition and results of operations. In addition, decisions or mistakes by other utilities may adversely affect our ability to use transmission lines to deliver or import power, thus subjecting us to unexpected expenses or to the cost and uncertainty of public policy initiatives. These factors, as well as weather, interest rates, economic conditions, fuel availability, deliverability and prices, price volatility of fuel and other commodities and transportation availability and costs are largely beyond our control, but may have a material adverse effect on our consolidated earnings, cash flows and financial position. We engage in energy marketing transactions to reduce risk from market fluctuations, enhance system reliability and increase profits. The events mentioned above could reduce our ability to participate in energy marketing opportunities, which could reduce our profits.

We May Have Material Financial Exposure Under the Clean Air Act and Other Environmental Regulations

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. This notification was delivered as part of an investigation by the EPA regarding maintenance activities that have been conducted since 1980 at Jeffrey Energy Center. The EPA has informed Westar Energy that it has referred this matter to the DOJ for it to consider whether to pursue an enforcement action in federal district court. The remedy for a violation could include fines and penalties and an order to install new emission control systems, both at Jeffrey Energy Center and at certain of Westar Energy's other coal-fired power plants, the associated cost of which could be material. We anticipate that a portion of any of these potential costs to Westar Energy would be allocated to us.

Our activities are subject to environmental regulation by federal, state, and local governmental authorities. These regulations generally involve the use of water, discharges of effluents into the water, emissions into the air, the handling, storage and use of hazardous substances, and waste handling, remediation and disposal, among others. Congress or the State of Kansas may enact legislation, and the EPA or the State of Kansas may propose new regulations or change existing regulations, that could require us to reduce certain emissions at our plants. Such action could require us to install costly equipment, increase our operating expense and reduce production from our plants.

The degree to which we will need to reduce emissions and the timing of when such emissions control equipment may be required is uncertain. Both the timing and the nature of required investments depend on specific outcomes that result from interpretation of regulations, new regulations, legislation, and the resolution of the EPA investigation described above. Although we expect to recover such costs through our rates, we can provide no assurance that we would be able to fully and timely recover all or any increased costs relating to environmental compliance. Failure to recover these associated costs could have a material adverse effect on our consolidated financial condition or results of operations.

Competitive Pressures from Electric Industry Deregulation Could Adversely Affect Our Revenues and Reported Earnings

We currently apply the accounting principles of SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation," to our regulated business. At September 30, 2005 and December 31, 2004 we had recorded \$345.9 million and \$306.7 million, respectively, of regulatory assets, net of regulatory liabilities. In the event that we determined that we could no longer apply the principles of SFAS No. 71, either as a result of the establishment of retail competition in our service territory or an expectation that permitted rates would not allow us to recover these costs, we would be required to record a charge against income in the amount of the remaining unamortized net regulatory assets.

We Face Financial Risks From Our Nuclear Facility

Risks of substantial liability arise from the ownership and operation of nuclear facilities, including, among others, potential structural problems at a nuclear facility, the storage, handling and disposal of radioactive materials, limitations on the amounts and types of insurance coverage commercially available, uncertainties with respect to the cost and technological aspects of nuclear decommissioning at the end of their useful lives and costs or measures associated with public safety. In the event of an extended or unscheduled outage at Wolf Creek, we would be required to generate power from more expensive units or purchase power in the open market to replace the power normally produced at Wolf Creek, and we would have less power available for sale by us in the wholesale markets. Such purchases would subject us to the risk of increased energy prices and, depending on the length and cost of the outage and the level of market prices, could adversely affect our cash flow. If we were not permitted by the KCC to recover these costs, such events could have an adverse impact on our consolidated financial condition.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information required by Item 3 is omitted pursuant to General Instruction H(2)(c) to Form 10-Q.

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, 2005, 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, 2005 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 results of operations.

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

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

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Information required by Item 3 is omitted pursuant to General Instruction H(2)(b) to Form 10-Q.

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, 2005
- 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, 2005
- 32 Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 certifying the quarterly report provided for the quarter ended September 30, 2005 (furnished and not to be considered filed as part of the Form 10-Q)

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 4, 2005

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, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended September 30, 2005 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. Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this report (the "Evaluation Date"); and
 - c. Presented in this report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
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 4, 2005

By: /s/ William B. Moore

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

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, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended September 30, 2005 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. Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this report (the "Evaluation Date"); and
 - c. Presented in this report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
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 4, 2005

By: /s/ Mark A. Ruelle

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

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, 2005 (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 4, 2005

By: /s/ William B. Moore

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

Date: November 4, 2005

By: /s/ Mark A. Ruelle

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