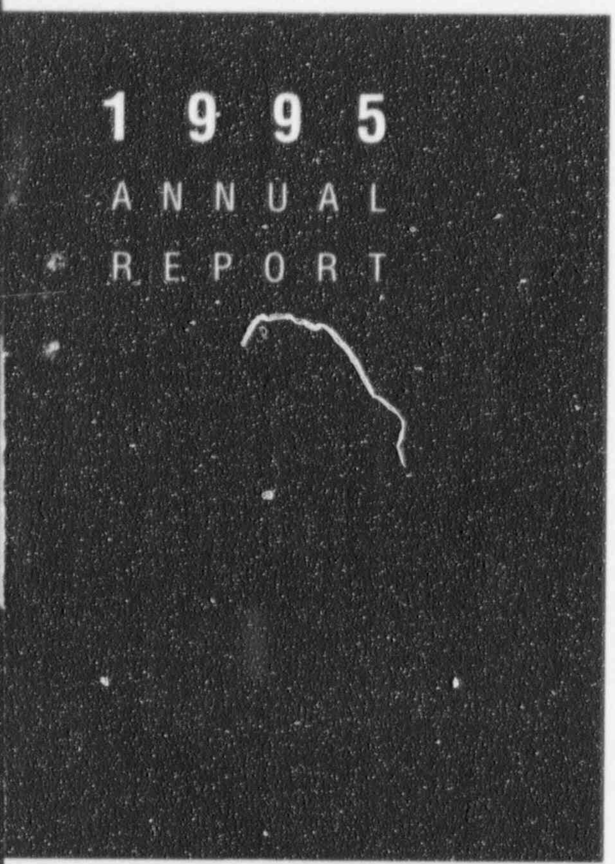
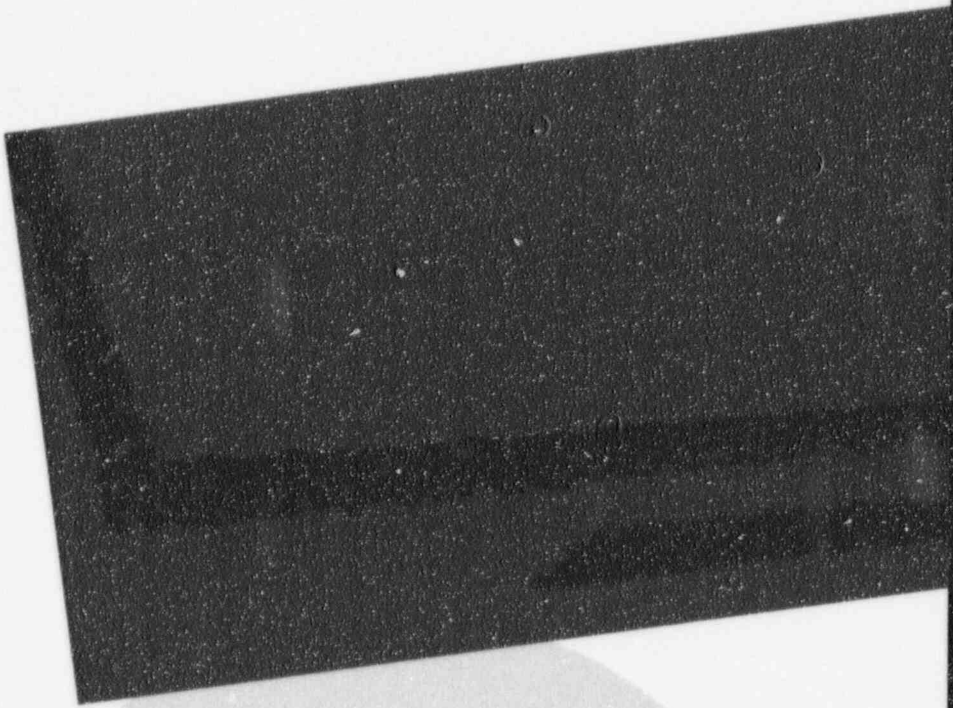
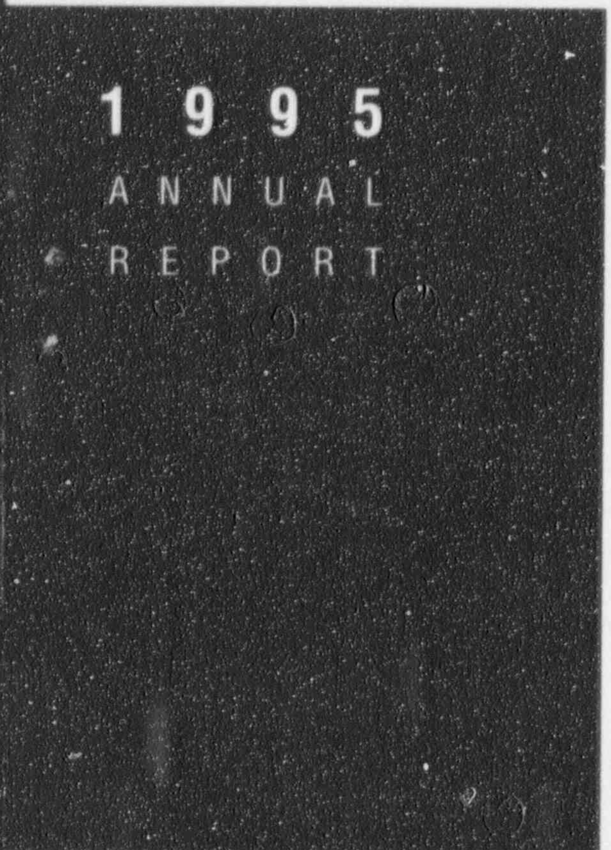
1995 ANNUAL REPORT



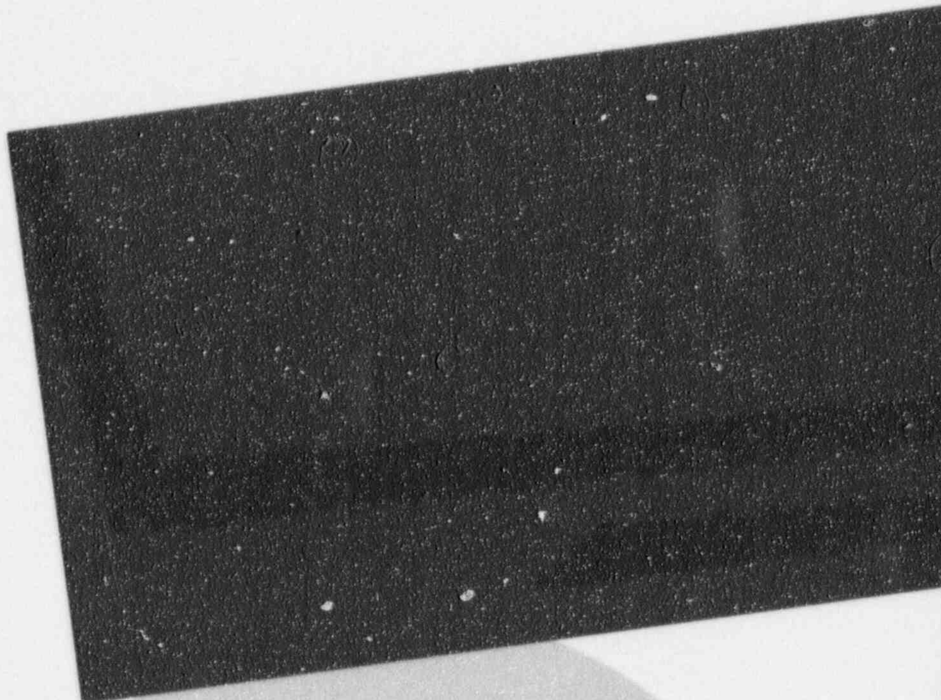


making life a little easier

Western Resources



1995 ANNUAL REPORT



making life a little easier

Western Resources

Western Resources is a diversified energy company. Its regulated utilities operate in Kansas and Oklahoma. Through its non-regulated subsidiaries and affiliates, energy-related products and services are developed and marketed in Kansas, Oklahoma, Arkansas, Texas, New Mexico, Colorado, Nebraska, Iowa, Missouri, Illinois, Louisiana, Mississippi, and Alabama, and in South America.

CORE BUSINESS UNITS

GENERATION: Total electric capacity is 5,240 megawatts, with 62 percent of that capacity fueled by coal, 10 percent by uranium, and 28 percent by natural gas or fuel oil. Western Resources produced 21 billion kilowatt-hours of electricity in 1995. The generation business unit includes all retail and wholesale regulated power production capabilities and functions owned by Western Resources, Inc.

TRANSMISSION: The transmission business unit is responsible for all transmission lines and facilities, as well as interconnections to other electric utilities. The company operates approximately 6,300 miles of electric transmission lines with interconnections to 11 other electric utilities in the central United States.

RETAIL MARKET: The retail market unit is composed of the KPL and KGE operating groups.

KPL and KGE distribute electricity and natural gas to more than 1.2 million customers in Kansas and northeastern Oklahoma. Sales for 1995 totaled 20,280,000 megawatt-hours of electricity and 94,681 million cubic feet of natural gas, with additional transportation sales of natural gas of 48,292 million cubic feet. Operations headquarters are in Topeka, Kansas, for KPL and in Wichita, Kansas, for KGE.

Western Resources, through its Gas Service division, manages more than 1,700 miles of natural gas transmission pipeline and oversees the activities of the Mid Continent Market Center. The Mid Continent Market Center offers natural gas transportation, wheeling, parking, balancing, and storage services to customers throughout the central and midwest regions of North America. The Market Center, which began hub operations July 1995, is based in Topeka, Kansas, and moves an average of 200 million cubic feet of natural gas per day.

CONTENTS

"Our intent is to increase our customer base through new products and to make customers' lives a little easier."

GROWTH BEYOND CORE

WESTAR BUSINESS SERVICES: Westar Business Services is structured to pursue opportunities in the energy and independent power production markets and provides broad-based energy solutions tailored to meet business needs. Westar Business Services is headquartered in Topeka, Kansas, and is comprised of the following operations:

Westar Gas Marketing (formerly Astra Resources Marketing) is a full service natural gas marketing company offering the services of natural gas marketing and sales, purchasing and supply, transportation management, gathering, liquids processing, and liquids marketing. Revenues from this unit totaled $146 million in 1995.

Westar Electric Marketing will manage activities in electric energy markets and independent power production markets, including marketing and brokering power nationwide. Westar Electric also will offer risk management transactions, such as options and futures contracts and energy conversion and emission allowance trading transactions services.

Westar Sales provides expertise and services, on a national basis, in such areas as energy project management, construction and maintenance of electric, natural gas, communication, and water and wastewater treatment systems.

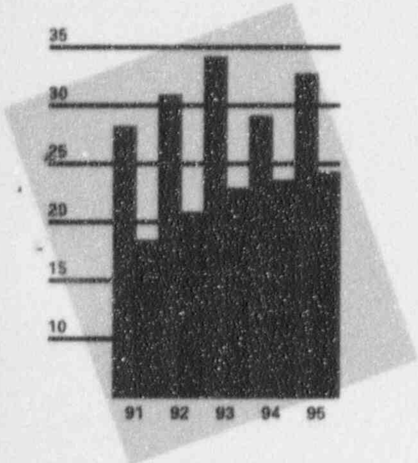
Westar Cogenex is a joint venture between Westar and EUA Cogenex, based in Lowell, Massachusetts, to offer integrated energy efficiency improvement services to industrial and commercial customers in Kansas, Missouri, Nebraska, Oklahoma, and Arkansas.

WESTAR CONSUMER SERVICES: Westar Consumer Services conducts research on customers' needs, develops and tests products and services, and provides ongoing product management. Through Westar Consumer Services the company has entered the monitored security business and launched home appliance repair coverage service under the name Appliance Care.℠ Westar Consumer Services is based in Topeka, Kansas.

WESTAR CAPITAL: Westar Capital is a holding company that owns investments in energy-related technology development. One subsidiary, Astra Resources Compression, Inc., merged with Hanover Compressor Company of Houston, Texas, in 1995, to create the second largest rental fleet of natural gas compression units in North America and the third largest such operation in South America. Westar Capital is headquartered in Houston, Texas.

THE WING GROUP: The Wing Group, a developer of large international power generation projects, was acquired in early 1996. The Wing Group has interest in projects in Turkey, Kuwait, China, and Southeast Asia with combined generating capacity of 8,000 megawatts. The Wing Group is headquartered in Houston, Texas.

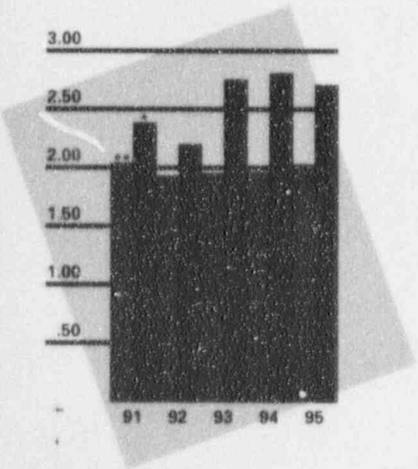
COMMON STOCK VALUES
DOLLARS PER SHARE



MARKET
BOOK

Book value increased slightly and market value increased substantially compared to 1994.

EARNINGS AND DIVIDENDS
DOLLARS PER SHARE



DIVIDENDS
EARNINGS

Dividends rose 2% in 1995. Earnings in 1994 were higher because of gain on sales of the Missouri natural gas properties.

*Includes cumulative effect to January 1, 1991, of change in revenue recognition, a $17,360,000 or $0.50 per share increase.

**Includes special, one-time dividend of $0.18 per share paid February 28, 1991.

FINANCIAL DATA (dollars in millions)	**1995**	1994†
Operating revenues	**$ 1,572**	$ 1,618
Operating expenses	**1,297**	1,348
Net income	**182**	187
Gross plant in service	**6,129**	5,963
Embedded cost of long-term debt	**7.7%**	7.6%
Interest coverage ratio		
(before income taxes, including AFUDC)	**3.14**	3.42
OPERATING DATA		
Electric:		
Sales (thousands of MWH)		
Utility service	**16,268**	15,887
Wholesale	**4,012**	3,899
Total	**20,280**	19,786
Customers (average)	**600,791**	593,859
Natural gas:		
Sales (thousands of MCF)		
Utility service	**94,681**	91,978
Transportation	**48,292**	51,059
Total	**142,973**	143,037
Customers (average)	**648,016**	684,809
Number of employees (at year end)	**4,047**	4,330
COMMON STOCK DATA		
Earnings per share	**$2.71**	$2.82
Dividends per share	**$2.02**	$1.98
Book value per share	**$24.71**	$23.93
Average shares outstanding	**62,157,125**	61,617,873
Number of common shareholders	**40,831**	44,037
Return on average common equity	**11.2%**	12.0%

†Information reflects the sales of the Missouri Properties effective January 31, 1994 and February 28, 1994.

Actions to achieve our business plan marked 1995 as a watershed year for Western Resources.

As our shareholders know, competitive evolution resulting from customer demands and available technology is driving our industry. To be successful tomorrow, we have set our strategic priorities ambitiously, yet realistically.

Let me share briefly with you our plans going forward.

In an industry with hundreds of competitors, the largest having no more than four percent market share, it is clear that we must grow in order to achieve our goals.

How will we succeed? By focusing on four diverse components that combine for strong, substantial growth:

- We will acquire large- and small-end energy customers.
- Our subsidiary, Westar Consumer Services, will develop and market unregulated products and services.
- Another subsidiary, Westar Business Services, will develop and market unregulated products and services for the business sector.
- And we will acquire domestic and international energy companies with substantial earnings and growth potential.

To achieve these strategies, we are guided by four core values: customer satisfaction, financial strength, growth, and marketing. We moved forward on these strategies in 1995 and will accelerate our momentum in 1996.

John E. Hayes, Jr.

Chairman of the Board, President, and Chief Executive Officer

"...actions during the past year created new opportunities for growth..."

While we created new business opportunities in 1995 that strengthened our financial and industry position, we also improved results in existing operations.

- First, let's address earnings. Earnings from ongoing operations were up $0.10 over 1994. Our 1995 common stock earnings of $2.71 were down from 1994's earnings of $2.82. The difference can be attributed in part to a $0.31 gain in 1994 on the sale of the company's Missouri natural gas properties.

- Operationally, we were solid performers. In 1995, our electric operating revenues were two percent higher than the previous year, reflecting a return to more normal weather patterns. Operating expenses were down four percent, a result of continued cost-control efforts.

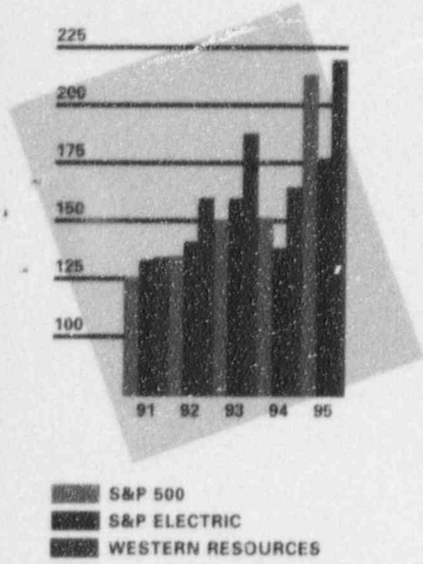
- Western Resources' stock price in 1995 closed at $33 3/8 per share, up 17% from 1994's year-end price of $28 5/8. Our stock performance is another indication that Western Resources is emerging as a strong contender amid the uncertain, rapidly changing landscape that characterizes the energy industry.

And, as we journey into 1996 and beyond, we will continue our course to be a major force in the energy industry. As you read this year's annual report, what quickly becomes clear is that so many of our actions during the past year created new opportunities for growth in the future.

Our aggressive action in 1995 is a direct result of a process — Project BLUEPRINT, in which we have involved every employee to commit Western Resources to the future vision.

Project BLUEPRINT, launched in 1994, involves every single person in the company in redefining our business. We bring together people from all levels and every part of

TOTAL RETURN



Western Resources' five-year cumulative total return continues to outperform Standard & Poor's 500 and Electric Utility indexes. The graph represents the value of $100 invested on December 31, 1990, including stock price appreciation and reinvestments of dividends. Assumes a fiscal year ending December 31.

the organization in a series of multi-day forums. Individuals are charged to re-think the way we do business — and the way they perform their jobs. Then, working together in what we call Z-Teams, people create new business initiatives.

We know we can do better than mere incremental improvement. We proved that in 1995 by creating new growth opportunities while improving performance in our existing businesses.

In the pages that follow, we describe in more detail how we have advanced our four core values and, in the process, advanced the value of your investment in Western Resources.

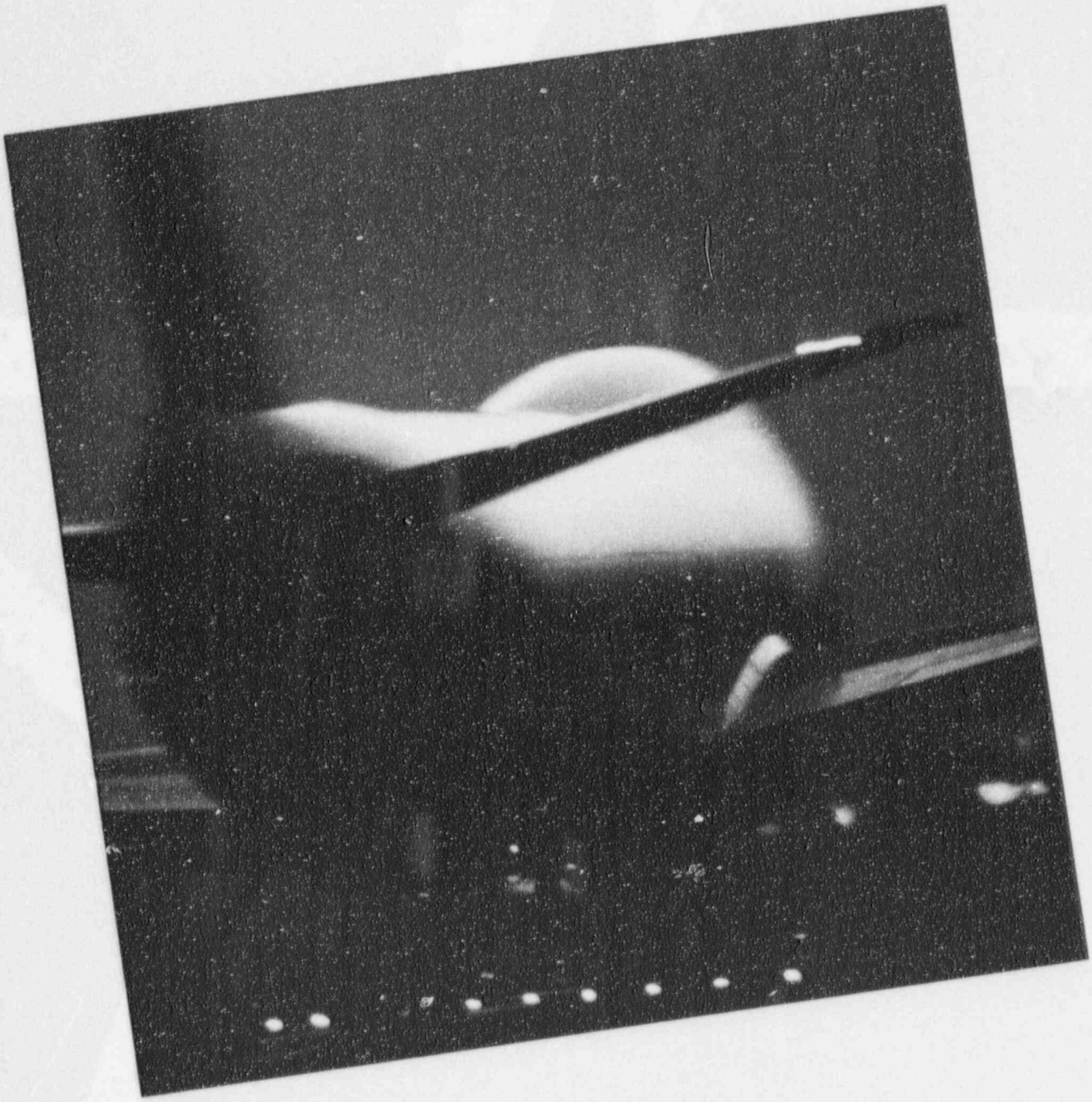
Our vision remains clear and our convictions strong.

It is imperative to look at business in a new way, a different way, and subscribe to a philosophy that embodies innovation and creativity.

Competition is here and we embrace it.

JOHN E. HAYES, JR.

Chairman of the Board, President, and Chief Executive Officer



As energy-savvy customers demand more choices and value, customer satisfaction is the hallmark by which all successful energy companies of the future will be measured.

Make no mistake. Energy usage growth alone will not ensure our viability.

Our intent is to increase our customer base through new products and services that make customers' lives a little easier. And actions taken in 1995 give customers more value-added options, more services, and more satisfaction.

The regional economy continues on a healthy course with the aircraft manufacturing industry adding jobs to meet new contracts and orders.

First, we implemented a service guarantee program, entrusting employees to drive the process. If, for any reason, a customer is not satisfied with the timeliness of our appointments for installations of security lighting and service connections, the customer automatically is refunded up to 25 percent on their next energy bill.

Who makes the decision? The customer, no questions asked.

As we continually monitor the program to ensure quality control and customer satisfaction, the numbers tell the story. Since its inception last September, less than $2,000 has been refunded to customers, an average of $22 per customer request. Compare that to more than 116,000 customer service contacts during the same time and one thing becomes clear: we are delivering on our promise to ensure every customer is satisfied. Guaranteed.

Achieving customer satisfaction also requires new business offerings.

Consequently, we quickly established a presence in the security service business, an emerging industry with incredible growth opportunities. In fact, the largest security provider in the nation has less than 1.5 million customers. The security business is a natural fit for us, an extension of our ability to provide round-the-clock safety, reliability, and service.

In 1995, we acquired two local security service providers: Mobilfone Security of Topeka and Communications & Signaling, Inc. (CSI), also of Topeka. Mobilfone and CSI both provide sales, installation, and security monitoring services to Kansas homes and businesses. We intend to acquire Mobilfone Paging, which provides paging services to more than 250 communities and offers regional and interstate paging via satellite.

"Through Westar Consumer Services the company entered the monitored security business and launched a home appliance repair coverage service."

A third security-related transaction is an agreement that provides us an 11.7% ownership in the prestigious international security provider ADT Limited, with an option to acquire an additional 11.7% stock ownership.

Perhaps more intriguing, however, are our plans to propose to ADT the possibilities of jointly marketing Westar energy products through ADT's network of more than 200 sales offices throughout North America, the United Kingdom, and Europe. You will learn more about our national marketing strategy and Westar brand identity throughout this report.

We also launched a new consumer service — Appliance Care — taking the worry from home appliance breakdown and repair.

For a low, monthly fee added to customers' monthly energy bill, consumers can conveniently guard against repairs with no inspections or deductibles. Initially introduced in Wichita and Hutchinson, Kansas, the plan has expanded to other cities within our KPL and KGE service territory. Consumer response has been encouraging, with enrollments exceeding 1995 projections and estimated annualized revenue gain of more than $1 million. We plan to expand Appliance Care statewide in Kansas in 1996.

To be successful, customer satisfaction must also apply to commercial and industrial customers.

To that end, we are offering integrated energy management services through our 1995 joint venture with EUA Cogenex Corporation, the country's largest energy management firm.

Custom services marketed with EUA Cogenex give convenience to our business customers by reducing their energy dependence through efficiency improvements and creative energy supply solutions.

Convenience in the natural gas compression and handling services for customers in North America, the Gulf of Mexico, and South America has increased through our 1995 merger with Hanover Compression Company. Overnight we created North America's second largest and South America's third largest fleet of rental natural gas compression units.

The KPL and KGE operating groups provide 24-hour coverage through our consolidated customer action centers and service personnel. Here, Bob Smith, journeyman lineman, replaces a street light along a busy Topeka thoroughfare.

"The Market Center continues our customer satisfaction strategies by offering one-stop shopping to producers, marketers, and local distribution companies..."

And for power producers, marketers, and local distribution companies within the midwest, the Mid Continent Market Center, which started operations in July 1995, by year end was moving an average daily total of close to 200 million cubic feet of natural gas on our existing intrastate pipeline. The Market Center continues our customer satisfaction strategies by offering one-stop shopping to producers, marketers, and local distribution companies in the natural gas business.

Repeatedly in 1995, customers voted with their dollars to do business in our service territory.

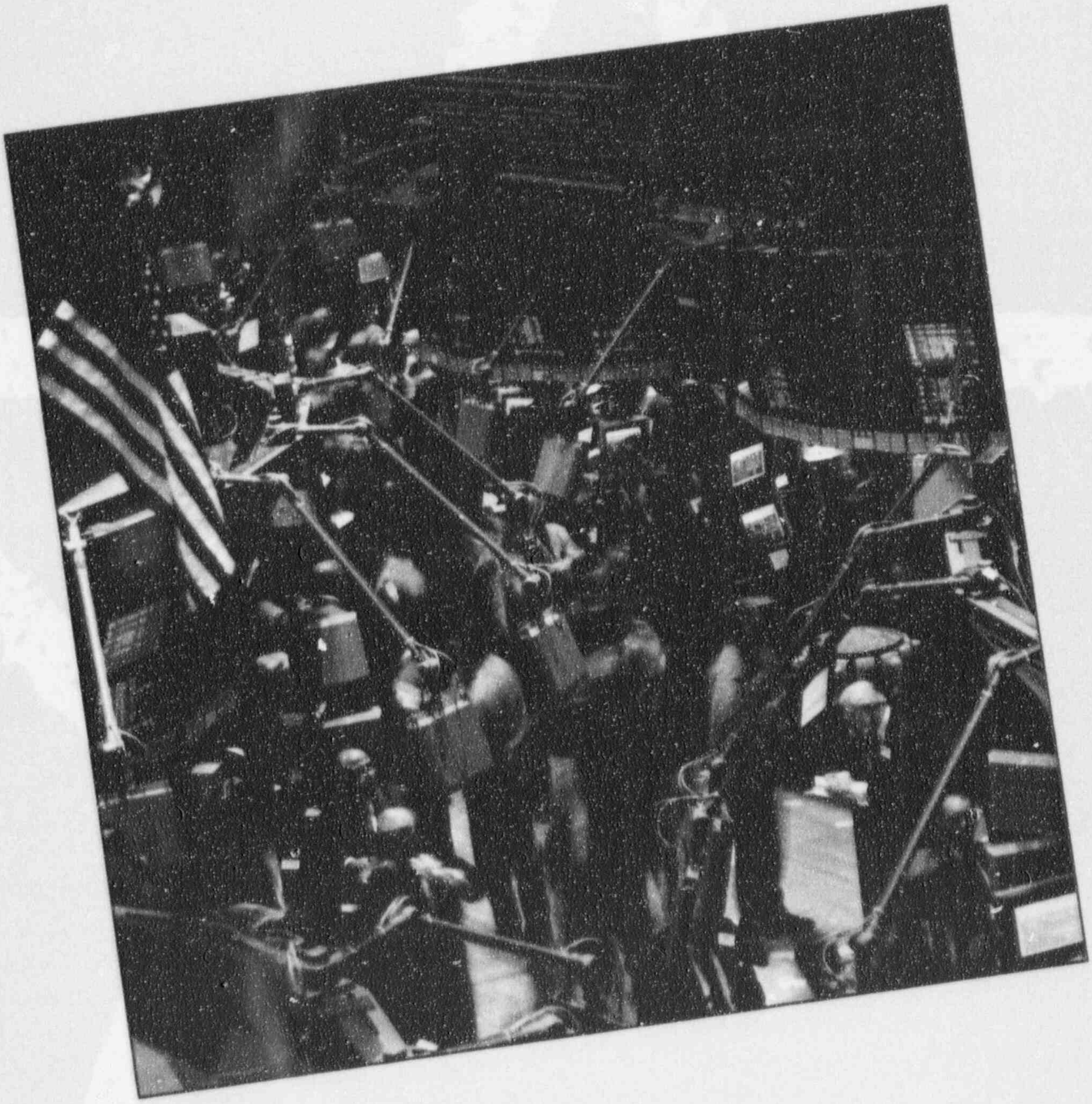
A few examples. Fortune 500 company, Armour-Swift-Eckrich, culminated a year-long search by locating a new $24 million meat processing plant in Junction City, Kansas. Western Resources' economic development staff was involved with courting the project from the beginning. The plant will employ 320 to 340 people the first year and 400 people by 2000. The producer of luncheon meats and frozen meat products sought a location with good geography, available labor, access to an interstate highway, reasonably-priced utilities and an attractive community image. Saying the community "exceeds every one of our initial expectations," Armour-Swift-Eckrich praised Junction City as being a "winner on every count we looked at." Estimated annual energy sales of more than 43 million kilowatt-hours are expected.

In the aviation industry, Cessna, Raytheon (formerly Beech Aircraft), and Boeing all plan to expand their facilities and add jobs in territories served by our KPL and KGE operating groups.

Phillips Lighting, a major manufacturer of fluorescent lamps, also plans an expansion that will add electricity sales of about seven million kilowatt-hours and boost natural gas sales by 243 million cubic feet.

These energy-intensive business expansions reinforce the health of the Kansas economy and illustrate the company's success in building on the existing customer base and securing the loyalty of that foundation.

We are committed to earning customers' satisfaction as we broaden our customer base and product offerings. Our focus is the customer and we will maximize every opportunity to strengthen existing customer relationships while developing new partnerships.



Our commitment to you, our shareholder, is exemplified by maintaining investment grade credit and providing a competitive return.

We believe the aggressive steps we took in 1995 to develop new business opportunities represent the best way to ensure future financial strength. In a competitive environment, failure to continue to grow a business means stagnation. In this new era, maintaining the status quo is one of the riskiest strategies we could pursue. Obviously, we have no intention of allowing that to happen.

Western Resources' stock is traded on the New York Stock Exchange (NYSE) under the symbol WR.

Perhaps most importantly, while establishing attractive new opportunities last year, we also improved financial performance in our traditional business units.

• Operating expenses decreased almost 4% versus 1994. Decreases were mainly attributable to lower fuel costs and savings associated with the divestiture of the Missouri natural gas properties in the first quarter of 1994.

• Although reported earnings per share totaled $2.71, down from $2.82 the previous year, it is important to remember 1994 earnings included a one-time $0.31 gain attributable to the sales of our Missouri gas properties and another $0.08 of operating income from those properties prior to their sale. Adjusting for the effects of the Missouri divestiture, earnings were actually healthier in 1995.

• Total electricity sales increased 3%. A return to more normal weather in 1995 contributed to higher sales of electricity to all customer classes. That meant that weather-sensitive residential sales were up 2% becaus[illegible]he increased air conditioning demands. Industrial electricity sales increased 4%, significantly a[illegible]e national average growth rate of 2% last year. Our service area economy continued healthy [illegible]. Kansas unemployment for the year averaged 4.7%, well under the national average of 5.6%. And the future looks bright, because some 35 companies chose our territory as the location for their new and expanded operations. Those new customers represent electric demand of 16.5 megawatts and an additional annual consumption of 88 million kilowatt-hours. The same new customers will mean the sale of an estimated additional 416,146 thousand cubic feet of gas.

• Total return on your investment continues to outperform representative indexes. Cumulative total return over the last five years for Western Resources stock again exceeded both the S&P Electric and S&P 500 indexes. Annual shareholder return, including dividends paid and stock

"...we will continue our course to be a major player in the future of the energy industry where companies with a strategic focus, vision and powerful brand will be successful."

price appreciation, topped 24% in 1995 alone. Increasing dividends and a share value that has grown more than 50% since 1990, leave no question that Western Resources is a company that offers real value for the long term.

The market, and its analysts, are taking a closer look at companies in the energy business and measuring financial strength and value by assessing factors such as management skill, strategic direction, and adaptability to change in addition to evaluating the traditional influences of regulatory climate and construction plans.

Western Resources has taken steps to reinforce our attractiveness to investors and analysts. And although we do not predict the future or speculate on earnings, our focus has been on laying the groundwork for shareholders to experience added value in the future.

The newly formed Westar business units all are expected to increase their contributions to net income. 1995 nonregulated business revenues grew 9% to $161 million. With the strong moves we took last year to develop new businesses, the nonregulated portion of our income should continue to show significant growth.

Continuing our cost-cutting efforts, voluntary early retirement programs were completed at Western Resources and at the Wolf Creek Nuclear Generating Station, of which the company owns a 47% stake. Targets were met when 216, of 420 eligible, employees at Western Resources accepted the plan, effective June 30. Six months savings substantially offset the costs of the plan recorded in the second quarter. Another 56 employees elected to retire early at Wolf Creek. More than 200 positions will not be replaced. Estimated annual savings from the actions will be approximately $12 million.

To reinforce the balance sheet, on December 4, the company issued four million shares of 7 7/8% trust-based preferred securities. This unique financing instrument offers double benefits to the company: the dividends paid are tax deductible by the company, like long-term debt, but the shares bolster the company's equity position, like a stock issue.

By pinpointing the timing of the offering, Western Resources accomplished the lowest interest rate of any securities of this type issued in 1995. The proceeds, $100 million, were used to pay down

To make life a little easier for shareholders, improve service, and reduce costs, the company moved its shareholder services in-house. Now, when you have a question about your account, an employee handles your inquiry, rather than an agent for the company. Rechell Smith is one of the friendly, helpful representatives who serve you.

"In this new era, maintaining the status quo is one of the riskiest strategies we could pursue."

the company's level of short-term debt. The short-term debt balance decreased 34% by the end of 1995 compared to year-end 1994. The company's continued favorable capital structure reflects our efforts to shore up the balance sheet to be ready to take advantage of growth opportunities.

To further strengthen our competitive position for the long term, we filed an innovative multi-part rate plan with the Kansas Corporation Commission. Briefly, the components include:

- An increase of $36 million in natural gas rates to compensate for increased operating costs and pipeline replacement.

- A reduction of $11 million in annual depreciation of transmission plant assets.

- An increase in depreciation expense for the Wolf Creek Generating Station by $50 million a year for the next seven years. At the end of this period, Wolf Creek's fixed costs will be below $900 per kilowatt, making the nuclear plant competitive with a new coal-fired generating plant.

- Coinciding with Wolf Creek's rate base reduction, is a reduction of KGE retail customers' electric rates by $8.7 million per year for the next seven years. The total rate reduction of about $61 million by the end of the seventh year will move KGE's retail electric rates toward the national average. KPL rates — already about 27% below the national average — should remain stable.

We believe this plan will ensure that our rates remain competitive, while reducing costs and increasing revenues.

We have every reason to feel confident in our continued financial strength.

Economists agree that our service territory will continue healthy, sustainable growth, mirroring national average growth rates. Additional growth in net income will come from continued expense savings and aggressive, strategic marketing of our services. But even greater growth will come from our new business initiatives, which we talk more about in the next section of this report.

In summary, our financial strength positions us well for the future, expands customer choices, and continues to add significant value to your investment.

Customer

convenience and peace of mind come with the first two consumer products unveiled this year by Westar Consumer Services

APPLIANCE CARE takes the cost, worry, and hassle out of the unexpected breakdown of a major appliance. This new service from Westar Consumer Services picks up the tab for virtually all parts and labor each and every time a customer needs repairs.

SECURITY SERVICES, sold under the KPL, KGE and Westar names, offers value-added services, system enhancements, and payment flexibility not common in the electronic security business. These systems can include such amenities as fire and water leak detectors, a built-in pager system to alert customers when family members arrive home, and the capacity to expand with security devices for future needs.

To learn more about these exciting products, pricing for various product packages, product availability in your area, or additional consumer services planned for 1996, call Westar Consumer Services at (913)575-1118 or complete and return the following reply card.

NAME

ADDRESS

CITY/STATE/ZIP

Interested in: ☐ Appliance Care ☐ Security Services
☐ Information on new products, services as they become available

Have a representative call me at ____________ at ____________
PHONE NUMBER TIME OF DAY

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TOPEKA KS 66601-9934

Our growth goals will be realized by increasing income through aggressively pursuing new business opportunities, maximizing use of our resources, and capitalizing on our competitive strengths.

Our course was set in 1994. And as 1995's joint venture, merger, and acquisition activities unfolded, the full meaning behind our growth mission now is clear. To accelerate our aggressive growth strategy, we appointed former Wall Street merger and acquisition strategist David Wittig as executive vice president of corporate strategy. A native Kansan, David has nearly two decades of investment banking experience, most recently as managing director and co-head of mergers and acquisitions for Salomon Brothers, and previously as head of mergers and acquisitions for Kidder, Peabody & Co.

The company is branching out into smart, strategic growth-oriented businesses related to the energy business, such as monitored security systems for residential and commercial customers.

With corporate development high on our priority list, shareholders may rest assured that 1995 was not an aberration. Western Resources will continue to pursue new growth opportunities consistent with the company's strategic plan.

More specifically, we are evaluating regulated and nonregulated, stand-alone, self-funding businesses that offer collateral power marketing opportunities. We plan to take full advantage of the fact that the future is going to run on electricity. New technologies are gaining dominance in all industries as dependence on microprocessors and electronics increases in the manufacturing and service sectors.

We will focus on companies that offer related products and services, for example:

- Energy services and equipment management
- Power quality and uninterruptible power supply products
- Premise security and environmental monitoring services

Signaling our expansion into the international power market, earlier this year we acquired The Wing Group, one of the premier power developers in the world.

"...we are evaluating regulated and nonregulated, stand-alone, self-funding businesses that offer collateral power marketing opportunities."

This partnership gives us an excellent means for broadening our markets and providing a solid growth opportunity for our company and its shareholders. Under terms of the agreement, the company has received options to acquire The Wing Group's interest in projects under development in Turkey, Kuwait, China, and Southeast Asia with combined generating capacity of more than 8,000 megawatts. The Wing Group acquisition is a logical step in our effort to broaden our competitive energy operations.

As vigorously as we intend to pursue additional merger and acquisition opportunities, we also will continue to work to maximize our existing resources. To accomplish a successful future, we realize that we must take advantage both of growth venues, as well as rely on employee expertise and talent.

We had some strong success stories this last year.

For example, a multi-disciplinary Project BLUEPRINT task force — called a Z-Team — analyzed our construction budget. Applying creative, innovative thinking, Z-Team members cut 30%, roughly $300 million during five years, from a $1 billion construction forecast.

Now, instead of increasing each year, our construction expense actually declines year-to-year from 1994 through 1996. While construction expenditures will jump slightly in 1997, current estimates call for these costs to fall to 75% of the 1995 levels by 1998.

In fact, no construction of generating capacity is needed until 2002 at the earliest. This trimming does not minimize quality, instead our employees are charged with rethinking business and identifying redundancies or waste in our system. With the lowering of construction expenditures comes an improvement in cash flows.

We saw an opportunity in combining our excess natural gas supply with our ability to transport it. The group wrote an As-Available Gas Sales tariff to bundle or combine excess gas with transportation capacity and sell both as a bundled service. The KCC approved the tariff, giving us a 50-50 split of profits or $1.5 million annually — all from existing capacity and infrastructure and as a result of employee insight.

As we position the company for increased competition in the energy business, we've introduced a new look to accompany our energy brand — Westar. Outside our traditional service areas, the brand name Westar will appear on our new products and services as we drive into new markets.

Previous to Federal Energy Regulatory Commission Order No. 636, other suppliers had inventories in storage and charged Western Resources for gas and carrying costs when we made a purchase. We would recover those costs through purchase gas adjustment formulas. But our cost recovery stopped after the new order. The employee team filed a plan for recovery of these costs with the KCC, which approved the plan and allows us to recoup an estimated $2.3 million annually.

Another example of maximizing our resources directly involves shareholders. A study of shareholder services found that we could offer quicker, more personal service to our shareholders than the outside vendor we had used for 25 years. Besides providing faster and better service to our owners to make their lives easier, we also will save an estimated $200,000 annually by bringing this function in-house.

Western Resources' people also have grown consistently more productive. Partly because of increased training and new technology and partly because of expanded empowerment, our improved productivity allowed a workforce reduction of 20% since 1988 — all through voluntary programs. At the end of 1995, our total workforce was 367 positions below budget.

In 1995, many new growth opportunities converged for Western Resources.

We opened new markets.

We increased sales of energy products and services.

And we increased the productivity of existing resources.

Accomplishments of 1995 will bear an ever-increasing bounty in future years. And we intend to keep our "opportunity pipeline" full, balancing external business opportunities with internal, idea-driven change resulting in growth.

"To accomplish a successful future, we realize that we must take advantage of growth venues, as well as rely on employee expertise and talent."


Hudson Bay
Newfoundland
CANADA
PACIFIC
Gulf of Mexico

We believe there are two keys to effective marketing: listening and responding to customer needs and expanding beyond our traditional borders with a national brand identity.

The energy business of today allows our larger, industrial customers energy options. The energy business of tomorrow will do the same for the residential market.

This reality demands we truly understand our customers. When they have an energy choice, we want them to choose us.

We're maximizing growth and marketing opportunities in the U.S. and abroad as they fit into our strategic business plan.

To that end, we are tailoring pricing plans, offering expertise in solving specific technical problems, and providing broad-based analysis and comprehensive energy management plans.

We are partnering with customers — large and small — to make their lives a little easier.

It all started in 1994 when we began an in-depth study of our largest customers' operations and energy needs. We established individualized account management for large customers. And we set up multi-disciplinary teams to recommend customized approaches to keep our largest customers satisfied and on Western Resources' energy system.

We've reaped returns on that investment.

For example, most of our largest customers have signed contracts ranging up to 10 years in length. And these contracts have provisions for customers to increase their electricity usage during the contract life.

One of our 1995 success stories involved a 15-year contract worth approximately $300 million with Empire District Electric Company for wholesale electricity. Empire had competing proposals from several other companies. But Empire chose Western Resources as its strategic partner well into the next century. We believe the reason we won the business is that we understood Empire's needs better than our competitors.

To capitalize on our local marketing strength, we introduced Westar, a new, single-brand energy identity for use beyond our traditional service territory.

To complement Westar, we unveiled a new company logo — a single, streamlined star replacing our double-star logo, and will use a company modifier: "making life a little easier." Because of their obvious strengths and recognition with existing customers, the names Western Resources, KPL and KGE will remain in use in their traditional service areas.

"We are partnering with customers– large and small–to make their lives a little easier."

Westar, however, will be used domestically and internationally as we penetrate new markets. Fortifying the Westar energy brand, two new companies — and one renamed — were launched to concentrate marketing at home and abroad.

Westar Consumer Services, Westar Business Services, and Westar Capital (formerly Astra Resources) all have the customer in focus, identifying marketing partnerships, new programs, services, with an unregulated flair. And we've added marketing strength to our Board of Directors through the election of Susan Stanton, President and Chief Operating Officer, Payless Cashways, Inc., Kansas City, Missouri. Susan brings marketing expertise and insight through her more than 12 years of success in retail marketing.

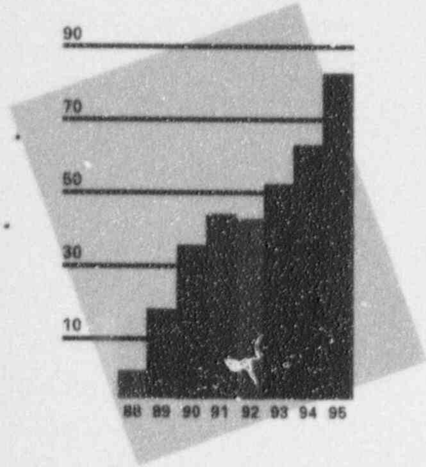
Westar Business Services' leadership in high-technology niche markets is an important part of our marketing strategy. Already a recognized industry leader in marketing electrotechnologies, Western Resources continues its work with customers to treat wastewater, establish industrial drying processes, or sterilize medical equipment against bacteria that resists conventional disinfectants.

We were instrumental in the decisions to install ozone water treatment technologies for StarKist foods in Lawrence, Kansas, and for the City of Emporia, Kansas. The company joined with a major grocer chain and a case manufacturer to pioneer an innovative non-CFC (Chlorofluorocarbon) case refrigeration system. The new technology requires less refrigerant and piping and meets or exceeds stricter environmental standards.

Our marketing efforts also achieved significant progress in the deployment of highly efficient drying and curing technologies. Using ultraviolet and radio frequency (RF) technologies, instead of heated air methods, these systems reduce production costs, and lower air conditioning expenses. The revised processes also result in improved drying operations, eliminate large volumes of exhaust air, and increase usable floor space. These electrotechnologies are in use at 10 customer locations for ink drying, paint drying and curing, and emulsion processing. Several more installations are planned for 1996.

Westar Business Services will aggressively market energy efficiency services for commercial and industrial customers as a result of our new joint venture with EUA Cogenex Corporation. We are confident many of our existing customers will find this new problem-solving service attractive.

WESTAR GAS MARKETING SALES VOLUMES
BILLION CUBIC FEET



Westar Gas Marketing has shown substantial growth since its inception in 1988. Sales volumes have grown from 4.5 billion cubic feet (BCF) to more than 82 BCF in 1995.

"...we introduced Westar,℠ a new, single-brand energy identity for use beyond our traditional service territory."

And we look forward to serving new customers in our initial, five-state service area of Arkansas, Kansas, Missouri, Nebraska, and Oklahoma. Over time, our focus will broaden to reach customers outside of this five-state territory.

A Westar Capital subsidiary, Astra Resources Compression, Inc., joined with Hanover Compressor Company in 1995. The merged company is the second largest natural gas compression rental unit company serving the North American market and the third largest in South America. The compressor fleet moves natural gas from the wellhead, through the gathering pipelines and processing plants to interstate pipelines. Rental firms, like Hanover, are specialist providers. Because they own compressors that vary in size and horsepower, they can change out equipment to suit the needs of the producer during the life of the well.

Westar Consumer Services — with a focus on the retail customer — will explore the opportunities of offering uninterruptible power supply systems for domestic and international customers.

These critical service support systems give us an important differentiating strength with commercial and industrial customers. Increasing use of computer-aided, power-sensitive equipment, by industrial and commercial customers, calls for reliable electricity and stable power quality. An interruption in supply can cause serious losses. The annual cost of power interruptions and voltage variances is estimated to be $3 billion to $5 billion nationally. These products also have applications in the home.

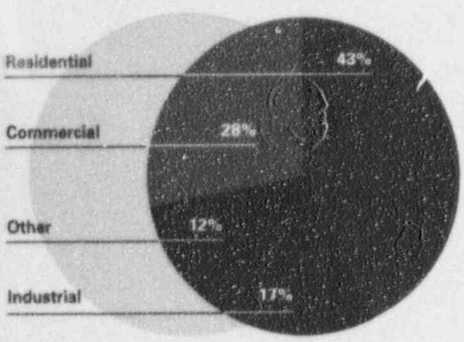
For residential and business customers, our new security service — through Westar Security Services — offers a well-known and trusted name for a critical service. Monitored security services are a natural supplement that complement the dependable energy services we provide and are just one more way to "make life a little easier" for our customers.

In short, all these new businesses not only add revenue sources, they also help differentiate and position Western Resources as an aggressive, value-added, long-term strategic partner.

That's precisely the market position we intend to earn.

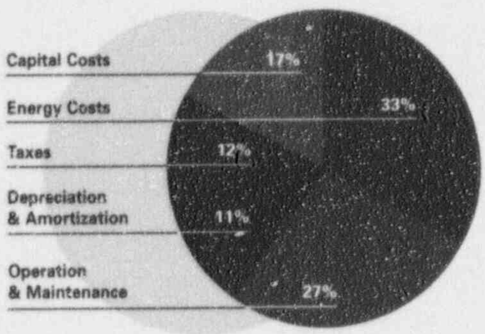
(dollars in thousands)	1995	1994(1)	1993	1992(2)	1991
Year ended December 31,					
INCOME STATEMENT DATA					
Operating revenues:					
Electric	**$1,145,895**	$1,121,781	$1,104,537	$ 882,885	$ 471,839
Natural gas	**426,176**	496,162	804,822	673,363	690,339
Total operating revenues	**1,572,071**	1,617,943	1,909,359	1,556,248	1,162,178
Operating expenses	**1,296,687**	1,348,397	1,617,296	1,317,079	1,032,557
Allowance for funds used during construction	**4,206**	2,667	2,631	2,002	1,070
Income before cumulative effect of accounting change	**181,676**	187,447	177,370	127,884	72,285
Cumulative effect to January 1, 1991, of change in revenue recognition	**—**	—	—	—	17,360
Net income	**181,676**	187,447	177,370	127,884	89,645
Earnings applicable to common stock	**168,257**	174,029	163,864	115,133	83,268
December 31,					
BALANCE SHEET DATA					
Gross plant in service	**$6,128,527**	$5,963,366	$6,222,483	$6,033,023	$2,535,448
Construction work in progress	**100,401**	85,290	80,192	68,041	17,114
Total assets	**5,490,677**	5,371,029	5,412,048	5,438,906	2,112,513
Long-term debt, preference stock, and other mandatorily redeemable securities	**1,641,263**	1,507,028	1,673,988	2,077,459	690,612
December 31,					
COMMON STOCK DATA					
Earnings per share before cumulative effect of accounting change	**$2.71**	$2.82	$2.76	$2.20	$1.91
Cumulative effect to January 1, 1991, of change in revenue recognition per share	**—**	—	—	—	.50
Earnings per share	**$2.71**	$2.82	$2.76	$2.20	$2.41
Dividends per share	**$2.02**	$1.98	$1.94	$1.90	$2.04(3)
Book value per share	**$24.71**	$23.93	$23.08	$21.51	$18.59
Average shares outstanding (000's)	**62,157**	61,618	59,294	52,272	34,566
Interest coverage ratio (before income taxes, including AFUDC)	**3.14**	3.42	2.79	2.27	2.69

OPERATING REVENUES



Operating revenues, by customer class, remain evenly allocated.

OPERATING COSTS



By continuing our strict attention to cost controls, we lowered operating expenses 4% this year.

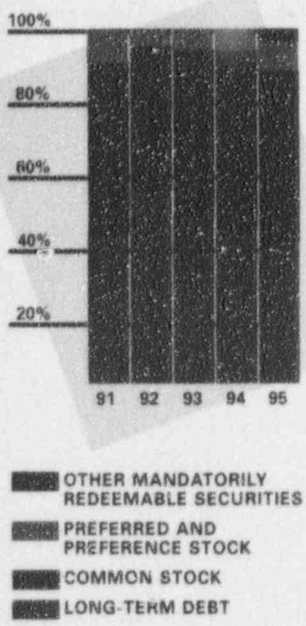
(1) Information reflects the sales of the Missouri Properties (Note 2).
(2) Information reflects the merger with KGE on March 31, 1992.
(3) Includes special, one-time dividend of $0.18 per share paid February 28, 1991.

FINANCIAL CONDITION

General: Earnings were $2.71 per share of common stock based on 62,157,125 average common shares for 1995, a decrease from $2.82 in 1994 on 61,617,873 average common shares. Net income for 1995 decreased to $181.7 million compared to $187.4 million in 1994. The decrease in net income and earnings per share is primarily due to the inclusion of the gain on the sales of, and operating income from, the natural gas distribution properties and operations in the State of Missouri prior to the sales in the first quarter of 1994.

Dividends for 1995 increased four cents per common share to $2.02 per share. In January 1996, the Board of Directors declared a quarterly dividend of 51 1/2 cents per common share, an increase of one cent over the previous quarter. The book value per share was $24.71 at December 31, 1995, compared to $23.93 at December 31, 1994. The 1995 closing stock price of $33.38 was 135 percent of book value. There were 62,855,961 common shares outstanding at December 31, 1995.

CAPITALIZATION SUMMARY



The issuance of $100 million in Other Mandatorily Redeemable Securities and common stock for the DRIP improved the company's equity position. As a result, long-term debt is only 43% of total capitalization.

On January 31, 1994, the company sold substantially all of its Missouri natural gas distribution properties and operations to Southern Union Company (Southern Union). The company sold the remaining Missouri properties to United Cities Gas Company (United Cities) on February 28, 1994. The properties sold to Southern Union and United Cities are referred to herein as the "Missouri Properties."

The portion of the Missouri Properties purchased by Southern Union was sold for $404 million. United Cities purchased the company's natural gas distribution system in and around the City of Palmyra, Missouri, for $665,000.

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

The following table reflects, through the dates of the sales of the Missouri Properties, the approximate operating revenues and operating income for the years ended December 31, 1994 and 1993, and net utility plant at December 31, 1993, related to the Missouri Properties (See Note 2):

	Amount	Percent of Total Company
	(dollars in thousands, unaudited)	
1994		
Operating revenues	$ 77,008	4.8%
Operating income	4,997	1.9%
1993		
Operating revenues	$349,749	18.3%
Operating income	20,748	7.1%
Net utility plant	296,039	6.6%

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

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

Liquidity and Capital Resources: The company's liquidity is a function of its ongoing construction and maintenance program designed to improve facilities which provide electric and natural gas service and meet future customer service requirements. Acquisitions and subsidiary investments also affect the company's liquidity.

During 1995, construction expenditures for the company's electric system were approximately $154 million and nuclear fuel expenditures were approximately $28 million. It is projected that adequate capacity margins will be maintained without the addition of any major generating facilities through the turn of the century. The construction expenditures for improvements on the natural gas system, including the company's service line replacement program, were approximately $55 million during 1995.

Capital expenditures for 1996 through 1998 are anticipated to be as follows:

	Electric	Nuclear Fuel	Natural Gas
	(dollars in thousands)		
1996	$117,600	$ 3,300	$56,300
1997	126,500	22,300	43,800
1998	119,100	20,800	42,100

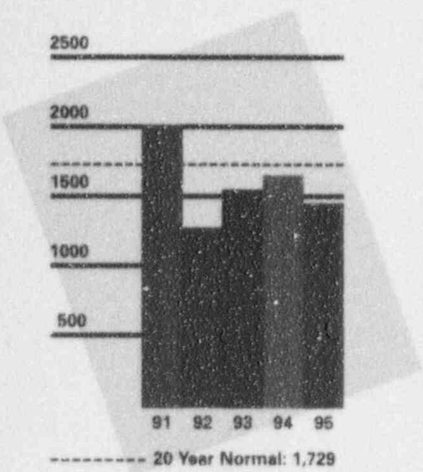
These expenditures are estimates prepared for planning purposes and are subject to revisions (See Note 5).

The company's net cash flows to capital expenditures was 83 percent for 1995 and during the last five years has averaged 97 percent. The company anticipates all of its cash requirements for capital expenditures through 1998 will be provided from net cash flows.

The company's capital needs through 2000 for bond maturities and cash sinking fund requirements for bonds and preference stock are approximately $236 million. This capital will be provided from internal and external sources available under then existing financial conditions.

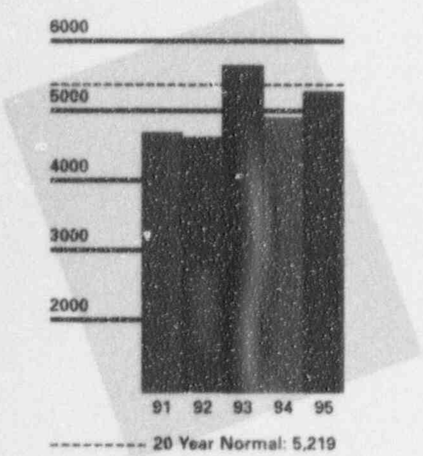
The embedded cost of long-term debt was 7.7% at December 31, 1995, an increase from 7.6% at December 31, 1994. Higher interest rates on variable-rate long-term debt contributed to the slight increase in the cost of debt in 1995 compared to 1994.

COOLING DEGREE DAYS
WICHITA, KANSAS



1995 temperatures were almost 12% cooler than in 1994 and more than 14% cooler than the 20-year average.

HEATING DEGREE DAYS
TOPEKA, KANSAS



We experienced a near normal heating season in 1995 with temperatures averaging 5% cooler than last year.

On December 14, 1995 Western Resources Capital I, a wholly-owned trust, of which the sole asset is subordinated debentures of the company, issued four million preferred securities of 7 7/8% Cumulative Quarterly Income Preferred Securities, Series A, for $100 million. The securities are shown as Western Resources Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trust holding solely Subordinated Debentures (Other Mandatorily Redeemable Securities) on the Consolidated Statements of Capitalization (See Note 7).

On January 26, 1996, the company used available cash and borrowings under its revolving credit agreement to purchase 15.4 million common shares of common stock in ADT Limited for $215.6 million (See Note 5).

The company's short-term financing requirements are satisfied, as needed, through the sale of commercial paper, short-term bank loans and borrowings under unsecured lines of credit maintained with banks. At December 31, 1995, short-term borrowings amounted to $203 million, of which $26 million was commercial paper (See Notes 10 and 12). At December 31, 1995, the company had bank credit arrangements available of $121 million.

The company's short-term debt balance at December 31, 1995, decreased approximately $105 million from December 31, 1994. The decrease is primarily a result of the proceeds from the sale of the Other Mandatorily Redeemable Securities being used to pay off short-term debt.

The company has a Dividend Reinvestment and Stock Purchase Plan (DRIP). Shares issued under the DRIP may be either original issue shares or shares purchased on the open market.

The company's capital structure at December 31, 1995, was 48 percent common stock equity, 6 percent preferred and preference stock, 3 percent other mandatorily redeemable securities, and 43 percent long-term debt. The capital structure at December 31, 1995, including short-term debt and current maturities of long-term debt, was 45 percent common stock equity, 5 percent preferred and preference stock, 3 percent other mandatorily redeemable securities, and 47 percent debt.

RESULTS OF OPERATIONS

The following is an explanation of significant variations from prior year results in revenues, operating expenses, other income and deductions, interest charges and preferred and preference dividend requirements. The results of operations of the company exclude the activities related to the Missouri Properties following the sales of those properties in the first quarter of 1994.

For additional information regarding the sales of the Missouri Properties and the pending litigation, see Notes 2 and 3 of the Notes to Consolidated Financial Statements. Additional information relating to changes between years is provided in the Notes to Consolidated Financial Statements.

REVENUES

The operating revenues of the company are based on sales volumes and rates authorized by certain state regulatory commissions and the Federal Energy Regulatory Commission (FERC). Future natural gas and electric sales will be affected by weather conditions, competition from other sources of energy, competing fuel sources, customer conservation efforts, and the overall economy of the company's service area.

Natural gas revenues were reduced as a result of the sales of the Missouri Properties. The Consolidated Statements of Income include revenues of $77 million for the portion of the first quarter of 1994 prior to the sales of the Missouri Properties and revenues of $350 million from the Missouri Properties for 1993. Following the sales of the Missouri Properties, no revenues related to the Missouri Properties are included in the Consolidated Statements of Income (See Note 2).

1995 Compared to 1994: Electric revenues increased two percent in 1995 as a result of increased sales in all customer classes. The increase is primarily attributable to a higher demand for air conditioning load during the summer months of 1995 compared to 1994. The company's service territory experienced normal temperatures during the summer

of 1995, but were more than 20 percent warmer, based on cooling degree days, compared to the summer of 1994. The company has filed an electric rate reduction request with the Kansas Corporation Commission (KCC) (See Note 4).

Natural gas revenues decreased in 1995 primarily as a result of the sales of Missouri Properties in the first quarter of 1994 (See Note 2). The company has filed a $36 million rate increase request for its Kansas natural gas properties with the KCC (See Note 4).

Excluding natural gas sales related to the Missouri Properties, prior to the sales of those properties in the first quarter of 1994, total natural gas revenues remained virtually unchanged in 1995. Natural gas revenues increased from increased transportation sales and as-available sales, but these increases were offset by decreased commercial and industrial sales and a lower unit cost of natural gas which is passed on to customers through the purchased gas adjustment (PGA).

As-available gas is excess natural gas under contract that the company did not require for customer sales or storage that is typically sold to gas marketers. According to the company's tariff, the nominal margin made on as-available gas sales, is returned 50% to customers through the PGA and 50% is reflected in wholesale sales of the company.

1994 Compared to 1993: Electric revenues increased two percent during 1994 primarily as a result of a four percent increase in commercial and industrial electric sales. Residential electric sales increased one percent despite four percent cooler temperatures during the primary air conditioning load months of June, July, and August. Partially offsetting these increases in electric revenues was a 14% decrease in wholesale and interchange sales as a result of higher than normal sales in 1993 to other utilities while their generating units were down due to the flooding of 1993.

Natural gas revenues and sales decreased significantly in 1994 as a result of the sales of the Missouri Properties as previously mentioned above. Also contributing to the decrease in natural gas revenues were reduced natural gas sales for space heating as a result of much warmer temperatures during the winter season of 1994 compared to 1993.

OPERATING EXPENSES

1995 Compared to 1994: Total operating expenses decreased four percent in 1995 compared to 1994. The decrease is largely due to the sales of Missouri Properties, lower natural gas purchases resulting from lower sales, and lower fuel expense resulting from a lower unit cost of fuel used for generation.

Partially offsetting this decrease were expenses related to an early retirement program. In the second quarter of 1995, $7.6 million related to early retirement programs was recorded as an expense.

The company has filed a request with the KCC to increase the annual depreciation expense for Wolf Creek Generating Station (See Note 4).

1994 Compared to 1993: Total operating expenses decreased 17% during 1994 primarily as a result of the sales of the Missouri Properties (See Note 2). Also contributing to the decrease were lower fuel costs for electric generation and reduced natural gas purchases as a result of lower sales caused by milder winter temperatures in 1994 compared to 1993.

Partially offsetting the decreases in operating expenses was higher income tax expense. As of December 31, 1993, Kansas Gas and Electric Company (KGE) had fully amortized its deferred income tax reserves related to the allowance for borrowed funds used during construction capitalized for Wolf Creek Generating Station. The completion of the amortization of these deferred income tax reserves increased income tax expense and reduced net income by approximately $12 million in 1994.

Other Income and Deductions: Other income and deductions, net of taxes, decreased for the twelve months ended December 31, 1995, compared to 1994 as a result of the gain on the sales of Missouri Properties recorded in the first quarter of 1994 and additional interest expense on increased corporate-owned life insurance (COLI) borrowings. Partially offsetting this decrease was the recognition of income from death benefit proceeds under COLI contracts during the fourth quarter of 1995 (See Notes 1 and 6 for discussion of current legislation affecting COLI).

Other income and deductions, net of taxes, was higher for the twelve months ended December 31, 1994 compared to 1993 due to the recognition of the gain on the sales of the Missouri Properties of approximately $19.3 million, net of tax (See Note 2). Partially offsetting this increase was increased interest expense on COLI borrowings. Also partially offsetting the increase was the recognition of income in 1993 from death benefit proceeds from COLI policies.

Interest Charges and Preferred and Preference Dividend Requirements: Total interest charges increased three percent for the twelve months ended December 31, 1995, primarily due to higher debt balances and higher interest rates on short-term borrowings and variable long-term debt.

The company's embedded cost of long-term debt increased to 7.7% at December 31, 1995, compared to 7.6% and 8.1% at December 31, 1994 and 1993. Higher interest rates on variable-rate long-term debt contributed to the slight increase in the cost of debt in 1995 compared to 1994.

Total interest charges decreased 17% in 1994 compared to 1993 as a result of lower debt balances and the refinancing of higher cost debt, as well as increased COLI borrowings, the interest on which is reflected in Other Income and Deductions, on the Consolidated Statements of Income. Partially offsetting these decreases in interest expense were higher interest rates on short-term borrowings.

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

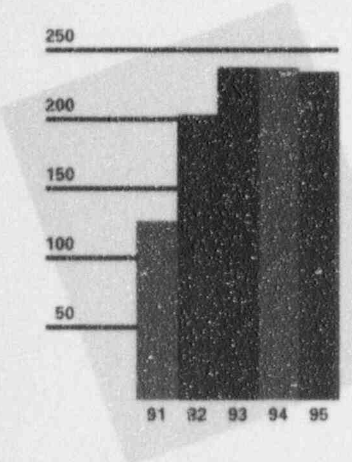
Based on the order issued by the KCC, with regard to the recovery of the acquisition premium, the company must achieve a level of savings on an annual basis (considering sharing provisions) of approximately $27 million in order to recover the entire acquisition premium. To the extent that the company's actual operations and maintenance expense is lower than the KCC-stipulated index, the company will realize merger savings. The company has calculated, in conformance with the KCC order, annual savings associated with the acquisition to be in excess of

$27 million for 1995. As management presently expects to continue this level of savings, the amount is expected to be sufficient to allow for the full recovery of the acquisition premium.

OTHER INFORMATION

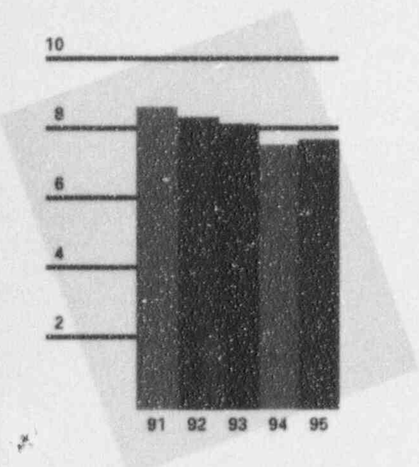
Inflation: Under the ratemaking procedures prescribed by the regulatory commissions to which the company is subject, only the original cost of plant is recoverable in rates charged to customers. Therefore, because of inflation, present and future depreciation provisions are inadequate for purposes of maintaining the purchasing power invested by common shareholders and the related cash flows are inadequate for replacing property. The impact of this ratemaking process on common shareholders is mitigated to the extent depreciable property is financed with debt that can be repaid with dollars of less purchasing power. While the company has experienced relatively low inflation in the recent past, the cumulative effect of inflation on operating costs may require the company to seek regulatory rate relief to recover these higher costs.

CAPITAL EXPENDITURES
MILLIONS OF DOLLARS



Capital expenditures decreased slightly and are expected to decrease again in 1996.

EMBEDDED COST OF DEBT
PERCENT



The average interest rate on our debt remained stable this year and is still below 8%.

Environmental: The company has taken a proactive position with respect to the potential environmental liability associated with former manufactured gas sites and has an agreement with the Kansas Department of Health and Environment to systematically evaluate these sites in Kansas (See Note 5).

Although the company currently has no Phase I affected units under the Clean Air Act of 1990, the company has applied for and has been accepted for an early substitution permit to bring the co-owned La Cygne Station under the Phase I guidelines. The oxides of nitrogen and air toxic limits, which were not set in law, continue to be subject to the Environmental Protection Agency's (EPA) rules-making procedures. The company will follow the development of these regulations and establish compliance strategies when mandated by regulation (See Note 5).

Competition: As a regulated utility, the company currently has limited direct competition for retail electric service in its certified service area. However, there is competition, based largely on price, from the generation, or potential generation, of electricity by large commercial and industrial customers, and independent power producers.

The 1992 Energy Policy Act (Act) requires increased efficiency of energy usage and has affected the way electricity is marketed. The Act also provides for increased competition in the wholesale electric market by permitting the FERC to order third party access to utilities' transmission systems and by liberalizing the rules for ownership of generating facilities. As part of the Merger, the company agreed to open access of its transmission system for wholesale transactions. During 1995, wholesale electric revenues represented approximately nine percent of the company's total electric revenues.

Operating in this competitive environment could place pressure on utility profit margins and credit quality. Wholesale and industrial customers may threaten to pursue cogeneration, self-generation, retail wheeling, municipalization or relocation to other service territories in an attempt to obtain reduced energy costs. Increasing competition has resulted in credit rating agencies applying more stringent guidelines when making utility credit rating determinations (See Note 1 for the effects of competition on Statement of Financial Accounting Standards No. 71).

The company is providing competitive electric rates for industrial expansion projects and economic development projects in an effort to maintain and increase electric load. During 1996, the company will lose a major industrial customer to cogeneration resulting in a reduction to pre-tax earnings of approximately $7 to $8 million annually. This customer's decision to develop its own cogeneration project was based largely on factors other than energy cost.

To capitalize on opportunities in the non-regulated natural gas industry, the company, through its wholly-owned subsidiary Mid Continent Market Center, Inc. (Market Center), has established a natural gas market center in Kansas. The Market Center, which began operations on July 1, 1995, provides natural gas transportation, storage, and gathering services, as well as balancing, and title transfer capability. The company transferred certain natural gas transmission assets having a net book value of approximately $50 million to the Market Center. The Market Center will provide no notice natural gas transportation and storage services to the company under a long-term contract.

December 31, (dollars in thousands)	1995	1994(1)
ASSETS		
Utility Plant (Notes 1 and 8):		
Electric plant in service	$ 5,341,074	$ 5,226,175
Natural gas plant in service	787,453	737,191
	6,128,527	5,963,366
Less – Accumulated depreciation	1,926,520	1,790,266
	4,202,007	4,173,100
Construction work in progress	100,401	85,290
Nuclear fuel (net)	53,942	39,890
Net utility plant	4,356,350	4,298,280
Other Property and Investments:		
Net non-utility investments	90,044	74,017
Decommissioning trust (Note 5)	25,070	16,944
Other	9,225	13,556
	124,339	104,517
Current Assets:		
Cash and cash equivalents (Note 1)	2,414	2,715
Accounts receivable and unbilled revenues (net) (Note 1)	257,292	219,760
Fossil fuel, at average cost	54,742	38,762
Gas stored underground, at average cost	28,106	45,222
Materials and supplies, at average cost	57,996	56,145
Prepayments and other current assets	20,973	27,932
	421,523	390,536
Deferred Charges and Other Assets:		
Deferred future income taxes (Note 9)	282,476	283,297
Deferred coal contract settlement costs (Note 4)	27,274	33,606
Phase-in revenues (Note 4)	43,861	61,406
Corporate-owned life insurance (net) (Notes 1 and 6)	44,143	16,967
Other deferred plant costs	31,539	31,784
Unamortized debt expense	56,681	58,237
Other	102,491	92,399
	588,465	577,696
Total Assets	$ 5,490,677	$ 5,371,029
CAPITALIZATION AND LIABILITIES		
Capitalization (See Statements):	$ 3,219,231	$ 3,006,341
Current Liabilities:		
Short-term debt (Note 12)	203,450	308,200
Long-term debt due within one year (Note 10)	16,000	80
Accounts payable	149,194	130,616
Accrued taxes	68,569	86,966
Accrued interest and dividends	62,157	61,069
Other	40,266	69,025
	539,636	655,956
Deferred Credits and Other Liabilities:		
Deferred income taxes (Note 9)	1,167,470	1,152,425
Deferred investment tax credits (Note 9)	132,286	137,651
Deferred gain from sale-leaseback (Note 13)	242,700	252,341
Other	189,354	166,315
	1,731,810	1,708,732
Commitments and Contingencies (Notes 3 and 5)		
Total Capitalization and Liabilities	$ 5,490,677	$ 5,371,029

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

Year ended December 31, (dollars in thousands, except per share amounts)	1995	1994(1)	1993
Operating Revenues (Notes 1 and 4):			
Electric	$ 1,145,895	$ 1,121,781	$ 1,104,537
Natural gas	426,176	496,162	804,822
Total operating revenues	1,572,071	1,617,943	1,909,359
Operating Expenses:			
Fuel used for generation:			
Fossil fuel	211,994	220,766	237,053
Nuclear fuel	19,425	13,562	13,275
Power purchased	15,739	15,438	16,396
Natural gas purchases	263,790	312,576	500,189
Other operations	317,279	303,391	349,160
Maintenance	108,641	113,186	117,843
Depreciation and amortization	156,915	151,630	164,364
Amortization of phase-in revenues	17,545	17,544	17,545
Taxes (See Statements):			
Federal income	70,132	76,477	62,420
State income	18,388	19,145	15,558
General	96,839	104,682	123,493
Total operating expenses	1,296,687	1,348,397	1,617,296
Operating Income	275,384	269,546	292,063
Other Income and Deductions:			
Corporate-owned life insurance (net)	(2,669)	(5,354)	7,841
Gain on sales of Missouri Properties (Note 2)	—	30,701	—
Miscellaneous (net)	23,447	12,838	18,418
Income taxes (net) (See Statements)	5,128	(4,329)	(777)
Total other income and deductions	25,907	33,856	25,482
Income Before Interest Charges	301,291	303,402	317,545
Interest Charges:			
Long-term debt	95,962	98,483	123,551
Other	27,859	20,139	19,255
Allowance for borrowed funds used during construction (credit)	(4,206)	(2,667)	(2,631)
Total interest charges	119,615	115,955	140,175
Net Income	181,676	187,447	177,370
Preferred and Preference Dividends	13,419	13,418	13,506
Earnings Applicable to Common Stock	$ 168,257	$ 174,029	$ 163,864
Average Common Shares Outstanding	62,157,125	61,617,873	59,294,091
Earnings Per Average Common Share Outstanding	$2.71	$2.82	$2.76
Dividends Declared Per Common Share	$2.02	$1.98	$1.94

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

Year ended December 31, (dollars in thousands)	1995	1994(1)	1993
Cash Flows from Operating Activities:			
Net income	$ 181,676	$ 187,447	$ 177,370
Depreciation and amortization	150,186	151,630	164,364
Other amortization (including nuclear fuel)	15,193	10,905	11,254
Gain on sales of utility plant (net of tax)	(951)	(19,296)	—
Deferred taxes and investment tax credits (net)	14,372	(16,555)	27,686
Amortization of phase-in revenues	17,545	17,544	17,545
Corporate-owned life insurance	(28,548)	(17,246)	(21,650)
Amortization of gain from sale-leaseback	(9,640)	(9,640)	(9,640)
Amortization of acquisition adjustment	6,729	—	—
Changes in other working capital items (net of effects from the sales of the Missouri Properties):			
Accounts receivable and unbilled revenues (net) (Note 1)	(37,532)	(75,630)	(15,536)
Fossil fuel	(15,980)	(7,828)	18,073
Gas stored underground	17,116	(5,403)	(37,144)
Accounts payable	18,578	(41,682)	(43,169)
Accrued taxes	(19,024)	20,756	7,485
Other	8,179	41,309	25,400
Changes in other assets and liabilities	(11,555)	31,480	(45,927)
Net cash flows from operating activities	306,944	267,791	276,111
Cash Flows Used in Investing Activities:			
Additions to utility plant	236,827	237,696	237,631
Utility investment	—	—	2,500
Sales of utility plant	(1,723)	(402,076)	—
Non-utility investments (net)	15,408	9,041	14,271
Corporate-owned life insurance policies	55,175	54,914	55,833
Death proceeds of corporate-owned life insurance policies	(11,187)	(1,251)	(10,590)
Net cash flows used in (from) investing activities	294,500	(101,676)	299,645
Cash Flows from Financing Activities:			
Short-term debt (net)	(104,750)	(132,695)	218,670
Bank term loan retired	—	—	(230,000)
Bonds issued	—	235,923	223,500
Bonds retired	(105)	(223,906)	(366,466)
Revolving credit agreements (net)	50,000	(115,000)	(35,000)
Other long-term debt (net)	—	(67,893)	7,043
Other mandatorily redeemable securities	100,000	—	—
Borrowings against life insurance policies (net)	43,895	70,408	210,188
Common stock issued (net)	36,161	—	125,991
Preference stock redeemed	—	—	(2,734)
Dividends on preferred, preference, and common stock	(137,946)	(134,806)	(127,316)
Net cash flows (used in) from financing activities	(12,745)	(367,969)	23,876
Net Increase (Decrease) in Cash and Cash Equivalents	(301)	1,498	342
Cash and Cash Equivalents:			
Beginning of the period	2,715	1,217	875
End of the period	$ 2,414	$ 2,715	$ 1,217
Supplemental Disclosures of Cash Flow Information			
Cash Paid for:			
Interest on financing activities (net of amount capitalized)	$ 136,548	$ 134,785	$ 171,734
Income taxes	84,811	90,229	49,108

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

Year ended December 31, (dollars in thousands)	1995	1994(1)	1993
Federal Income Taxes:			
Payable currently	$ 51,218	$ 98,748	$ 41,200
Deferred taxes arising from:			
Alternative minimum tax credit	23,925	—	—
Depreciation and other property related items	(1,813)	29,506	25,552
Energy and purchased gas adjustment clauses	5,239	9,764	(8,192)
Natural gas line survey and replacement program	1,192	(313)	355
Missouri Property sales	—	(36,343)	—
Prepaid power sale	(23)	(13,759)	—
Other	(7,046)	(800)	6,166
Amortization of investment tax credits	(6,789)	(6,739)	(1,982)
Total Federal income taxes	65,903	80,064	63,099
Less:			
Federal income taxes applicable to non-operating items:			
Missouri Property sales	—	9,485	—
Other	(4,229)	(5,898)	679
Total Federal income taxes applicable to non-operating items	(4,229)	3,587	679
Total Federal income taxes charged to operations	70,132	76,477	62,420
State Income Taxes:			
Payable currently	17,203	17,758	9,869
Deferred (net)	286	2,129	5,787
Total State income taxes	17,489	19,887	15,656
Less:			
State income taxes applicable to non-operating items	(899)	742	98
Total State income taxes charged to operations	18,388	19,145	15,558
General Taxes:			
Property and other taxes	83,738	86,687	84,583
Franchise taxes	26	5,116	22,878
Payroll taxes	13,075	12,879	16,032
Total general taxes charged to operations	96,839	104,682	123,493
Total Taxes Charged to Operations	$ 185,359	$ 200,304	$ 201,471

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

Year ended December 31,	1995	1994(1)	1993
Effective Income Tax Rate	31.8%	35.3%	31.0%
Effect of:			
State income taxes	(4.3)	(4.6)	(4.0)
Amortization of investment tax credits	2.5	2.4	2.7
Corporate-owned life insurance	3.2	2.1	3.0
Flow through and amortization, net	(.2)	(.7)	3.1
Other differences	2.0	.5	(.8)
Statutory Federal Income Tax Rate	35.0%	35.0%	35.0%

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

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December 31, (dollars in thousands)	1995		1994	
Common Stock Equity (See Statements):				
Common stock, par value $5 per share, authorized 85,000,000 shares, outstanding 62,855,961 and 61,617,873 shares, respectively	$ 314,280		$ 308,089	
Paid-in capital	697,962		667,992	
Retained earnings	540,868		498,374	
	1,553,110	48%	1,474,455	49%
Cumulative Preferred and Preference Stock (Note 7):				
Preferred stock not subject to mandatory redemption, Par value $100 per share, authorized 600,000 shares, outstanding –				
4 1/2% Series, 138,576 shares	13,858		13,858	
4 1/4% Series, 60,000 shares	6,000		6,000	
5% Series, 50,000 shares	5,000		5,000	
	24,858		24,858	
Preference stock subject to mandatory redemption, Without par value, $100 stated value, authorized 4,000,000 shares, outstanding –				
7.58% Series, 500,000 shares	50,000		50,000	
8.50% Series, 1,000,000 shares	100,000		100,000	
	150,000		150,000	
	174,858	6%	174,858	6%
Company-Obligated Mandatorily Redeemable Preferred Securities of Western Resources Capital I Holding Solely Company Subordinated Debentures (Note 7):	100,000	3%	—	0%
Long-Term Debt (Note 10):				
First mortgage bonds	841,000		841,000	
Pollution control bonds	521,817		521,922	
Revolving credit agreements	50,000		—	
Less:				
Unamortized premium and discount (net)	5,554		5,814	
Long-term debt due within one year	16,000		80	
	1,391,263	43%	1,357,028	45%
Total Capitalization	$ 3,219,231	100%	$ 3,006,341	100%

The Notes to Consolidated Financial Statements are an integral part of this statement.

(dollars in thousands)	Common Stock	Paid-In Capital	Retained Earnings
Balance December 31, 1992			
58,045,550 shares	$ 290,228	$ 559,636	$ 398,503
Net income			177,370
Cash dividends:			
Preferred and preference stock			(13,506)
Common stock, $1.94 per share			(116,019)
Expenses on common and preference stock		(3,453)	
Issuance of 3,572,323 shares of common stock	17,861	111,555	
Balance December 31, 1993			
61,617,873 shares	308,089	667,738	446,348
Net income			187,447
Cash dividends:			
Preferred and preference stock			(13,418)
Common stock, $1.98 per share			(122,003)
Expenses on common stock		(228)	
Distribution of common stock under the Customer Stock Purchase Plan		482	
Balance December 31, 1994			
61,617,873 shares	308,089	667,992	498,374
Net income			**181,676**
Cash dividends:			
Preferred and preference stock			**(13,419)**
Common stock, $2.02 per share			**(125,763)**
Expenses on common stock		**(772)**	
Issuance of 1,238,088 shares of common stock	**6,191**	**30,742**	
Balance December 31, 1995			
62,855,961 shares	**$ 314,280**	**$ 697,962**	**$ 540,868**

The Notes to Consolidated Financial Statements are an integral part of this statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General: The Consolidated Financial Statements of Western Resources, Inc. (the company) and its wholly-owned subsidiaries, include KPL, a rate-regulated electric and gas division of the company, Kansas Gas and Electric Company (KGE), a rate-regulated electric utility and wholly-owned subsidiary of the company, the Westar companies, non-utility subsidiaries, and Mid Continent Market Center, Inc. (Market Center), a regulated gas transmission service provider. KGE owns 47 percent of Wolf Creek Nuclear Operating Corporation (WCNOC), the operating company for Wolf Creek Generating Station (Wolf Creek). The company records its proportionate share of all transactions of WCNOC as it does other jointly-owned facilities. All significant intercompany transactions have been eliminated. The operations of non-utility subsidiaries were not material to the company's overall results of operations.

The company is an investor-owned holding company. The company is engaged principally in the production, purchase, transmission, distribution and sale of electricity and the delivery and sale of natural gas. The company serves approximately 601,000 electric customers in eastern and central Kansas and approximately 648,000 natural gas customers in Kansas and northeastern Oklahoma. The company's non-utility subsidiaries which market natural gas primarily to large commercial and industrial customers, provide other energy-related products and services and provide electronic security services.

The company prepares its financial statements in conformity with generally accepted accounting principles as applied to regulated public utilities. The accounting and rates of the company are subject to requirements of the Kansas Corporation Commission (KCC), the Oklahoma Corporation Commission (OCC), and the Federal Energy Regulatory Commission (FERC). The financial statements require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, to disclose contingent assets and liabilities at the balance sheet date, and to report amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The company follows the accounting for regulated enterprises prescribed by Statement of Financial Accounting Standards No. 71 "Accounting for the Effects of Certain Types of Regulations" (SFAS 71). This pronouncement requires deferral of certain costs and obligations based upon approvals received from regulators to permit recovery or require refund of these costs and revenues in future periods. Consequently, the recorded net book value of certain assets and liabilities may be different than that which would otherwise be recorded by unregulated enterprises. On a continuing basis, the company reviews the continued applicability of SFAS 71 based on the current regulatory and competitive environment. Although recent developments suggest the electric generation industry may become more competitive, the degree to which regulatory oversight of the company will be lifted and competition will be permitted is uncertain. Currently, there are no proceedings or actions at the KCC to open the company's electric markets to greater competition. As a result, the company continues to believe that accounting under SFAS 71 is appropriate. If the company were to determine that the use of SFAS 71 were no longer appropriate, it would be required to write-off the deferred costs and obligations that represent regulatory assets and liabilities referred to above. It may also be necessary for the company to reduce the carrying value of a portion of its plant and equipment to the extent that it is expected to become impaired. At this time, it is not possible to estimate the amount of the company's plant and equipment, if any, that would be considered unrecoverable in such circumstances, as the effect of any future competition on the company's rates is not clear at this time.

Utility Plant: Utility plant is stated at cost. For constructed plant, cost includes contracted services, direct labor and materials, indirect charges for engineering, supervision, general and administrative costs, and an allowance for funds used during construction (AFUDC). The AFUDC rate was 6.31% in 1995, 4.08% in 1994, and 4.10% in 1993. The cost of additions to utility plant and replacement units of property are capitalized. Maintenance costs and replacement of minor items of property are charged to expense as incurred. When units of depreciable property are retired, they are removed from the plant accounts and the original cost plus removal charges less salvage are charged to accumulated depreciation.

In accordance with regulatory decisions made by the KCC, amortization of the acquisition premium of approximately $801 million resulting from the KGE purchase began in August of 1995. The premium is being amortized over 40 years and has been classified as electric plant in service. Accumulated amortization through December 31, 1995, totaled $6.7 million.

In March 1995, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" (SFAS 121). This Statement imposes stricter criteria for regulatory assets by requiring that such assets be probable of future recovery at each balance sheet date. The company will adopt this standard on January 1, 1996, and does not expect that adoption will have a material impact on the financial position or results of operations based on the company's current regulatory structure. This conclusion may change in the future if increases in competition influence regulation and wholesale and retail pricing in the electric industry.

Depreciation: Depreciation is provided on the straight-line method based on estimated useful lives of property. Composite provisions for book depreciation approximated 2.84% during 1995, 2.87% during 1994, and 3.02% during 1993 of the average original cost of depreciable property. The methods and rates of depreciation used by the company have not varied materially from the methods and rates which would have been used if the company were not regulated and not subject to the provisions prescribed by SFAS 71. In the past, the methods and rates have been determined by depreciation studies and approved by the various regulatory bodies. The company periodically evaluates its depreciation rates considering the past and expected future experience in the operation of its facilities. The company has proposed to more rapidly recover the company's investment in nuclear generating assets of Wolf Creek to reduce the capital costs to a level more closely paralleling that of non-nuclear generating facilities (For information regarding such proposal, see Note 4).

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

Income Taxes: The company accounts for income taxes in accordance with the provisions of Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes" (SFAS 109). Under SFAS 109, deferred tax assets and liabilities are recognized based on temporary differences in amounts recorded for financial reporting purposes and their respective tax bases (See Note 9).

Investment tax credits previously deferred are being amortized to income over the life of the property which gave rise to the credits.

Revenues: Operating revenues for both electric and natural gas services include estimated amounts for services rendered but unbilled at the end of each year. Unbilled revenues of $66 million and $61 million are recorded as a component of accounts receivable and unbilled revenues (net) on the Consolidated Balance Sheets as of December 31, 1995 and 1994, respectively.

The company's recorded reserves for doubtful accounts receivable totaled $4.9 million and $3.4 million at December 31, 1995 and 1994, respectively.

Investments: The company records its investment and ownership percentage of earnings or losses utilizing the equity method of accounting when the company's ownership interest allows it to exert significant influence over the operations of an investee.

In December 1995, a non-regulated subsidiary's net assets were exchanged for a 20% equity interest in a corporation supplying gas compression units to natural gas producers. This investment is valued at approximately $56 million, and is included in net non-utility investments on the Consolidated Balance Sheets as of December 31, 1995.

Debt Issuance and Reacquisition Expense: Debt premium, discount, and issuance expenses are amortized over the life of each issue. Under regulatory procedures, debt reacquisition expenses are amortized over the remaining life of the reacquired debt or, if refinanced, the life of the new debt.

Risk Management: The company is exposed to price risk from fluctuating natural gas prices resulting from gas marketing activities of a non-regulated subsidiary. This subsidiary utilizes various financial instruments to mitigate much of its exposure to fluctuating market prices of commodities. These financial instruments are designated as hedges and as such, gains or losses associated with these financial instruments are deferred until the commodity being hedged is delivered.

At December 31, 1995, this subsidiary had entered into natural gas financial instruments with a contractual volume of 11.05 billion cubic feet expiring through 2000. The market value of these instruments as of December 31, 1995, was $2.7 million more than the contract value.

Fuel Costs: The cost of nuclear fuel in process of refinement, conversion, enrichment, and fabrication is recorded as an asset at original cost and is amortized to expense based upon the quantity of heat produced for the generation of electricity. The accumulated amortization of nuclear fuel in the reactor at December 31, 1995 and 1994, was $28.5 million and $13.6 million, respectively.

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

	1995	1994
	(dollars in millions)	
Cash surrender value of contracts	$ 479.9	$ 408.9
Borrowings against contracts	(435.8)	(391.9)
COLI (net)	$ 44.1	$ 17.0

Income is recorded for increases in cash surrender value and net death proceeds. Interest expense is recognized for COLI borrowings except for certain contracts entered into in 1993 and 1992. The net income generated from COLI contracts purchased prior to 1992 including the tax benefit of the interest deduction and premium expenses are recorded as Corporate-owned Life Insurance (net) on the Consolidated Statements of Income. The income from increases in cash surrender value and net death proceeds was $22.7 million in 1995, $15.6 million in 1994, and $19.7 million in 1993. The interest expense deduction taken was $25.4 million for 1995, $21.0 million for 1994, and $11.9 million for 1993.

The COLI contracts entered into in 1993 and 1992 were established to mitigate the cost of postretirement and postemployment benefits. As approved by the KCC, the company is using the net income stream generated by these COLI policies to offset the costs of postretirement and postemployment benefits. A significant portion of this income stream relates to the tax deduction currently taken for interest incurred on contract borrowings under these COLI policies. The amount of the interest deduction used to offset these benefits costs was $7.0 million for 1995, $5.8 million for 1994, and $4.5 million for 1993.

Federal legislation is pending, which, if enacted, may substantially reduce or eliminate the tax deduction for interest on COLI borrowings, and thus reduce a significant portion of the net income stream generated by the COLI contracts (See Note 6).

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

2. SALES OF MISSOURI NATURAL GAS DISTRIBUTION PROPERTIES

On January 31, 1994, the company sold substantially all of its Missouri natural gas distribution properties and operations to Southern Union Company (Southern Union). The company sold the remaining Missouri properties to United Cities Gas Company (United Cities) on February 28, 1994. The properties sold to Southern Union and United Cities are referred to herein as the "Missouri Properties."

The portion of the Missouri Properties purchased by Southern Union was sold for $404 million. For information regarding litigation in connection with the sale of the Missouri Properties to Southern Union, see Note 3. United Cities purchased the company's natural gas distribution system in and around the City of Palmyra, Missouri, for $665,000. During the first quarter of 1994, the company recognized a gain of approximately $19.3 million, net of tax, on the sales of the Missouri Properties. As of the respective dates of the sales of the Missouri Properties, the company ceased recording the results of operations, and removed the assets and liabilities from the Consolidated Balance Sheet related to the Missouri Properties. The gain is reflected in Other Income and Deductions, on the Consolidated Statements of Income.

The following table reflects the approximate operating revenues and operating income included in the company's consolidated results for the years ended December 31, 1994 and 1993, and net utility plant at December 31, 1993, related to the Missouri Properties:

	Amount	Percent of Total Company
	(dollars in thousands, unaudited)	
1994		
Operating revenues	$ 77,008	4.8%
Operating income	4,997	1.9%
1993		
Operating revenues	$349,749	18.3%
Operating income	20,748	7.1%
Net utility plant	296,039	6.6%

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

3. LEGAL PROCEEDINGS

On June 1, 1994, Southern Union filed an action against the company, The Bishop Group, Ltd., and other entities affiliated with The Bishop Group, alleging, among other things, breach of the Missouri Properties sale agreement relating to certain gas supply contracts between the company and various Bishop entities. Southern Union assumed these contracts upon the sale of the Missouri Properties and requested unspecified monetary damages as well as declaratory relief. On August 1, 1994, the company filed its answer and counterclaim denying all claims asserted against it by Southern Union including claims related to the purchase price of the Missouri Properties. The disputed purchase price adjustments were submitted to an arbitrator in February 1995. Based on the decision of the arbitrator rendered in April 1995, Southern Union paid the company $3.6 million including interest. For additional information regarding the sales of the Missouri Properties, see Note 2.

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

On August 15, 1994, the Bishop entities filed an answer and claims against Southern Union and the company alleging, among other things, breach of those certain gas supply contracts. The Bishop entities claimed damages up to $270 million against the company and Southern Union. On March 1, 1995 this litigation between the company and the Bishop entities was jointly dismissed with prejudice and the parties exchanged mutual releases of any and all claims. The gas supply contracts at issue in the above litigation were canceled.

The agreements between the company and the Bishop entities resolved disputes between them in regulatory proceedings before the KCC, the Missouri Public Service Commission, and the FERC.

Subject to the approval of the KCC, the company has entered into five new gas supply contracts with certain Bishop entities which are currently regulated by the KCC. A contested hearing was held for the approval of those contracts. While the case was under consideration by the KCC, the FERC issued an order under which it extended jurisdiction over the Bishop entities. On November 3, 1995, the KCC stayed its consideration of the contracts between the company and the Bishop entities until the FERC takes final appealable action on its assertion of jurisdiction over the Bishop entities. The settlement of the parties' disputes is not contingent upon the KCC's approval of these contracts.

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

4. RATE MATTERS AND REGULATION

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

KCC Rate Proceedings: On August 17, 1995, the company filed with the KCC a request to more rapidly recover its investment in its assets of Wolf Creek over the next seven years. If the request is granted, depreciation expense for Wolf Creek will increase by approximately $[illegible] million for each of the next seven years. As a result of this proposal, the company will also seek to reduce electric rates for KGE customers by approximately $9 million annually for the same seven year period.

The request also reduces the annual depreciation expense by approximately $11 million for electric transmission, distribution and certain generating plant assets to reflect the effect of increasing useful lives of these properties. Hearings before the KCC on the depreciation changes and voluntary rate reductions are expected to occur in May 1996.

In addition, the company filed a $36 million annual rate increase request for its Kansas natural gas properties. The increase is being sought to recover costs associated with its service line replacement program as well as other increased operating costs (See discussion below regarding KCC order issued on January 24, 1992). On January 26, 1996, the KCC staff submitted testimony related to this rate increase recommending an increase of current gas rates of approximately $34 million annually. The ultimate decision related to the company's request resides with the KCC. Hearings before the KCC on the gas rate increase proposal are scheduled to begin February 19, 1996, with approval of new permanent rates expected to become effective in April 1996.

On June 30, 1995, the KCC granted a certificate authorizing the business operations of the Market Center. The Market Center, which began operations on July 1, 1995, provides natural gas transportation, storage, and gathering services, as well as balancing, and title transfer capability. The company transferred certain natural gas transmission assets having a net book value of approximately $50 million to the Market Center.

On January 24, 1992, the KCC issued an order allowing the company to continue the deferral of service line replacement program costs incurred since January 1, 1992, including depreciation, property taxes, and carrying costs for recovery in the next general rate case. At December 31, 1995, approximately $14.2 million of these deferrals have been included in Deferred Charges and Other Assets, Other, on the Consolidated Balance Sheet.

Tight Sands: In December 1991, the KCC and the OCC approved agreements authorizing the company to refund to customers approximately $40 million of the proceeds of the Tight Sands antitrust litigation settlement to be collected on behalf of Western Resources' natural gas customers. To secure the refund of settlement proceeds, the Commissions authorized the establishment of an independently administered trust to collect and maintain cash receipts received under Tight Sands settlement agreements and provide for the refunds made. The trust has a term of ten years.

Rate Stabilization Plan: In 1988, the KCC ordered the accrual of phase-in revenues to be discontinued by KGE effective December 31, 1988. KGE began amortizing the phase-in revenue asset on a straight-line basis over 9 years beginning January 1, 1989. At December 31, 1995, approximately $44 million of deferred phase-in revenues remain to be recovered.

Coal Contract Settlements: In March 1990, the KCC issued an order allowing KGE to defer its share of a 1989 coal contract settlement with the Pittsburg and Midway Coal Mining Company amounting to $22.5 million. This amount was recorded as a deferred charge and is included in Deferred Charges and Other Assets on the Consolidated Balance Sheet. The settlement resulted in the termination of a long-term coal contract. The KCC permitted KGE to recover this settlement as follows: 76 percent of the settlement plus a return over the remaining term of the terminated contract (through 2002) and 24 percent to be amortized to expense with a deferred return equivalent to the carrying cost of the asset.

In February 1991, KGE paid $8.5 million to settle a coal contract lawsuit with AMAX Coal company and recorded the payment as a deferred charge in Deferred Charges and Other Assets on the Consolidated Balance Sheet. The KCC approved the recovery of the settlement plus a return, equivalent to the carrying cost of the asset, over the remaining term of the terminated contract (through 1996).

5. COMMITMENTS AND CONTINGENCIES

As part of its ongoing operations and construction program, the company has commitments under purchase orders and contracts which have an unexpended balance of approximately $92 million at December 31, 1995. Approximately $20 million is attributable to modifications to upgrade the three turbines at Jeffrey Energy Center to be completed by December 31, 1998.

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

Investment: On December 21, 1995 the company entered into Stock Purchase and Equity Agreements with another corporation to acquire up to 30.8 million common shares of ADT Limited (ADT). ADT's principal business is providing electronic security services. On January 26, 1996, the company purchased 15.4 million of such ADT common shares for $215.6 million ($14 per share). The company has an option to purchase the remaining 15.4 million common shares held by the corporation through May 1997 at the higher of $14 per share or the market price as defined.

The selling corporation has granted the company an irrevocable voting proxy with respect to the option shares during the option period. The shares purchased and the option shares represent approximately 24% of ADT's common equity. The company intends to account for its investment in ADT using the equity method of accounting.

Manufactured Gas Sites: The company has been associated with 15 former manufactured gas sites located in Kansas which may contain coal tar and other potentially harmful materials. The company and the Kansas Department of Health and Environment (KDHE) entered into a consent agreement governing all future work at the 15 sites. The terms of the consent agreement will allow the company to investigate these sites and set remediation priorities based upon the results of the investigations and risk analysis. The prioritized sites will be investigated over a 10 year period. The agreement will allow the company to set mutual objectives with the KDHE in order to expedite effective response activities and to control costs and environmental impact. The costs incurred for site investigation and risk assessment in 1995 and 1994 were minimal. The company is aware of other Midwestern utilities which have incurred remediation costs ranging between $500,000 and $10 million per site. The KCC has permitted another Kansas utility to recover its remediation costs through rates. To the extent that such remediation costs are not recovered through rates, the costs could be material to the company's financial position or results of operations depending on the degree of remediation required and number of years over which the remediation must be completed.

Superfund Sites: The company is one of numerous potentially responsible parties at a groundwater contamination site in Wichita, Kansas, (Wichita site) which is listed by the EPA as a Superfund site. The company has previously been associated with other Superfund sites of which the company's liability has been classified as de minimis and any potential obligations have been settled at minimal cost. In 1994, the company settled Superfund obligations at three sites for a total of $57,500. The company's obligation at the Wichita site appears to be limited based on this experience. In the opinion of the company's management, the resolution of this matter is not expected to have a material impact on the company's financial position or results of operations.

Clean Air Act: The Clean Air Act Amendments of 1990 (the Act) require a two-phase reduction in certain emissions. To meet the monitoring and reporting requirements under the acid rain program, the company installed continuous monitoring and reporting equipment at a total cost of approximately $10 million from 1993 through 1995. The company does not expect additional equipment acquisitions or other material expenditures to be needed to meet Phase II sulfur dioxide requirements.

Other Environmental Matters: As part of the sale of the company's Missouri Properties to Southern Union, Southern Union assumed responsibility for any environmental matters related to the Missouri Properties. The company may be liable for up to a maximum of $7.5 million for 15 years after the date of the sale under a sharing arrangement with Southern Union for environmental matters pending or discovered within the two year period ended January 31, 1996.

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

On June 9, 1994, the KCC issued an order approving the estimated decommissioning costs as determined by a 1993 Wolf Creek Decommissioning Cost Study to be recovered in rates. The cost study estimated the company's share of decommissioning costs to be $595 million or approximately $174 million in 1993 dollars. The decommissioning costs are currently expected to be incurred during the period 2025 through 2033. These costs were calculated using an assumed inflation rate of 3.45% and an average after tax expected return on trust fund assets of 5.9%. Decommissioning costs are being charged to operating expenses in accordance with the KCC order. Amounts expensed approximated $3.6 million in 1995 and will increase annually to $5.5 million in 2024.

The company's investment in the decommissioning fund, including reinvested earnings, approximated $25.0 million and $16.9 million at December 31, 1995 and December 31, 1994, respectively. Trust fund earnings accumulate in the fund balance and increase the recorded decommissioning liability. These amounts are reflected in Decommissioning Trust, and the related liability is included in Deferred Credits and Other Liabilities, Other, on the Consolidated Balance Sheets.

The staff of the SEC has questioned certain current accounting practices used by nuclear electric generating station owners regarding the recognition, measurement, and classification of decommissioning costs for nuclear electric generating stations. In response to these questions, the FASB is expected to issue new accounting standards for removal costs, including decommissioning in 1996. If current electric utility industry accounting practices for such decommissioning costs are changed: (1) annual decommissioning expenses could increase, (2) the estimated present value of decommissioning costs could be recorded as a liability rather than as accumulated depreciation, and (3) trust fund income from the external decommissioning trusts could be reported as investment income rather than as a reduction to decommissioning expense. When revised accounting guidance is issued, the company will also have to evaluate its effect on accounting for removal costs of other long-lived assets. At this time, the company is not able to predict what effect such changes would have on results of operations, financial position, or related regulatory practices until the final issuance of revised accounting guidance.

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

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

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

The Owners also carry additional insurance with NEIL to cover costs of replacement power and other extra expenses incurred during a prolonged outage resulting from accidental property damage at Wolf Creek. If losses incurred at any of the nuclear plants insured under the NEIL policies exceed premiums, reserves, and other NEIL resources, the company may be subject to retrospective assessments under the current policies of approximately $11 million.

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

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

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

6. EMPLOYEE BENEFIT PLANS

Pension: The company maintains qualified noncontributory defined benefit pension plans covering substantially all employees. Pension benefits are based on years of service and the employee's compensation during the five highest paid consecutive years out of ten before retirement. The company's policy is to fund pension costs accrued, subject to limitations set by the Employee Retirement Income Security Act of 1974 and the Internal Revenue Code.

Salary Continuation: The company maintains a non-qualified Executive Salary Continuation Program for the benefit of certain management employees, including executive officers.

The following tables provide information on the components of pension and salary continuation costs under Statement of Financial Accounting Standards No. 87 "Employers' Accounting for Pension Plans" (SFAS 87), funded status and actuarial assumptions for the company:

Year ended December 31,	1995	1994	1993
		(dollars in thousands)	
SFAS 87 Expense:			
Service cost	$ 11,059	$ 10,197	$ 9,778
Interest cost on projected benefit obligation	32,416	29,734	35,688
(Gain) loss on plan assets	(102,731)	7,351	(64,113)
Deferred investment gain (loss)	70,810	(38,457)	29,190
Net amortization	1,132	245	(669)
Net expense	$ 12,686	$ 9,070	$ 9,874

December 31,	1995	1994	1993
		(dollars in thousands)	
Reconciliation of Funded Status:			
Actuarial present value of benefit obligations:			
Vested	$331,027	$278,545	$353,023
Non-vested	21,775	19,132	26,983
Total	$352,802	$297,677	$380,006
Plan assets (principally debt and equity securities) at fair value	$444,608	$375,521	$490,339
Projected benefit obligation	456,707	378,146	468,996
Funded status	(12,099)	(2,625)	21,343
Unrecognized transition asset	(527)	(2,205)	(2,756)
Unrecognized prior service costs	57,087	47,796	64,217
Unrecognized net (gain)	(75,312)	(56,079)	(108,783)
Accrued liability	$ (30,851)	$ (13,113)	$ (25,979)

Year ended December 31,	1995	1994	1993
Actuarial Assumptions:			
Discount rate	7.5%	8.0-8.5%	7.0-7.75%
Annual salary increase rate	4.75%	5.0%	5.0%
Long-term rate of return	8.5-9.0%	8.0-8.5%	8.0-8.5%

Postretirement: The company adopted the provisions of Statement of Financial Accounting Standards No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions" (SFAS 106) in the first quarter of 1993. This statement requires the accrual of postretirement benefits other than pensions, primarily medical benefit costs, during the years an employee provides service.

Based on actuarial projections and adoption of the transition method of implementation which allows a 20-year amortization of the accumulated benefit obligation, postretirement benefits expenses approximated $15.0 million and $12.4 million for 1995 and 1994, respectively. The company's total postretirement benefit obligation approximated $123.2 million and $114.6 million at December 31, 1995 and 1994, respectively. In addition, the company received an order from the KCC permitting the initial deferral of SFAS 106 expense in excess of amounts previously recognized. To mitigate the impact incremental SFAS 106 expense will have on rate increases, the company will include in the future computation of cost of service the actual postretirement benefits expenses and an income stream generated from COLI contracts purchased in 1993 and 1992. To the extent postretirement benefits expenses exceed income from the COLI program, this excess is being deferred (in accordance with the provisions of the FASB Emerging Issues Task Force Issue No. 92-12) and will be offset by income generated through the deferral period by the COLI program. Because these expenses were deferred, there was no effect on the results of continuing operations in 1995. At December 31, 1995, approximately $25.3 million of postretirement expenses had been deferred pursuant to the KCC order. Pending federal legislation may substantially reduce or eliminate tax benefits associated with COLI contracts. If this legislation is enacted or should the income stream generated by the COLI program not be sufficient to offset postretirement benefit costs on an accrual basis, the KCC order allows the company to seek recovery of a deficiency through the ratemaking process. Regulatory precedents established by the KCC generally permit the accrual costs of postretirement benefits to be recovered in rates.

The following table summarizes the status of the company's postretirement benefit plans for financial statement purposes and the related amounts included in the Consolidated Balance Sheets:

December 31,	1995	1994
	(dollars in thousands)	
Reconciliation of Funded Status:		
Actuarial present value of postretirement benefit obligations:		
Retirees	$ 81,402	$ 68,570
Active employees fully eligible	7,645	13,549
Active employees not fully eligible	34,144	32,484
Total	$123,191	$114,603
Fair value of plan assets	46	—
Funded Status	(123,145)	(114,603)
Unrecognized prior service cost	(8,900)	(9,391)
Unrecognized transition obligation	111,443	117,967
Unrecognized net (gain)	(7,271)	(14,489)
Accrued postretirement benefit costs	$ (27,873)	$ (20,516)

December 31,	1995	1994
Actuarial Assumptions:		
Discount rate	7.5%	8.0-8.5%
Annual salary increase rate	4.75%	5.0%
Expected rate of return	9.0%	8.5%

For measurement purposes, an annual health care cost growth rate of 11% was assumed for 1995, decreasing one percent per year to five percent in 2001 and thereafter. The health care cost trend rate has a significant effect on the projected benefit obligation. Increasing the trend rate by one percent each year would increase the present value of the

accumulated projected benefit obligation by $4.3 million and the aggregate of the service and interest cost components by $0.4 million.

Postemployment: The company adopted Statement of Financial Accounting Standards No. 112 "Employers' Accounting for Postemployment Benefits" (SFAS 112) in the first quarter of 1994, which established accounting and reporting standards for postemployment benefits. The statement requires the company to recognize the liability to provide postemployment benefits when the liability has been incurred. The company received an order from the KCC permitting the initial deferral of SFAS 112 expense. To mitigate the impact SFAS 112 expense will have on rate increases, the company will include in the future computation of cost of service the actual SFAS 112 transition costs and expenses and an income stream generated from COLI contracts purchased in 1993 and 1992. At December 31, 1995 approximately $8.3 million of postemployment expenses had been deferred pursuant to the KCC order. Pending federal legislation may substantially reduce or eliminate tax benefits associated with COLI contracts. If this legislation is enacted or should the income stream generated by the COLI program not be sufficient to offset postemployment benefit costs on an accrual basis, the KCC order allows the company to seek recovery of such deficit through the ratemaking process. The 1995 and 1994 expense under SFAS 112 was approximately $3.6 million and $2.7 million, respectively. At December 31, 1995 and 1994, the company's SFAS 112 liability recorded on the Consolidated Balance Sheets was approximately $8.7 million and $8.4 million, respectively.

Savings: The company maintains savings plans in which substantially all employees participate. The company matches employees' contributions up to specified maximum limits. The funds of the plans are deposited with a trustee and invested at each employee's option in one or more investment funds, including a company stock fund. The company's contributions were $5.1 million, $5.1 million, and $5.8 million for 1995, 1994, and 1993, respectively.

7. COMMON STOCK, PREFERRED STOCK, PREFERENCE STOCK, AND OTHER MANDATORILY REDEEMABLE SECURITIES

The company's Restated Articles of Incorporation, as amended, provides for 85,000,000 authorized shares of common stock. At December 31, 1995, 62,855,961 shares were outstanding.

The company has a Dividend Reinvestment and Stock Purchase Plan (DRIP). Shares issued under the DRIP may be either original issue shares or shares purchased on the open market. At December 31, 1995, 3,017,627 shares were available under the DRIP registration statement.

Not subject to mandatory redemption: The cumulative preferred stock is redeemable in whole or in part on 30 to 60 days notice at the option of the company.

Subject to mandatory redemption: The mandatory sinking fund provisions of the 8.50% Series preference stock require the company to redeem 50,000 shares annually beginning on July 1, 1997, at $100 per share. The company may, at its option, redeem up to an additional 50,000 shares on each July 1, at $100 per share. The 8.50% Series also is redeemable in whole or in part, at the option of the company, subject to certain restrictions on refunding, at a redemption price of $106.23, $105.67, and $105.10 per share beginning July 1, 1995, 1996 and 1997, respectively.

The mandatory sinking fund provisions of the 7.58% Series preference stock require the company to redeem 25,000 shares annually beginning on April 1, 2002, and each April 1 through 2006 and the remaining shares on April 1, 2007, all at $100 per share. The company may, at its option, redeem up to an additional 25,000 shares on each April 1 at $100 per share. The 7.58% Series also is redeemable in whole or in part, at the option of the company, subject to certain restrictions on refunding, at a redemption price of $105.31, $104.55, and $103.79 per share beginning April 1, 1995, 1996, and 1997, respectively.

Other Mandatorily Redeemable Securities: On December 14, 1995, Western Resources Capital I, a wholly-owned trust, issued four million preferred securities of 7 7/8% Cumulative Quarterly Income Preferred Securities, Series A, for $100 million. The trust interests represented by the preferred securities are redeemable at the option of Western Resources Capital I, on or after December 11, 2000, at $25 per preferred security plus accrued interest and unpaid dividends. Holders of the securities are entitled to receive distributions at an annual rate of 7 7/8% of the liquidation preference value of $25. Distributions are payable quarterly, and in substance are tax deductible by the company. The sole asset of the trust is $103 million principal amount of 7 7/8% Deferrable Interest Subordinated Debentures, Series A due December 11, 2025 (the Subordinated Debentures).

In addition to the company's obligations under the Subordinated Debentures, the company has agreed, pursuant to a guarantee issued to the trust, the provisions of the trust agreement establishing the trust and a related expense agreement to guarantee on a subordinated basis payment of distributions on the preferred securities (but not if the trust does not have sufficient funds to pay such distributions) and to pay all of the expenses of the trust (collectively, the "Back-up Undertakings"). Considered together the Back-up Undertakings.

The security obligations constitute a full and unconditional guarantee by the company of the trust obligations under the preferred securities. The securities are shown as Western Resources Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trust holding solely Subordinated Debentures on the Consolidated Statements of Capitalization.

8. JOINT OWNERSHIP OF UTILITY PLANTS

	Company's Ownership at December 31, 1995					
	In-Service Dates		Investment	Accumulated Depreciation	Net (MW)	Percent
			(dollars in thousands)			
La Cygne 1 (a)	Jun	1973	$ 155,566	$ 99,133	341	50
Jeffrey 1 (b)	Jul	1978	285,357	116,771	587	84
Jeffrey 2 (b)	May	1980	289,443	109,858	617	84
Jeffrey 3 (b)	May	1983	389,157	143,862	591	84
Wolf Creek (c)	Sep	1985	1,371,878	335,941	548	47

(a) Jointly owned with Kansas City Power & Light Company (KCPL)
(b) Jointly owned with UtiliCorp United Inc.
(c) Jointly owned with KCPL and Kansas Electric Power Cooperative, Inc.

Amounts and capacity represent the company's share. The company's share of operating expenses of the plants in service above, as well as such expenses for a 50 percent undivided interest in La Cygne 2 (representing 335 MW capacity) sold and leased back to the company in 1987, are included in operating expenses on the Consolidated Statements of Income. The company's share of other transactions associated with the plants is included in the appropriate classification in the company's Consolidated Financial Statements.

9. INCOME TAXES

Under SFAS 109, temporary differences gave rise to deferred tax assets and deferred tax liabilities at December 31, 1995 and 1994, respectively, as follows:

	1995	1994
	(dollars in thousands)	
Deferred Tax Assets		
Deferred gain on sale-leaseback	$ 105,007	$ 110,556
Alternative Minimum tax carry forwards	18,740	41,163
Other	30,789	29,162
Total Deferred Tax Assets	$ 154,536	$ 180,881
Deferred Tax Liabilities:		
Accelerated Depreciation & Other	$ 653,134	$ 661,433
Acquisition Premium	315,513	318,190
Deferred Future Income Taxes	282,476	283,297
Other	70,883	70,386
Total Deferred Tax Liabilities	$1,322,006	$1,333,306
Accumulated Deferred Income Taxes, Net	$1,167,470	$1,152,425

In accordance with various rate orders received from the KCC and the OCC, the company has not yet collected through rates the amounts necessary to pay a significant portion of the net deferred income tax liabilities. As management believes it is probable that the net future increases in income taxes payable will be recovered from customers, it has recorded a deferred asset for these amounts. These assets are also a temporary difference for which deferred income tax liabilities have been provided.

At December 31, 1995, the company has alternative minimum tax credits generated prior to April 1, 1992, which carry forward without expiration, of $18.7 million which may be used to offset future regular tax to the extent the regular tax exceeds the alternative minimum tax. These credits have been applied in determining the company's net deferred income tax liability and corresponding deferred future income taxes at December 31, 1995.

10. LONG-TERM DEBT

The amount of first mortgage bonds authorized by the Western Resources Mortgage and Deed of Trust, dated July 1, 1939, as supplemented, is unlimited. The amount of first mortgage bonds authorized by the KGE Mortgage and Deed of Trust, dated April 1, 1940, as supplemented, is limited to a maximum of $2 billion. Amounts of additional bonds which may be issued are subject to property, earnings, and certain restrictive provisions of each Mortgage.

Debt discount and expenses are being amortized over the remaining lives of each issue. The Western Resources and KGE improvement and maintenance fund requirements for certain first mortgage bond series can be met by bonding additional property. With the retirement of certain Western Resources and KGE pollution control series bonds, there are no longer any bond sinking fund requirements. During 1996, $16 million of bonds will mature. $125 million of bonds will mature in 1999 and $75 million of bonds will mature in 2000.

In January 1993, the company renegotiated its $600 million bank term loan and revolving credit facility used to finance the Merger into a $350 million revolving credit facility, secured by KGE common stock. On October 5, 1994, the company extended the term of this facility to expire on October 5, 1999. The unused portion of the revolving credit facility may be used to provide support for outstanding short-term debt. At December 31, 1995, there was $50 million outstanding under the facility.

Long-term debt outstanding at December 31, 1995 and 1994, was as follows:

December 31,	1995	1994
	(dollars in thousands)	
Western Resources		
First mortgage bond series:		
7 1/4% due 1999	$ 125,000	$ 125,000
8 7/8% due 2000	75,000	75,000
7 1/4% due 2002	100,000	100,000
8 1/2% due 2022	125,000	125,000
7.65% due 2023	100,000	100,000
	525,000	525,000
Pollution control bond series:		
Variable due 2032 (1)	45,000	45,000
Variable due 2032 (2)	30,500	30,500
6% due 2033	58,420	58,500
	133,920	134,000
KGE		
First mortgage bond series:		
5 5/8% due 1996	16,000	16,000
7.60% due 2003	135,000	135,000
6 1/2% due 2005	65,000	65,000
6.20% due 200[illegible]	100,000	100,000
	316,000	316,000
Pollution control bond series:		
5.10% due 2023	13,957	13,982
Variable due 2027 (3)	21,940	21,940
7.0% due 2031	327,500	327,500
Variable due 2032 (4)	14,500	14,500
Variable due 2032 (5)	10,000	10,000
	387,897	387,922
Revolving Credit Agreement	50,000	—
Less:		
Unamortized debt discount	5,554	5,814
Long-term debt due within one year	16,000	80
	$1,391,263	$1,357,028

Rates at December 31, 1995: (1) 4[illegible] (2) 4.049%, (3) 4.00%, (4) 3.925% and (5) 4.00%

11. SEGMENTS OF BUSINESS

The company is principally a public utility engaged in the generation, transmission, distribution, and sale of electricity in Kansas and the transportation, distribution, and sale of natural gas in Kansas and Oklahoma.

Year ended December 31,	1995	1994(1)	1993
	(dollars in thousands)		
Operating revenues:			
Electric	$1,145,895	$1,121,781	$1,104,537
Natural gas	426,176	496,162	804,822
	1,572,071	1,617,943	1,909,359
Operating expenses excluding income taxes:			
Electric	788,900	768,317	791,563
Natural gas	419,267	484,458	747,755
	1,208,167	1,252,775	1,539,318
Income taxes:			
Electric	94,042	100,078	73,425
Natural gas	(5,522)	(4,456)	4,553
	88,520	95,622	77,978
Operating income:			
Electric	262,953	253,386	239,549
Natural gas	12,431	16,160	52,514
	$ 275,384	$ 269,546	$ 292,063
Identifiable assets at December 31:			
Electric	$4,470,359	$4,346,312	$4,231,277
Natural gas	712,858	654,483	1,040,513
Other corporate assets(2)	307,460	370,234	140,258
	$5,490,677	$5,371,029	$5,412,048
Other Information—			
Depreciation and amortization:			
Electric	$ 133,421	$ 123,696	$ 126,034
Natural gas	23,494	27,934	38,330
	$ 156,915	$ 151,630	$ 164,364
Maintenance:			
Electric	$ 87,942	$ 88,162	$ 87,696
Natural gas	20,699	25,024	30,147
	$ 108,641	$ 113,186	$ 117,843
Capital expenditures:			
Electric	$ 153,931	$ 152,384	$ 137,874
Nuclear fuel	28,465	20,590	5,702
Natural gas	54,431	64,722	94,055
	$ 236,827	$ 237,696	$ 237,631

(1) Information reflects the sales of the Missouri Properties (Note 2).
(2) Principally cash, temporary cash investments, non-utility assets, and deferred charges.

The portion of the table above related to the Missouri Properties is as follows:

	1994	1993
	(dollars in thousands, unaudited)	
Natural gas revenues	$ 77,008	$349,749
Operating expenses excluding income taxes	69,114	326,329
Income taxes	2,897	2,672
Operating income	4,997	20,748
Identifiable assets	—	398,464
Depreciation and amortization	1,274	12,668
Maintenance	1,099	10,504
Capital expenditures	3,682	38,821

12. SHORT-TERM DEBT

The company's short-term financing requirements are satisfied through the sale of commercial paper, short-term bank loans, and borrowings under unsecured lines of credit maintained with banks. Information concerning these arrangements for the years ended December 31, 1995, 1994, and 1993, is set forth below:

Year ended December 31,	1995	1994	1993
	(dollars in thousands)		
Available lines of credit	$121,075	$145,000	$145,000
Short-term debt outstanding at year end	203,450	308,200	440,895
Weighted average interest rate on debt outstanding at year end (including fees)	6.02%	6.25%	3.67%
Maximum amount of short-term debt outstanding during the period	$355,615	$485,395	$443,895
Monthly average short-term debt	301,871	214,180	347,278
Weighted daily average interest rates during the year (including fees)	6.15%	4.63%	3.44%

In connection with the above arrangements, the company has agreed to pay certain fees to the banks. Available lines of credit and the unused portion of the revolving credit facility are utilized to support the company's outstanding short-term debt.

13. LEASES

At December 31, 1995, the company had leases covering various property and equipment. Certain lease agreements in 1994 and 1993 met the criteria, as set forth in Statement of Financial Accounting Standards No. 13, "Accounting for Leases", for classification as capital leases. Capital lease payments were $[illegible].0 million and $3.3 million in 1994 and 1993, respectively. At December 31, 1995, the company had no capital leases.

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

Year ended December 31,	Operating Leases
	(dollars in thousands)
1993	$ 55,011
1994	55,076
1995	63,353
Future Commitments:	
1996	55,992
1997	49,892
1998	45,069
1999	41,882
2000	41,292
Thereafter	721[illegible]
Total	$955,871

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

As permitted under the La Cygne 2 lease agreement, the company in 1992 requested the Trustee Lessor to refinance $341.1 million of secured facility bonds of the Trustee and owner of La Cygne 2. The transaction was requested to reduce recurring future net lease expense. In connection with the refin[illegible]ng on September 29, 1992, a one-time payment of approximately [illegible] million was made by the company which has been deferred and is being amortized over the remaining life of the lease and included in operating expense as part of the future lease expense. At December 31, 1995, approximately $23.7 million of this deferral remained on the Consolidated Balance Sheet.

Future minimum annual lease payments, included in the table above, required under the La Cygne 2 lease agreement are approximately $34.6 million for each year through 2000 and $646 million over the remainder of the lease.

The gain of approximately $322 million realized at the date of the sale of La Cygne 2 has been deferred for financial reporting purposes, and is being amortized ($9.6 million per year) over the initial lease term in proportion to the related lease expense. KGE's lease expense, net of amortization of the deferred gain and a one-time payment, was approximately $22.5 million for 1995, 1994, and 1993.

14. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Cash and Cash Equivalents —
The carrying amount approximates the fair value because of the short-term maturity of these investments.

Decommissioning Trust —
The carrying amount is recorded at the fair value of the decommissioning trust and is based on quoted market prices at December 31, 1995 and 1994.

Variable-rate Debt —
The carrying amount approximates the fair value because of the short-term variable rates of these debt instruments.

Fixed-rate Debt —
The fair value of the fixed-rate debt is based on the sum of the estimated value of each issue taking into consideration the interest rate, maturity, and redemption provisions of each issue.

Redeemable Preference Stock —
The fair value of the redeemable preference stock is based on the sum of the estimated value of each issue taking into consideration the dividend rate, maturity, and redemption provisions of each issue.

Other Mandatorily Redeemable Securities —
The fair value of the other mandatorily redeemable securities is based on the sum of the estimated value of each issue taking into consideration the dividend rate, maturity, and redemption provisions of each issue.

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

December 31,	Carrying Value 1995	Carrying Value 1994	Fair Value 1995	Fair Value 1994
	(dollars in thousands)			
Cash and cash equivalents	$ 2,414	$ 2,715	$ 2,414	$ 2,715
Decommissioning trust	25,070	16,944	25,070	16,633
Variable-rate debt	811,190	822,045	811,190	822,045
Fixed-rate debt	1,240,877	1,240,982	1,294,365	1,171,866
Redeemable preference stock	150,000	150,000	160,405	155,375
Other Mandatorily Redeemable Securities	1[illegible]0,000	—	102,000	—

The fair value estimates presented herein are based on information available as of December 31, 1995 and 1994. These fair value estimates have not been comprehensively revalued for the purpose of these financial statements since that date, and current estimates of fair value may differ significantly from the amounts presented herein.

Certain subsidiaries of the company use financial instruments to hedge price fluctuations in their portfolios of commodity transactions. The financial instruments used include futures and options traded on the New York Mercantile Exchange and swaps and options traded in the over-the-counter market. These subsidiaries are subject to credit risk on its over-the-counter transactions and monitors the creditworthiness of its counterparties, which consist primarily of large financial institutions.

15. QUARTERLY RESULTS (UNAUDITED)

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

	First	Second	Third	Fourth
	(dollars in thousands, except per share amounts)			
1995				
Operating revenues	$ 417,546	$ 333,380	$ 423,860	$ 397,285
Operating income	68,517	48,029	99,429	59,409
Net income	41,575	21,716	71,905	46,480
Earnings applicable to common stock	38,220	18,362	68,550	43,125
Earnings per share	$ 0.62	$ 0.30	$ 1.10	$ 0.69
Dividends per share	$ 0.505	$ 0.505	$ 0.505	$ 0.505
Average common shares outstanding	61,7[illegible]7	61,886	62,244	62,712
Common stock price:				
High	$ 33 3/8	$ 32 1/2	$ 32 7/8	$ 34
Low	$ 28 5/8	$ 30 1/4	$ 29 3/4	$ 31
1994 (1)				
Operating revenues	$ 538,372	$ 341,132	$ 379,213	$ 359,226
Operating income	73,782	53,899	83,884	57,981
Net income	66,133	30,247	57,679	33,388
Earnings applicable to common stock	62,779	26,892	54,324	30,034
Earnings per share	$ 1.02	$ 0.44	$ 0.88	$ 0.48
Dividends per share	$ 0.495	$ 0.495	$ 0.495	$ 0.495
Average common shares outstanding	61,618	61,618	61,618	61,618
Common stock price:				
High	$ 34 7/8	$ 29 3/4	$ 29 5/8	$ 29 1/4
Low	$ 28 1/4	$ 26 1/8	$ 26 3/4	$ 27 3/8

(1) Information reflects the sales of the Missouri Properties (Note 2).

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF WESTERN RESOURCES, INC.:

We have audited the accompanying consolidated balance sheets and statements of capitalization of Western Resources, Inc., and subsidiaries as of December 31, 1995 and 1994, and the related consolidated statements of income, cash flows, taxes and common stock equity for each of the three years in the period ended December 31, 1995. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Western Resources, Inc., and subsidiaries as of December 31, 1995 and 1994, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1995, in conformity with generally accepted accounting principles.

As explained in Note 6 to the consolidated financial statements, effective January 1, 1993, the company changed its method of accounting for postretirement benefits and effective January 1, 1994, the company changed its method of accounting for postemployment benefits.

ARTHUR ANDERSEN LLP

Kansas City, Missouri,
January 26, 1996

INCOME STATEMENT DATA ($1,000s):

		Operating Expenses							
Years	Total Operating Revenues	Fuel Used for Generation	Power Purchased (Net)	Natural Gas Purchases	Other Operations	Maintenance	Depreciation & Amortization	Taxes	Operating Income
1995	**$1,572,071**	**$231,419**	**$15,739**	**$263,790**	**$317,279**	**$108,641**	**$174,460**	**$185,359**	**$275,384**
1994 (1)	1,617,943	234,328	15,438	312,576	303,391	113,186	169,174	200,304	269,546
1993	1,909,359	250,328	16,396	500,189	349,160	117,843	181,909	201,471	292,063
1992 (2)	1,556,248	200,779	14,819	403,326	296,642	101,611	157,171	142,731	239,169
1991	1,162,178	146,256	5,335	439,323	193,319	60,515	85,735	102,074	129,621
1990	1,149,755	148,681	2,658	456,868	178,448	57,817	76,815	96,478	131,990
1989	1,127,623	149,796	148	451,896	171,094	58,442	73,305	97,406	125,536
1988	1,166,114	148,787	(2,356)	486,347	165,234	55,128	70,406	112,146	130,422
1987	1,166,458	144,495	2,328	485,995	153,789	49,598	67,804	124,115	138,334
1986	1,198,884	144,693	2,065	511,344	151,676	45,842	65,208	135,417	142,639

ELECTRIC STATISTICS:

	MWH Sales (1,000s)					Company System Supply at Peak Hour (Net MW)			
Years	Residential	Commercial	Industrial	Other	Total	System Net Load	System Peak Responsibility (3)	Accredited Generating Capacity	System Capacity (3)
1995	**5,088**	**5,453**	**5,619**	**4,120**	**20,280**	**3,979**	**4,004**	**5,240**	**4,966**
1994	5,003	5,368	5,410	4,005	19,786	3,720	3,730	5,230	4,960
1993	4,960	5,100	5,301	4,628	19,989	3,821	3,827	5,184	4,985
1992 (2)	3,842	4,473	4,419	3,119	15,853	3,583	3,590	5,139	4,807
1991	2,556	3,051	1,947	1,984 (6)	9,538 (6)	1,973	1,959	2,622	2,367
1990	2,403	2,952	1,954	1,820	9,129	1,957	1,948	2,589	2,344
1989	2,248	2,814	1,925	2,077	9,064	1,838	1,823	2,589	2,345
1988	2,296	2,782	1,877	2,174	9,129	1,926	1,919	2,526	2,287
1987	2,153	2,633	1,816	2,001	8,603	1,818	1,821	2,505	2,241
1986	2,075	2,521	1,821	2,125	8,542	1,737	1,740	2,531	2,262

NATURAL GAS STATISTICS:

	MCF Sales (1,000s)						
Years	Residential	Commercial	Industrial	Other	Transportation	Total	Average Cost of Gas Purchased Per MCF
1995	**55,810**	**21,245**	**548**	**17,078**	**48,292**	**142,973**	**$2.68**
1994 (1)	64,804	26,526	605	43	51,059	143,037	3.06
1993	110,045	47,536	1,490	41	73,574	232,686	3.05
1992	93,779	40,556	2,214	94	68,425	205,068	2.74
1991	97,297	47,075	2,655	14,960 (6)	78,055	240,042 (6)	2.87
1990	95,247	43,973	3,207	1,361	72,623	216,411	2.90
1989	104,057	47,339	5,637	1,403	58,025	216,461	2.75
1988	104,471	52,567	19,929	2,455	37,424	216,846	2.57
1987	94,842	50,946	29,917	2,101	24,584	202,330	2.67
1986	97,368	54,132	48,181	2,523	5,752	207,956	2.50

(1) Information reflects the sales of the Missouri Properties (Note 2).

(2) Information reflects the merger with KGE on March 31, 1992.

(3) Net of off-system sales and purchases.

(4) Restated to reflect two-for-one stock split on May 5, 1987.

Other Income and Deductions		Interest Charges			Income, Earnings, and Dividends				
AFUDC Equity	Other Income & Deductions (Net)	Long-Term Debt	Other	AFUDC-Debt	Net Income	Preferred & Preference Dividends	Earnings Applicable to Common Stock	Earnings per Common Share (4)	Dividends Declared per Common Share (4)
$ —	**$25,907**	**$ 95,962**	**$27,859**	**$(4,206)**	**$181,676**	**$13,419**	**$168,257**	**$2.71**	**$2.02**
—	33,856	98,483	20,139	(2,667)	187,447	13,418	174,029	2.82	1.98
—	25,482	123,551	19,255	(2,631)	177,370	13,506	163,864	2.76	1.94
—	24,186	117,464	20,009	(2,002)	127,884	12,751	115,133	2.20	1.90
—	3,351	51,267	10,490	(1,070)	89,645 (6)	6,377	83,268 (6)	2.41 (6)	2.04 (5)
—	9,012	51,542	11,022	(1,181)	79,619	1,744	77,875	2.25	1.80
—	859	46,378	8,742	(1,503)	72,778	1,857	70,921	2.05	1.76
—	(461)	44,362	7,135	(1,327)	79,791	1,970	77,821	2.25	1.72
375	1,188	46,185	3,517	(496)	88,691	3,700	84,991	2.46	1.65
366	750	50,213	2,902	(742)	91,382	7,633	83,749	2.42	1.58

Electric Revenues ($1,000s)					Customers	Utility Plant ($1,000s)	
Residential	Commercial	Industrial	Other & Misc.	Total	Average Total	Gross Additions	Total
$396,025	**$340,819**	**$268,947**	**$140,104**	**$1,145,895**	**600,791**	**$179,090**	**$5,415,754**
388,271	334,059	265,838	133,613	1,121,781	593,859	164,305	5,293,995
384,618	319,686	261,898	138,335	1,104,537	585,042	147,556	5,169,915
296,917	271,303	211,593	103,072	882,885	577,918	93,340	5,048,903
160,831	149,152	78,138	83,718	471,839	306,203	42,387	1,684,147
152,509	146,001	79,225	85,972	463,707	303,535	46,697	1,649,367
142,308	139,567	78,267	92,201	452,343	300,028	54,207	1,613,095
149,155	138,318	77,201	96,486	461,160	295,072	62,010	1,563,444
149,914	143,084	82,972	93,755	469,725	295,371	52,792	1,510,067
150,950	145,166	89,084	97,674	482,874	291,967	47,526	1,466,334

Natural Gas Revenues ($1,000s)					Customers	Utility Plant ($1,000s)	
Residential	Commercial	Industrial	Other & Misc.	Total	Average Total	Gross Additions	Total
$274,550	**$ 94,349**	**$ 3,051**	**$54,226**	**$426,176**	**648,016**	**$ 53,162**	**$ 700,255**
332,348	125,570	3,472	34,772	496,162	684,809	64,125	750,496
529,260	209,344	7,294	58,924	804,822	1,092,713	100,324	1,129,792
440,239	169,470	7,804	55,850	673,363	1,083,467	89,520	1,040,373
433,871	182,486	10,546	63,436	690,339	1,067,840	80,630	865,448
439,956	176,279	12,994	56,819	686,048	1,059,140	84,553	789,428
430,250	172,628	18,021	54,381	675,280	1,053,787	91,613	708,787
418,190	181,506	57,434	47,824	704,954	1,042,140	50,227	620,803
390,218	178,402	87,207	40,906	696,733	1,030,422	49,906	572,382
386,954	184,721	131,090	13,245	716,010	1,011,686	46,319	520,631

(5) Includes special, one-time dividend of $0.18 per share paid February 28, 1991.

(6) Includes cumulative effect to January 1, 1991, of change in revenue recognition, a $17,360,000 or $0.50 per share increase. The cumulative effect of this change increased natural gas sales by 14,838,000 MCF and electric sales by 256,000 MWH.

DIRECTORS

Frank J. Becker (59)
Elected 1992.
President
Becker Investments, Inc.
Lawrence, Kansas
Committees: Audit and Finance, Corporate Public Policy

Gene A. Budig (56)
Elected 1987.
President
American League of Professional Baseball Clubs
New York, New York
Committees: Audit and Finance, Nominating

C. Q. Chandler (69)
Elected 1992.
Chairman of the Board
INTRUST Financial Corporation
Wichita, Kansas
Committees: Audit and Finance, Corporate Public Policy

Thomas R. Clevenger (60)
Elected 1975.
Investments and Financial Consultant
Wichita, Kansas
Committees: Audit and Finance, Nominating

John C. Dicus (62)
Elected 1990.
Chairman of the Board and President
Capitol Federal Savings and Loan Association
Topeka, Kansas
Committees: Corporate Public Policy, Human Resources

John E. Hayes, Jr. (58)
Elected 1989.
Chairman of the Board, President, and Chief Executive Officer
Western Resources, Inc.
Topeka, Kansas

David H. Hughes (67)
Elected 1988.
Retired Vice Chairman
Hallmark Cards, Inc.
Kansas City, Missouri
Committees: Nominating, Corporate Public Policy

Russell W. Meyer, Jr. (63)
Elected 1992.
Chairman and Chief Executive Officer
Cessna Aircraft Company
Wichita, Kansas
Committees: Human Resources, Nominating

John H. Robinson (68)
Elected 1991.
Chairman Emeritus
Black & Veatch
Kansas City, Missouri
Committees: Corporate Public Policy, Human Resources

Marjorie I. Setter (71)
Elected 1992.*
Consultant
Armstrong Shank Marketing
Wichita, Kansas
Committees: Human Resources, Corporate Public Policy

Louis W. Smith (52)
Elected 1991.
President and Chief Operating Officer
Ewing Marion Kauffman Foundation
Kansas City, Missouri
Committees: Human Resources, Nominating

Susan M. Stanton (47)
Elected 1995.
President and Chief Operating Officer
Payless Cashways, Inc.
Kansas City, Missouri
Committees: Corporate Public Policy, Human Resources

Kenneth J. Wagnon (57)
Elected 1987.
President
Capital Enterprises, Inc.
Wichita, Kansas
Committees: Human Resources, Nominating

OFFICERS

EXECUTIVE OFFICERS

John E. Hayes, Jr. (58) 1989
Chairman of the Board, President, and Chief Executive Officer

William E. Brown (56) 1962[1]
Executive Vice President and Chief Operating Officer

James S. Haines, Jr. (49) 1980
Executive Vice President and Chief Operating Officer

Steven L. Kitchen (50) 1964
Executive Vice President and Chief Financial Officer

Carl M. Koupal, Jr. (42) 1992
Executive Vice President and Chief Administrative Officer

John K. Rosenberg (50) 1979
Executive Vice President and General Counsel

David C. Wittig (40) 1995
Executive Vice President, Corporate Strategy

RETAIL OPERATIONS

KPL

Fred M. Bryan (54) 1969
President

KGE

Kent R. Brown (50) 1982[2]
President and Chief Executive Officer

William B. Moore (43) 1978
Chairman of the Board and President

Richard D. LaGree (65) 1956[3]
Vice President, Field Operations

GENERATION

Thomas L. Grennan (43) 1974
Vice President, Generation Services

TRANSMISSION

Norman E. Jackson (58) 1960
Executive Vice President, Electric Transmission and Engineering Services

Hans E. Mertens (46) 1990
Vice President, Electric Transmission Services

CORPORATE

James T. Clark (55) 1978
Vice President, Management Information Systems and Telecommunications

William G. Eliason (43) 1988
Vice President, Gas Operations

Richard M. Haden (56) 1966
Executive Vice President, Field Services

James A. Martin (38) 1983
Vice President, Finance

Carl Ricketts (38) 1982
Vice President, Labor

David E. Roth (40) 1979
Vice President, Human Resources

Mark A. Ruelle (34) 1986
Vice President, Corporate Development

Edward H. Schaub (64) 1989
Vice President, Government Affairs

Jerry D. Courington (50) 1977
Controller

Thomas E. Shea (46) 1972
Treasurer

Richard D. Terrill (41) 1980
Secretary

WESTAR CAPITAL

C. Bob Cline (49) 1991
Chairman, President, and Chief Executive Officer

WESTAR BUSINESS SERVICES

Kenneth T. Wymore (43) 1974
President

Rita A. Sharpe (37) 1977
Vice President

Rodrick S. Donovan (37) 1994
Vice President

WESTAR CONSUMER SERVICES

Steven A. Millstein (43) 1995
President

( ) Age as of December 31, 1995
Date joined Western Resources or predecessor company

*Ms. Setter retired from the Board of Directors effective May 2, 1995.

[1] Mr. William E. Brown retired from the company effective June 30, 1995.

[2] Mr. Kent R. Brown retired from the company effective June 15, 1995.

[3] Mr. Richard D. LaGree retired from the company effective June 15, 1995.

SHAREHOLDER INFORMATION AND ASSISTANCE

The Shareholder Services Department provides information and assistance to shareholders, including inquiries regarding lost, stolen, or destroyed dividend checks. Write or call our toll-free number, **800-527-2495** from 8 am to 5 pm (Central Time). In the Topeka area, call 575-6394 (FAX 913-575-1796).

Written inquiries should be addressed to:

Western Resources
Shareholder Services
P.O. Box 750320
Topeka, KS 66675-0320

Internet Address: sharsvcs@wstnres.com

Please include a daytime telephone number in your correspondence.

DIVIDEND REINVESTMENT AND STOCK PURCHASE PLAN

Western Resources offers common shareholders a program to purchase additional shares of common stock. Options of the Dividend Reinvestment and Stock Purchase Plan include full or partial reinvestment of dividends, optional cash payments, invested semi-monthly, automatic electronic investment, and safekeeping of share certificates. Investors may become a Western Resources shareholder through the Plan with a minimum initial investment of $250.

To receive additional information about the Dividend Reinvestment and Stock Purchase Plan, please contact Shareholder Services at the number listed above.

DIRECT DEPOSIT OF DIVIDENDS

Western Resources offers, at no charge, the option of direct deposit of dividends. Quarterly dividend payments are deposited directly to your bank account the same day the dividends are paid. Participating shareholders receive a record of the transaction. To enroll for this service, write or call Shareholder Services to request an authorization form. The form must be received at least 30 days prior to the dividend payment date.

DUPLICATE MAILINGS

To eliminate duplicate mailings, possibly because of stock registered in more than one way, please write Shareholder Services. Western Resources is required, by law, to create a separate account for each name when stock is held in similar but different names (e.g. John A. Smith, John Smith, John A. Smith & Mary Smith JT TEN, etc.). Help us reduce mailing and record keeping costs by consolidating your accounts.

ANNUAL MEETING

The annual meeting of shareholders will be at:

11:00 a.m., Tuesday, May 7, 1996, at

Kansas Expocentre
Maner Conference Center
One Expocentre Drive
Topeka, Kansas

INVESTOR RELATIONS

Security analysts seeking information about the company, please call 913-575-8226, or write:

Director of Investor Relations
Western Resources
P.O. Box 889
Topeka, KS 66601-0889

Internet Address: investrel@wstnres.com

Copies of the Form 10-K Annual Report to the Securities and Exchange Commission and other published reports can be obtained without charge by contacting Investor Relations at the above address.

STOCK TRANSFER AGENTS AND REGISTRARS

Western Resources, Inc.
P.O. Box 750320
Topeka, Kansas 66675-0320

Continental Stock Transfer & Trust Company
2 Broadway
New York, New York 10004

COMMON STOCK LISTING

Ticker Symbol (NYSE): WR
Daily stock table listing: WstnRes

TRUSTEE FOR BONDS

Principal Trustee, Paying Agent, and Registrar

Harris Trust and Savings Bank
111 West Monroe Street
Chicago, Illinois 60603-4003
Call collect 312-461-6838

CORPORATE ADDRESS

Western Resources
818 Kansas Avenue
Topeka, Kansas 66612-1217
913-575-6300

Internet site at http://www.wstnres.com

DIVIDENDS

Anticipated record and payment dates for 1996 dividends on Western Resources common stock:

Record	Payment
December 5, 1995	January 2
March 4	April 1
June 4	July 1
September 4	October 1

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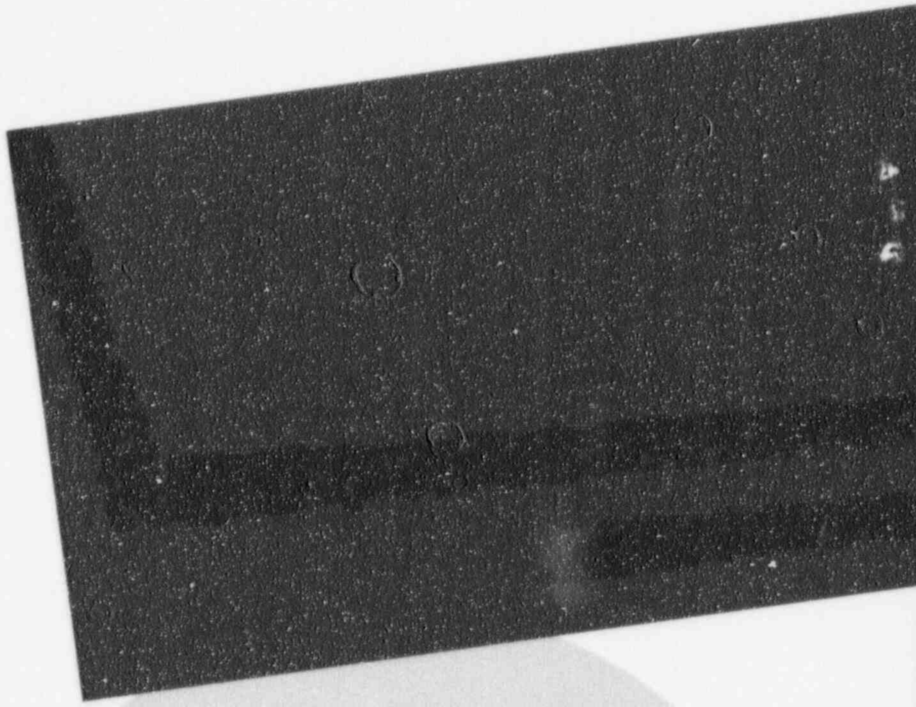

Western Resources
P.O. Box 889, Topeka, Kansas 66601-0889
http://www.wstnres.com