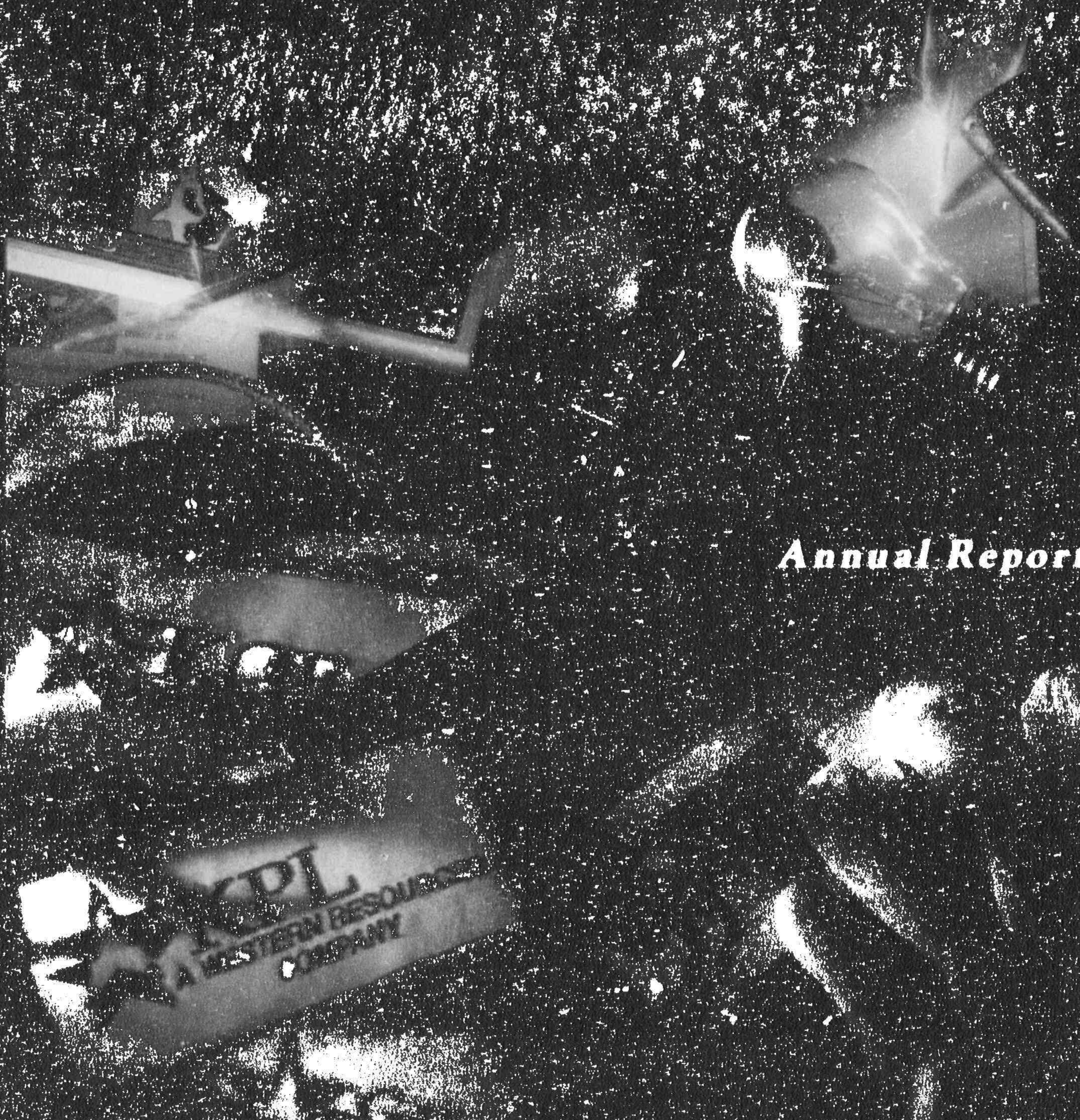
WESTERN RESOURCES, INC.



Annual Report

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The legal name of the Company is Western Resources, Inc., and it is under this name stock is traded and dividends distributed. The Company has three operating groups—KPL, KG&E, and Gas Service—which provide natural gas and electric service in Kansas and natural gas service in Missouri and Oklahoma.

Western Resources' Annual Report for 1992 was prepared for the general information of the shareholders and employees of the Company and is not intended to be used in connection with any sale, or offer to buy, any security of the Company.

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Highlights

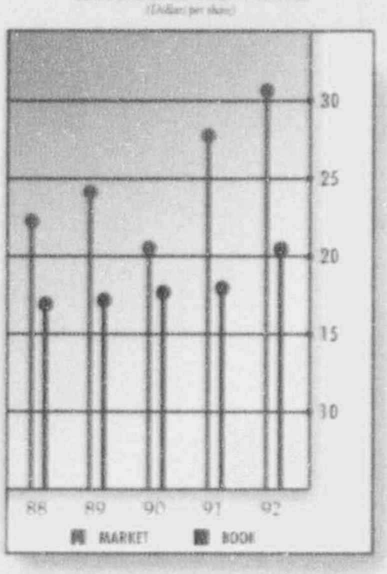
	1992 (1)	1991
COMMON STOCK DATA		
Earnings Per Share	$ 2.20	$ 2.41 (2)
Dividends Per Share	1.90	2.04 (3)
Book Value Per Share	21.51	18.59
Average Shares Outstanding	52,271,932	34,566,170
FINANCIAL DATA (Millions of Dollars)		
Operating Revenues	$1,556	$1,162
Operating Expenses	1,317	1,033
Net Income	128	90 (2)
Gross Plant in Service	6,024	2,535
OPERATING DATA		
Natural Gas:		
Sales (Thousands of MCF)		
Gas Service	136,643	161,987 (2)
Transportation	68,425	78,055
Total	205,068	240,042 (2)
Customers (Average)	1,083,467	1,067,840
Electric:		
Sales (Thousands of MWH)		
Electric Service	12,825	7,869 (2)
Wholesale	3,028	1,669
Total	15,853	9,538 (2)
Customers (Average)	577,918	306,203

(1) Information for 1992 is not comparable to 1991 as a result of the merger with Kansas Gas and Electric Company on March 31, 1992.

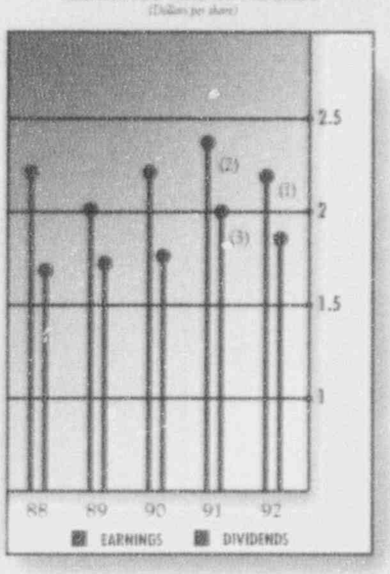
(2) Includes cumulative effect to January 1, 1991, of change in revenue recognition, a $17,360,000 or $0.50 per share increase. The cumulative effect of this change increased natural gas sales by 14,838,000 MCF and electric sales by 256,000 MWH.

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

COMMON STOCK VALUES



EARNINGS AND DIVIDENDS



Chairman's Letter

Dear Shareholder:

We took another significant step into the future on March 31, 1992, when we closed our merger with Kansas Gas and Electric Company (KG&E) following just over 17 months of regulatory review and development of integration plans by employees of both companies. In May, after shareholder approval at the annual meeting, the corporate name was changed to Western Resources, Inc., from The Kansas Power and Light Company. The new name reflects the changing scope of our business.

Pre-merger planning created a nearly flawless integration of the two companies' operations. Joint dispatch of power plants; combined customer offices, meter reading, and billing; consolidation of administrative functions; and an early retirement program were all implemented within three months of the merger's close.

As a result, we are achieving substantial savings from the merger. These savings were particularly significant because they helped offset the negative effect on earnings of reduced energy sales due to an abnormally warm winter and cool summer in 1992.

Earnings per share of common stock were $2.20 for 1992, compared to $2.41 for 1991, which included the 50 cent cumulative effect of a change in revenue recognition. Our 1992 earnings include KG&E operations for the last three quarters of the year.

What do we see for the future?

Change—transmission access, competition, integrated resource planning—has come to our industry, and more is on the way. To thrive in this environment, we must be masters of change. We must be quick to take advantage of the opportunities which change presents.

More and more we find these opportunities in unregulated sectors of the energy business. Through the development of our Astra Resources unregulated companies we are better able to exploit such opportunities. We must also be active in our industry's efforts to work with others to solve problems of national, and local, concern such as permanent disposal of radioactive waste and the extent to which standards may be necessary to control exposure to electromagnetic fields.

Perhaps the most fundamental change in our industry is in the perspective of our customers. They are the ultimate force toward competition. The time when we and our regulators could establish the standards for excellent service and fair prices has passed. Regulation is not withering away, but it too is changing in response to this force. We believe we understand these changes and have the ability to work in harmony with them.

Our strategic plan emphasizes that, throughout our service territory, we must be the energy supplier of choice. Competition makes this an increasingly difficult goal to achieve.

Many of our customers have alternatives to our products and services through cogeneration, other fuels, or other suppliers. We must anticipate customer needs and provide the pricing, products, and service options which meet those needs. Customer loyalty must be earned anew every day.

One way in which we have worked particularly hard to satisfy our customers is in the area of the environment. With our customers, we recognize the importance of protecting our natural environment and, in many cases, the urgent need for action. Our environmental work has been recognized regionally and nationally, as described in the body of this report. We take great pride in what we have done to provide a better habitat for people and wildlife in our service area. We anticipate no difficulty meeting the proposed requirements of the new federal Clean Air Act.

Our mission is to provide the highest quality energy services to our customers, to be a good place to work, to maintain the public trust, and to build financial strength for our owners. We hope you agree that this Annual Report shows significant progress in terms of that mission and, more importantly, a resolve to continuous improvement.

I am pleased to report that our record of continuous dividend payments extends into this year. Your Board of Directors in January raised the quarterly dividend for a common share to 48½ cents.

Sincerely,

John E. Hayes, Jr.
Chairman of the Board, President, and
Chief Executive Officer

1992 and Beyond

After 17 months of planning and regulatory approvals, the acquisition of Kansas Gas and Electric Company was completed on March 31, 1992. A new name—Western Resources, Inc.—came into use on May 8, 1992. On that day stock began trading on the New York Stock Exchange under the symbol ***WR****.*

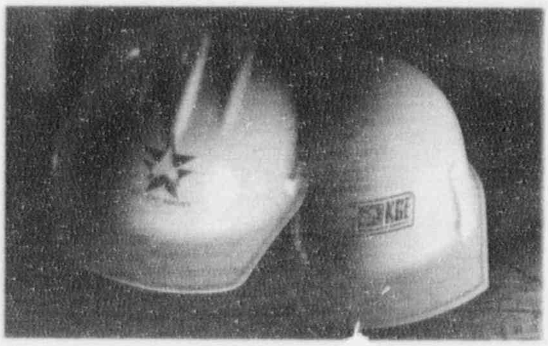
Acceptance of the merger and the new company it created is demonstrated in the rise of the Company's common stock price from when the proposed acquisition was announced in October 1990 through the end of 1992.

The merger allows the Company to build on a 68-year heritage of electric and natural gas service and customer satisfaction.

On May 8, 1992, following approval at the May 5, 1992, Annual Meeting of Shareholders, The Kansas Power and Light Company changed its name to Western Resources, Inc.

The name change was the natural outcome of the merger with Kansas Gas and Electric Company (KG&E). The merger, which was announced on October 28, 1990, closed on March 31, 1992.

KG&E is now a wholly-owned subsidiary of Western Resources and is operated, along with the Gas Service and KPL divisions, as an operating company, with responsibilities for both electric and natural gas service in southeastern and south central Kansas.



The Kansas Power and Light Compan_ _ merger with the Kansas Gas and Electric Company was completed in 1992 and combined the two companies' electric and natural gas operations in southeast and south central Kansas.

How is the merger going?

The merger is a success. Expected merger savings are being achieved, customer service has improved, and new opportunities have been created for employees. This is attributable to the work of our employees who, over the course of the 17 months from merger announcement to completion, formulated the plans which brought the two companies together. Because of this work, we began economic joint dispatch of power plants on the day following the merger, combined all local offices in overlapping territories within 60 days, and provided new combination customers (those receiving both natural gas and electric service) with a combined monthly bill within 90 days.

We grew by some 260,000 electric customers and over $3 billion in new assets through the merger.

1992 earnings and sales

Earnings per share of common stock for the year were $2.20, compared to $2.41 in 1991, which included the cumulative effect of a change in accounting. Net income for 1992 was $127,884,000.

Mild 1992 weather—a warm winter and cool summer—lowered energy sales and reduced potential earnings by over 50 cents per share. By the measures of cooling and heating degree days, the summer of 1992 was 23 percent cooler than a normal year


STOCK CLOSING PRICE
(Month end)
30
25
20
15
10
5
'91
June '91
Sept '91
Dec '91
Mar '92
June '92
Sept '92
Dec '92
COMMON STOCK
Western Resources, Inc.
SEAL

and the winter was 11 percent warmer than normal. (See graphs and additional information in "Management's Discussion" on page 19.)

However, merger-related savings and the ability to refinance several bond issues and other debt at lower interest rates held down costs and provided the overall earnings improvement. KG&E results of operations are included in financial statements for only the last three quarters of 1992.

Helping industrial and commercial customers solve productivity problems with their electronic and digital-based equipment is the mission of the Power Technology Center in Wichita.

Reduction of personnel, through attrition, early retirements, and a voluntary separation program; economic dispatch of combined electric generating facilities; and the consolidation of information systems provided much of the merger-related savings.

In 1992 the Company was involved in issuing over $876 million of securities. Of the total, $576 million were issued to take advantage of economic refunding opportunities. These actions will save the Company over $10 million each year.

Retail sales of electricity in 1992, including KG&E for the last three quarters of the year, were 12.8 billion kilowatthours. Twelve months of KPL's and KG&E's combined electric sales for 1992 compared to 1991 were four percent lower. Natural gas deliveries, including gas transported for large industrial and commercial customers, were 205 million mcf (thousand cubic feet), down nine percent from the previous year.

The Company is required to adopt Statement of Financial Accounting Standards (SFAS) No. 106 in 1993, which accounts for postretirement benefits other than pensions (also see Note 8). The Company has taken two steps to mitigate the impact of SFAS 106 expenses. We have implemented programs to reduce health care costs and purchased corporate-owned life insurance to generate an income stream to offset future health care costs.

Local economy is bright

Within the Company's service area, the effects of a national recession are limited because of the area's more stable economy. The business climate in Kansas, which provides over 90 percent of the Company's operating income, is healthy and new business starts show a net gain over the recent years.

The area has a balance of manufacturing, agribusiness, and technology development industries that create long-term economic stability. While this may limit growth in boom times, it also insulates the local economy during hard times.

Working in partnership with state and local organizations, our economic development efforts have brought new businesses to the service territory and helped existing businesses grow.

Among the business additions to our service territory in 1992 were an Omaha, Nebraska-based company, Millard Refrigeration Service, which located a 500,000-square-foot refrigerated distribution and public warehouse facility in Edwardsville, Kansas, and Vulcan Chemicals, which announced a $36 million expansion to its Wichita plant. These two projects alone will add millions of kilowatthour sales to the Company's system.

Our industrial marketing consultants help our customers make intelligent energy use choices. For many industrial and municipal customers who must meet tougher federal and state regulations on clean air and water, this counsel is in the new area of electrotechnologies.

Electrotechnologies for water and waste water treatment replace chemical treatment or aeration systems. Electrotechnologies reduce the amount of contaminants discharged into rivers and streams, improve water quality, reduce operating costs, and increase treatment system efficiency. The Company's expertise in this emerging technology is offered to customers to help them improve their profitability.

Waste water treatment solutions for the Frito-Lay plant in Topeka, Kansas, earned the Company the Edison Electric Institute's highest industrial marketing award in 1992.

Caring for the environment

Protecting the environment, recycling, wildlife conservation, reducing the burden on overflowing landfills, improving air and water quality—all are themes now being adopted by individuals and businesses around the country. We have a long-standing history and commitment to maintain and improve the quality of life within our service area, and beyond.

The Company was a pioneer in the installation of flue gas scrubbers to reduce sulfur dioxide at coal-fired power plants. Most of the Company's coal-fired plants burn low-sulfur coal. Even before the Clean Air Act, equipment to reduce nitrogen oxides was installed at the Lawrence Energy Center in a much-recognized, industry-leading retrofit.

To meet proposed new Clean Air requirements, the Company will install continuous emission monitoring and reporting equipment at all generating facilities. Unlike many coal-burning utilities, installation of additional equipment to reduce sulfur emissions will not be necessary.

Following the ceremony at which Western Resources was given the Environmental Stewardship Award by the Fish and Wildlife Service of the U.S. Department of the Interior, a red tailed hawk was released at the Jeffrey Energy Center. The hawk was rehabilitated at a Company-supported wildlife rehabilitation center from previous injuries.

In addition to coal and natural gas, the Company uses clean nuclear fuel to produce electricity. KG&E owns a 47 percent interest in Kansas' only nuclear generating facility. Wolf Creek Generating Station is one of the world's most efficient generators of electricity. Wolf Creek, in 1989, was the first nuclear plant to lead the United States in lowest cost power production. In 1990 it was the second lowest cost producer and in 1991 it set what was then the world record for continuous operation—487 days. Its capacity factor is consistently higher than industry averages.

The plant is operated by the Wolf Creek Nuclear Operating Corporation (WCNOC). Five Western Resources officers are members of the WCNOC Board of Directors, along with representatives from the two other joint owners.

Western Resources has been identified as being associated with old sites that were used to produce manufactured gas a century ago. The Company has taken a proactive position with respect to the potential environmental liability at these sites. We have a regulatory agreement to systematically evaluate these sites in Kansas and are working toward a similar agreement in Missouri.

In addition, Western Resources has been named as a potentially responsible party in three Superfund national priority listed environmental sites. Two sites are solid waste landfills and one involves groundwater contamination. Even though some potential liability is expected, it is not anticipated to be material.

Corporate responsibility and personal responsibility for the environment work hand-in-hand at Western Resources. Addressing concerns about clean air, Western Resources produces electricity with clean fuel technologies—nuclear, natural gas, and low-sulfur coal used with pollution control equipment. Alternative electric and natural gas-fueled vehicles are a corporate commitment. Employees, often working with wildlife or conservation agencies, support recycling efforts and promote wildlife protection and habitat development, restoration, and preservation.

Another example of Western Resources' environmental activism is our "Green Team." This employee-directed environmental task force has been in operation since 1990, creating and carrying out projects that use the Company's assets (employee expertise, property holdings, specialized equipment) to improve the environment. Green Team projects are not limited to Company property.

Western Resources was honored by the Kansas Wildlife Federation as Conservation Organization of the Year.

In the past two years, the Green Team has concentrated on projects involving recycling; wildlife habitat development, restoration, and preservation; wetlands preservation and enhancement; and species protection. The Team is involved in the promotion of energy conservation/efficiency and alternative-fueled vehicles.

The Company's environmental efforts, particularly those of the Green Team, were recognized on numerous occasions in 1992. The Kansas Wildlife Federation recognized the Company as its Conservation Organization of the Year. The Fish and Wildlife Service of the U.S. Department of the Interior presented the Company its environmental stewardship award on April 16. On April 30, the Oklahoma Department of Wildlife and Conservation honored the Company for assistance in developing a new wetlands near Nowata.

The American Gas Association honored the Company in May for national leadership in employee/public environmental communications. The Edison Electric Institute recognized Western Resources with a Common Goals award, naming the Green Team as the top environmental partnership of 1992.

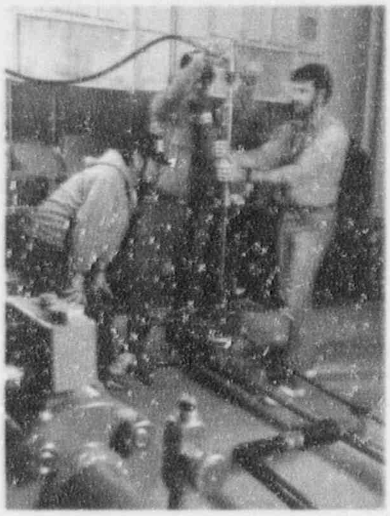
Technology

Anticipating and meeting customer needs is the key to customer satisfaction. Reliability of electric service is a reasonable customer expectation. But for many businesses, and even home personal computer owners, other concerns exist.

To help our customers with power quality concerns, a Power Technology Center (PTC) was established in Wichita in 1992. Company engineers and technicians work throughout our electric service area to help resolve power quality issues. The PTC offers training and support for business customers, architects, engineers, and others who work with electronic and digital-based equipment.


Breakfast For
Thousands of Ducks.
At the Upper Verdigris Wetlands near Nowata, Oklahoma, waterfowl are the masters of all we survey. In cooperation with the Oklahoma Department of Wildlife Conservation, we've helped transform an abandoned oil and gas field into an essential marshland stop-over for thousands of ducks, geese, herons, and other migratory birds.
We Help Wildcare
Because It's Our Nature.
Sometimes civilization and wildlife get in the way of one another. Almost always, it's the animals who suffer. Since so much of our work occurs outdoors, it's only natural KPL people have a special fondness for wildlife. That's how we got involved with Wildcare.
Because we live here too.
Available Now: Room
W/View. Near To Mice,
Grasshoppers, Etc.
The bluejay-sized kestrel prefers a prefab home, like an abandoned woodpecker hole high in the treetops. But urban growth caused a housing shortage for kestrels (also known as sparrow hawks).
In response, KPL crews install specially-made houses high atop our electric poles. They give America's smallest falcon an ideal view of the small rodents and large insects kestrel families thrive on.
And they're another example of how KPL acts resourcefully to improve the quality of life in the communities we serve. Because we live here too.

Training is also important for employees to assist them in the safe and efficient completion of their assignments. The Company has an Electric Training Center in Wichita, a Natural Gas Fire Safety School in Abilene, Kansas, and, in 1992, opened a Gas Training Center in Independence, Missouri.



Simulations of situations gas service personnel may face during the course of their jobs—from line repair to appliance relighting—are available at the Company's new Gas Training Center.

Designed with three training areas—Distribution Hill, Training Town, and a welding shop—the Gas Training Center provides hands-on training for new and experienced employees. Equipment repair, welding, relighting, meter sets, and leak inspections are some of the situations "students" encounter. Construction and maintenance techniques for plastic, steel, and cast-iron pipes are taught on lines pressurized with air to simulate actual conditions. Laboratories also provide technical training in areas such as plastic pipe fusion and pressure control.

The Company continues to study and use alternative-fueled vehicles. This commitment to clean air technologies and new markets for natural gas and electric energy includes the use of 21 dedicated natural gas-fueled vehicles in the Western Resources fleet, and the expected addition of 40 to 50 more natural gas vehicles through normal replacements in 1993.

We helped coordinate exhibits at the first International Alternative-Fueled Vehicle Round-up in Topeka in June. Sponsored by the State of Kansas, the exposition attracted more than 2,500 visitors. Company vehicles and the electric G-Van, sponsored by Western Resources for research at Kansas State University, were on display. Our employees made presentations on the environmental benefits of alternative fuels.

The Company's commitment to clean air technologies includes its own vehicle fleet where more dedicated natural gas-fueled trucks and service vans are added each year to replace older gasoline-powered vehicles.

The Company organized and was co-sponsor of the Midwest Natural Gas Vehicle Conference, held in Kansas City, Missouri, in August. The two-day event attracted more than 350 attendees from across the country.

Clean air above your own front lawn is the goal of the National Consortium for Emission Reductions in Lawn Care. We are a charter member of the Consortium, which consists of the Edison Electric Institute, the Electric Power Research Institute, and nine utilities.

The Company will distribute 100 battery-powered lawn mowers to selected electric customers in early 1993. The cordless electric mowers will be exchanged for the participants' old gasoline-powered mowers. The Environmental Protection Agency (EPA) will test the old mowers to help determine if emission standards should be set for gasoline-powered lawn mowers. The EPA estimates that the nation's 83 million lawn mowers produce as much air pollution each year as 3.5 million new cars.

Meter reading also is taking a major technological step. While Company meter readers for several years have used a hand-held computer device to record their findings at customer homes and businesses, soon those readings will be obtained from a distance. The devices, which can read a meter from several hundred feet away—well out of the range of dogs or locked doors and gates—are being tested on electric and

natural gas meters in the St. Joseph, Kansas City, and Topeka areas. Using a larger device mounted in a service van, meters can be read from the street. Both units use radio signals to scan the meter index. If the tests prove the device is efficient and accurate, it will be put into use Companywide.

Even if the meter is hidden - a dog-protected yard or in an in...cessible basement, radio transmitted meter reading equipment makes an accurate reading possible every month.

Questions are being raised about possible health effects of electric and magnetic fields (EMFs) from appliances, home wiring, and power lines. The Company actively supports EMF research by universities and independent research centers such as the Electric Power Research Institute and the Kansas Electric Utility Research Program.

Customers and shareholders interested in more information about EMFs are encouraged to contact the Company.

Traditionally, utilities and their customers have relied on the supply-side (generation) to meet all present and future electricity needs. In today's energy companies, demand-side management (DSM) is being employed to help customers make more efficient use of electricity.

DSM has benefits for both electric companies and their customers through more efficient use of power plants and, in the future, reduced higher-priced peak fuel use, reduced or delayed need for generating plant construction, and environmental benefits from efficient energy use and production.

Rates and regulation

The Company sought no new rate increases during 1992.

As a condition to approving the merger, the Kansas Corporation Commission (KCC) imposed a rate increase moratorium on electric and natural gas rates in Kansas until August 1995. This moratorium does not apply to extraordinary events beyond the Company's control. The KCC also required $32 million in refunds for Kansas customers. The first portion of the refund ($8.5 million) was made following completion of the merger. The next refund ($8.5 million) will be made in December 1993 and the final refund in September 1994.

Deregulation of the natural gas industry moved forward with the issuance of Federal Energy Regulatory Commission (FERC) Order No. 636. The order is intended to complete the deregulation of natural gas production and facilitate competition in the gas transportation industry. While Order 636 brings more risk to local natural gas distribution companies, Western Resources is well positioned to meet its challenges.

The Company has more than 60 years of experience in negotiating contracts for gas at the wellhead for its natural gas transmission pipeline and other systems. Two-thirds of our annual requirements are under long-term contracts with producers, diminishing the impact of market fluctuations. Western Resources is reordering gas supplies in line with the changes in pipeline service offerings under Order 636.

In October 1992, Congress passed the National Energy Policy Act of 1992, bringing a new emphasis to the way the nation's energy resources are distributed and conserved. Among its many provisions, the Act establishes new energy efficiency standards for buildings and appliances, promotes

Western Resources is proud of its strong heritage of providing good customer service. The goal today is to provide the type of service that produces a high level of customer satisfaction. Satisfaction is earned not simply by providing reliable service but in the way employees go about their jobs, in the special concern demonstrated for each customer's unique needs and concerns, and by providing customers the information they need to get the most out of their natural gas and electric service.

development and use of alternative-fueled vehicles, requires states to consider integrated resource planning for electric and natural gas utilities, and paves the way for increased competition in electric generation. The Act aids electric generating companies selling wholesale power over transmission lines owned by other electric utility companies. Western Resources is evaluating the opportunities created by the new law.

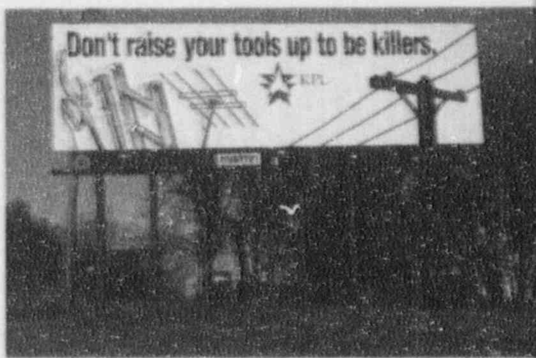
The State of Kansas made sweeping changes in its property tax classification system in 1992. A constitutional amendment changed the assessment on utility property from 30 percent to 33 percent, while lowering residential property from 12 percent to 11.5 percent and non-utility business property from 30 percent to 25 percent. The Company expects the additional tax liability to amount to approximately $6 million on property and inventory, including coal and natural gas reserves.

Customer service and safety

Western Resources has set as its goal excellent customer service, the type of service which results in customer satisfaction for both those within and without the Company.

As part of the effort to provide the type of service which produces customer satisfaction, we have established a new Company function to develop and coordinate the customer service activities of all operating groups and departments. Employee teams are looking at customer expectations and current Company procedures. Their goal is to develop a uniform set of policies and procedures to help employees meet service expectations and improve customer satisfaction. The teams will look at both field and office operations, including the growing area of service contacts via the telephone.

The Company continues its commitment to safe energy delivery.



The danger inherent in accidental contact with overhead electric lines is a frequent Company safety message.

Customer communications, through bill inserts and advertising, deliver a variety of electric and natural gas safety messages and alert energy users to the hazards inherent in the unsafe use of energy.

The Missouri Public Service Commission (MPSC) in October approved a change in our extensive natural gas service line replacement program. Based on the findings of


CUSTOMER
HANDBOOK

an independent safety audit of our natural gas system and procedures, the MPSC permitted the Company to slow the replacement program in Missouri by approximately 20 percent of the annual quota. This change will save an estimated $4 million annually and allow concentration on additional aspects of natural gas distribution safety. The Company replaced more than 21,000 lines in Missouri during 1992.

Service line replacement continues in Kansas and Oklahoma at previous rates.

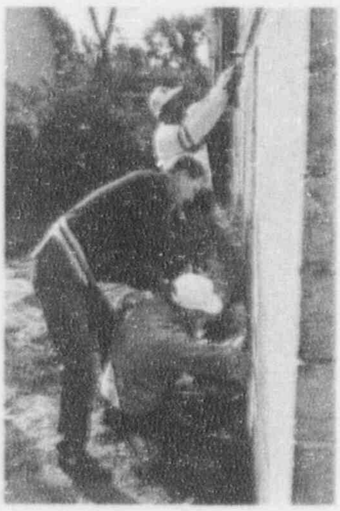
Community relations

Western Resources is only as strong and successful as the communities we serve. Giving something back to those communities is good business and is part of the tradition of our predecessors Western Resources is proud to continue.

Again in 1992 the Company served as a major corporate sponsor for the March of Dimes WalkAmerica events in eight communities. Western Resources will continue an expanded sponsorship in 1993. Employee participation also was high in the 11 other communities within the service area that held Walks in 1992. The Company and the 750 employees and their family members who participated raised over $98,000 to fund research on birth defects.

The Company's sponsorship of the Legal Guides for Senior Citizens projects in Kansas and Missouri was recognized with a Common Goals award in Community Responsibility from the Edison Electric Institute. The Company also worked with the Kansas Department on Aging (producer of the Kansas Legal Guide) to produce "A Caregiver's Guide For Alzheimer's and Related Disorders." These publications have been extremely well received by the public as well as health care and legal professionals.

In 1992, Western Resources worked with the Kansas Department of Social and Rehabilitation Services to produce a publication containing necessary information about being part of a family—from both the perspective of the parent and of the child. "The Power Partnership" has two distinct sections. One section provides information to parents about services and resources available to them to help raise healthy, active children. The other half of the book is directed toward children of all ages and provides information on safety, first aid, and growing up in a world bigger than they.



Employee volunteers warmed the homes and spirits of over one hundred elderly or disabled customers during the annual Companywide weatherization project "Christmas in October."

The project, like the Legal Guides, is an excellent example of public/private sector cooperation and has received much favorable public and professional group acclaim.

Employees helped sponsor or participated in numerous community improvement drives throughout the year. Kansas City area employees earned the Bronze Award in Community Enhancement from the American Gas Association for their leadership and participation in the Harvesters' Corporate Food Drive. Employees annually contribute or seek donations of thousands of pounds of food for this and other community food banks.

Company employees, family members, and friends volunteered their talents, skills, and time to help low income and elderly persons and persons with disabilities prepare their homes for winter during the Company's annual "Christmas in October" project. The project expanded in 1992 to assist more than 100 households in 17 communities in the Western Resources service territory.

Whether it was a team of five employees weatherizing the home of an elderly resident or a large community-wide effort in which dozens of homes were repaired, painted, and weatherized, the volunteers' spirit of giving brightened the homes and hearts of those who benefited from the project.

Corporate responsibility also is shown in how business is conducted. Western Resources was recognized in 1992 as a Minority and Women Business Advocate of the Year by the Kansas Department of Commerce and Housing, Office of Minority Business Affairs Division.

Outstanding employee efforts restoring electric and natural gas service following a major storm in the Wichita area in 1991 were recognized by the Edison Electric Institute and American Gas Association with an Eagle Award for customer activities/services in disaster recovery.

The Company was honored with an Eagle Award from the American Gas Association's and Edison Electric Institute's Customer Activities/Services Committee. The award, in the recovery success story category, recognized our response to damage on our electric and natural gas systems in the Wichita area following the April 26, 1991, tornados. The storm disrupted service to some 65,000 customers and damaged or destroyed hundreds of homes and businesses. The recognition is a tribute to employees for their crisis response and success in turning a disaster into an opportunity to improve customer service. Company disaster planning met the storm's challenges.

Unregulated investments

The Company's wholly-owned subsidiary for non-regulated businesses also received a new name in 1992. Astra Resources, Inc., seeks investment opportunities closely related to Western Resources' core business interests. These investments are not speculative, but designed to enhance and strengthen the core business.

Some of Astra Resources' principal businesses are Rangeline, a natural gas marketer; Contract Compression, Inc., which offers compression services to oil and gas producers and natural gas gathering pipeline and processing companies; and KPL Limited Partners, Inc., which holds interests in research and development partnerships, including the company which makes the electronic meter reading equipment the Company is using and testing.

While Astra Resources' financial contribution to the Company remains small, it is expected to grow as these businesses mature and other areas of opportunity are developed.

Changes

William E. Wall retired from the Board of Directors following the Annual Meeting in May 1992. Wall was a former chairman of the KPL Board and a director since 1975.

Wilson K. Cadman, vice chairman of the Company following the merger and chairman of the board of KG&E, retired from the Western Resources and KG&E Boards of Directors on June 1. Cadman had been chairman of the KG&E Board since 1982.

Balfour S. Jeffrey, retired chairman of the board, died in July. He was 86. Jeffrey served the Company from 1953 until 1981. The two million-kilowatt Jeffrey Energy Center was named in his honor.

Western Resources, Inc., with its operating groups KPL, KG&E, and Gas Service, is a combination natural gas and electric utility serving customers in Kansas, Missouri, and Oklahoma.

Company Profile

Retail electric service is provided in 462 Kansas communities to a total of 578,000 customers at year's end. Natural gas is distributed in 519 communities in the three states. The utility had approximately 1.1 million natural gas customers at the end of the year.

Western Resources operates an intrastate natural gas transmission pipeline system in Kansas and purchases gas from interstate pipeline companies for distribution in all three states. The Company owns a natural gas underground storage field in south central Kansas and leases additional storage space.

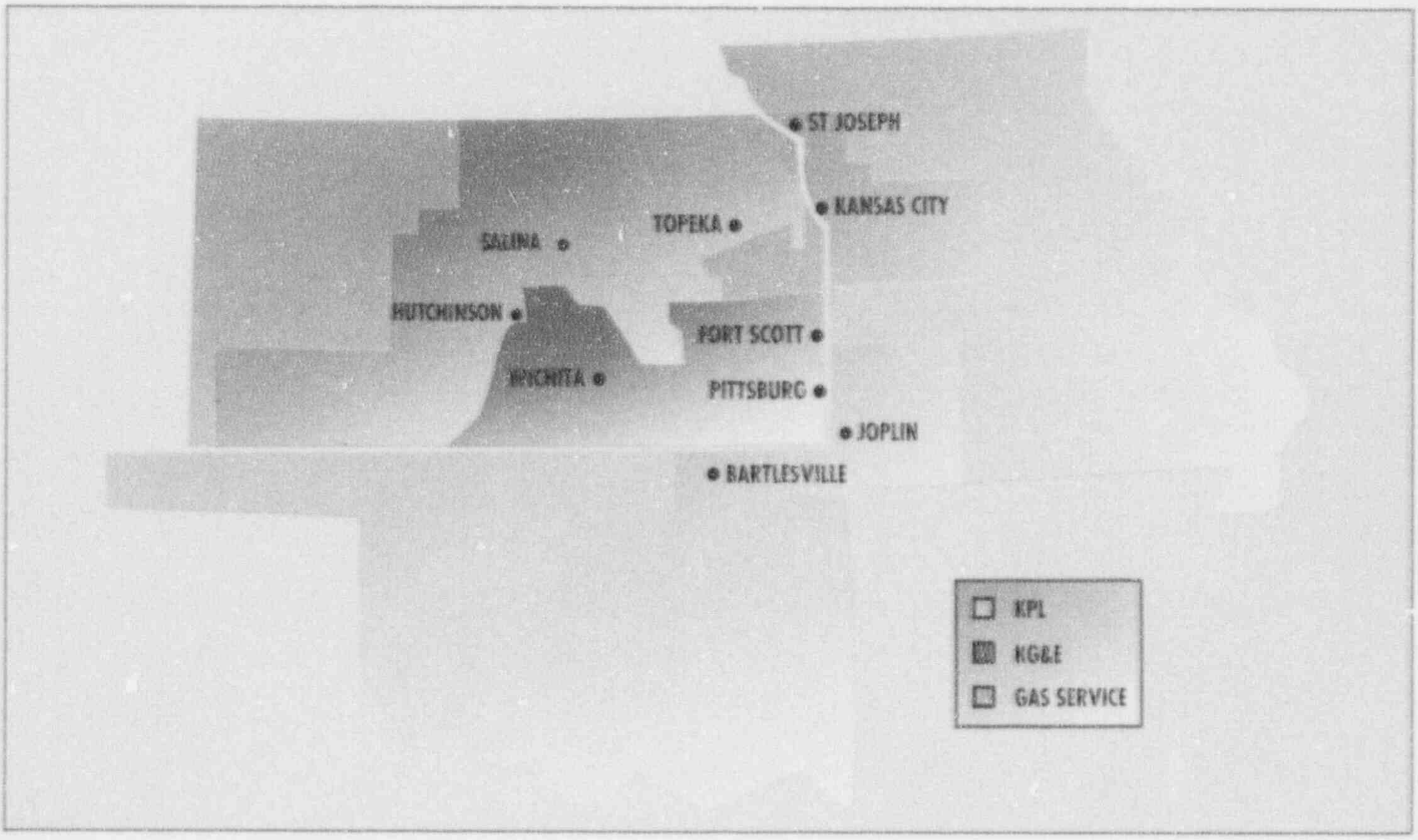
Total net electric generating capability was 4,807,000 kilowatts at the time of peak system demand in 1992. The system peak hour of 3,683,000 kilowatts occurred on August 10. During 1992, 77 percent of the Company's electricity was produced from low-sulfur coal, 20 percent from nuclear power, and the remainder from natural gas. The Company has no power plants under construction.

The Company's corporate offices are in Topeka, Kansas, with operations headquarters for KPL also in Topeka, for Gas Service in Kansas City, Missouri, and for KG&E in Wichita, Kansas.

At year end, the Company had 5,138 employees.

The economy of the service area is based primarily in agriculture, mineral production, aircraft and vehicle assembly, and related industries. Since it is at the geographic center of the continent, the service area is well positioned as a communications and transportation center.

Astra Resources, Inc., is a wholly-owned subsidiary for the Company's non-utility businesses, including natural gas marketing, natural gas compression services, and technology development.



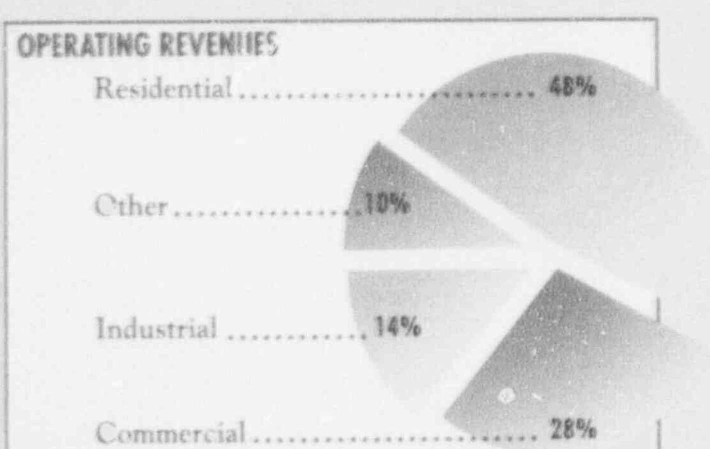
SELECTED FINANCIAL DATA

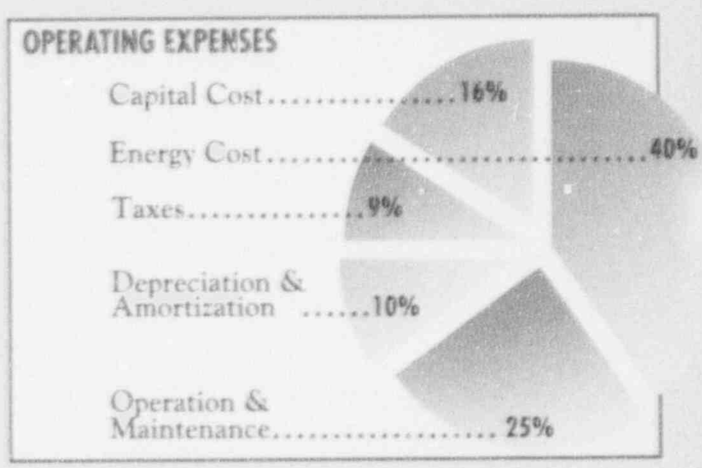
Year Ended December 31,	1992 (1)	1991	1990	1989	1988
			(Dollars in Thousands)		
Income Statement Data					
Operating revenues:					
Natural gas	$ 673,363	$ 690,339	$ 686,048	$ 675,280	$ 704,954
Electric	882,885	471,839	463,707	452,343	461,160
Total operating revenues	1,556,248	1,162,178	1,149,755	1,127,623	1,166,114
Operating expenses	1,317,079	1,032,557	1,017,765	1,002,087	1,035,692
Allowance for funds used during construction	2,002	1,070	1,181	1,503	1,327
Income before cumulative effect of accounting change	127,884	72,285	79,619	72,778	79,791
Cumulative effect to January 1, 1991, of change in revenue recognition	—	17,360	—	—	—
Net income	127,884	89,645	79,619	72,778	79,791
Earnings applicable to common stock	115,133	83,268	77,875	70,921	77,821

December 31,	1992 (1)	1991	1990	1989	1988
			(Dollars in Thousands)		
Balance Sheet Data					
Gross plant in service	$6,024,204	$2,535,448	$2,421,562	$2,305,279	$2,162,271
Construction work in progress	68,041	17,114	20,201	19,571	24,945
Total assets	5,523,629	2,112,513	2,016,029	1,959,044	1,787,930
Long-term debt and preferred and preference stock subject to mandatory redemption	2,077,459	690,612	595,524	552,538	556,388

Year Ended December 31,	1992 (1)	1991	1990	1989	1988
Common Stock Data					
Earnings per share before cumulative effect of accounting change	$ 2.20	$ 1.91	$ 2.25	$ 2.05	$ 2.25
Cumulative effect to January 1, 1991, of change in revenue recognition per share	—	.50	—	—	—
Earnings per share	$ 2.20	$ 2.41	$ 2.25	$ 2.05	$ 2.25
Dividends per share	$ 1.90	$ 2.04 (2)	$ 1.80	$ 1.76	$ 1.72
Book value per share	$ 21.51	$ 18.59	$ 18.25	$ 17.80	$ 17.51
Average shares outstanding (1,000s)	52,272	34,566	34,566	34,566	34,566
Interest coverage ratio (before income taxes, including AFUDC)	2.27	2.69	2.86	2.96	3.41

(1) Information for 1992 reflects the merger with KG&E on March 31, 1992. (Note 2)
(2) Includes special, one-time dividend of $0.18 per share paid February 28, 1991.





FINANCIAL CONDITION

General: Earnings were $2.20 per share of common stock based on 52,271,932 average shares for 1992, a decrease from $2.41 in 1991 on 34,566,170 average shares. The decrease resulted from a one-time cumulative effect change in the method of accounting to record unbilled revenues in 1991 of $0.50 per share (see Note 1). Earnings for 1992 compared to 1991 earnings, before the accounting change, increased as a result of the merger with Kansas Gas and Electric Company (KG&E) on March 31, 1992 (the Merger). Unusually mild winter and summer temperatures in 1992 had a negative impact on earnings of more than $0.50 per share.

The Company continues a long history of returning a major portion of earnings to its shareholders. Dividends per common share were $1.90 in 1992, an increase of four cents from 1991 (excluding a special, one-time dividend of $0.18 per share paid February 28, 1991). In January 1993, the Board of Directors declared a quarterly dividend of 48½ cents per common share, an increase of one cent over the previous quarter.

The book value per share was $21.51 at December 31, 1992, compared to $18.59 at December 31, 1991. The 1992 closing stock price of $31.50 was 146% of book value. There were 58,045 [illegible] common shares outstanding at December 31, 1992.

Liquidity and Capital Resources: The Company's liquidity is a function of its ongoing construction program (see "Construction Expenditures" graph), designed to improve facilities which provide electric and natural gas service and meet future customer service requirements.

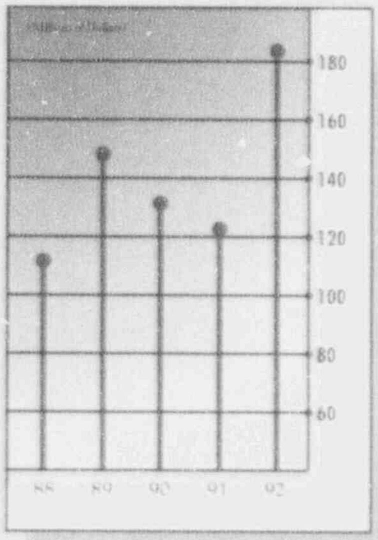
During 1992, construction expenditures for improvements on the natural gas system, including the Company's service line replacement program, were $91 million.

The construction expenditures for the Company's electric system, including KG&E since March 31, were $96 million during 1992. It is projected that adequate capacity margins will be maintained without the addition of any major generating facilities through the turn of the century.

During the last five years, the Company's internal cash generation for construction has averaged 63%. In 1993, the Company expects improved cash generation resulting from Merger-related cost savings and assuming a return to normal weather.

The Company's capital needs through 1997, of approximately $325 million for bond maturities and cash sinking fund requirements

CONSTRUCTION EXPENDITURES



for bonds and preference stock, will be provided from internal and external sources available under then existing financial conditions.

The embedded cost of long-term debt was 7.8% at December 31, 1992, a decrease from 8.5% at December 31, 1991. The decrease was primarily accomplished through refinancing of higher cost debt as discussed later. The issuance and retirement of long-term debt and preference stock are summarized in the following table:

	Issued	Retired
	(Dollars in Millions)	
Long-term debt		
6% Pollution Control Revenue Refunding Bonds due 2033	$ 58.5	
9 5/8% Pollution Control Refunding and Improvement Revenue Bonds due 2013		$ 58.5
7.60% Series due 2003	135.0	
9 5/8% Series due 2005		40.0
9 3/4% Series due 2016		50.0
8 1/2% Series due 2000		35.0
7 1/4% Series due 1999	125.0	
8 1/2% Series due 2022	125.0	
7.46% Demand Series		250.0
7 1/4% Series due 2002	100.0	
8 1/4% Series due 1996		60.0
8 5/8% Series due 2006		45.0
Preference stock subject to mandatory redemption		
7.58% Series 500,000 shares	50.0	

On February 9, 1993, the Company caused the issuance of $58.5 million of 6% Pollution Control Revenue Refunding Bonds due February 1, 2033. The net proceeds from the new bonds, together with available cash, were used to refund $58.5 million of 9 5/8% Pollution Control Refunding and Improvement Revenue Bonds due 2013, including a redemption premium of $1.755 million.

On September 11, 1992, the Company filed a shelf registration statement for up to $100 million of first mortgage bonds to be issued under the Western Resources Mortgage and Deed of Trust, dated July 1, 1939. Also on September 11, KG&E filed a shelf registration statement for up to $200 million of first mortgage bonds under the KG&E Mortgage and Deed of Trust dated April 1, 1940.

On December 17, 1992, $135 million of First Mortgage Bonds, 7.60% Series due December 15, 2003, were issued under the KG&E shelf registration. The net proceeds from the new issue, together with available cash, were used to refund $40 million of KG&E's First Mortgage Bonds, 9 5/8% Series due 2005, at the optional redemption price of 104.09% of the principal amount; $50 million of KG&E's First Mortgage Bonds, 9 3/4% Series due 2016, at the optional redemption price of 107.41% of the principal amount; and $35 million of KG&E's First Mortgage Bonds, 8 1/2% Series due 2000, at the optional redemption price of 102.06% of the principal amoun

On July 14, 1992, the Company issued $125 million of First Mortgage Bonds, 7 1/4% Series due July 1, 1999, and $125 million of First Mortgage Bonds, 8 1/2% Series due July 1, 2022. The net proceeds from the new issues were applied toward the repayment of $250 million of the $480 million bank term loan borrowed in connection with the acquisition of KG&E (see Notes 2 and 12).

On August 20, 1992, the Company issued $100 million of First Mortgage Bonds, 7 1/4% Series due August 15, 2002. The proceeds from the new issue were used to refund $60 million of First Mortgage Bonds, 8 1/4% Series due 1996, at the optional redemption price of 101.18% of the principal amount and $45 million of First Mortgage Bonds, 8 5/8% Series due 2006, at the optional redemption price of 102.82% of the principal amount.

On May 31, 1991, the Company issued 1,000,000 shares of preference stock at $100 per share with a dividend rate of 8.50%. On April 15 1992, the Company issued 500,000

shares at $100 per share with a dividend rate of 7.58%. The proceeds for the new issues were used to repay short-term debt and reimburse the Company's treasury for construction costs.

At year-end, the Company had $250 million available under short-term bank credit arrangements. In addition, the Company has a commercial paper program and uncommitted loan participation agreements. At December 31, 1992, short-term borrowings amounted to $222 million in the form of commercial paper and bank loans (see Note 13).

In January 1993, the Board of Directors (Board) approved the establishment of a customer stock purchase plan (the Plan). The Company anticipates offering the Plan to customers in May 1993, or upon receiving the necessary regulatory approvals. The Plan will provide most retail customers with a method to become owners of Western Resources common stock, on an installment basis, and thus improve their understanding of the Company and our business. The Plan allows the Company the option to buy the shares of common stock on the open market or issue new shares. The Board has authorized the issuance of 2.5 million shares. The Board also authorized amendments to the Company's dividend reinvestment plan for the issuance of up to 2 million shares.

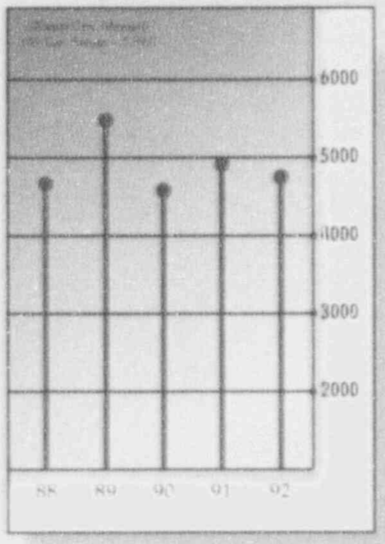
The capital structure at December 31, 1992, was 37% common stock equity, 5% preferred and preference stock, and 58% long-term debt. The Company is committed to maintaining a capital structure that preserves an appropriate balance between debt and equity and provides flexibility in the timing and amounts of long-term financing.

RESULTS OF OPERATIONS

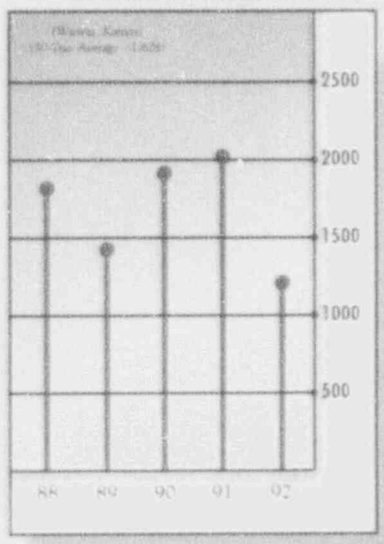
The following is an explanation of significant variations from prior year results in revenues, operating expenses, other income and deductions, interest charges and preferred and preference dividend requirements. As the Merger did not occur until March 31, 1992, the results of operations of the Company include the activities of KG&E for only the nine months ended December 31, 1992. 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) charged for the sale and delivery of natural gas and electricity. These rates are designed to recover the cost of service and allow investors

HEATING DEGREE DAYS



COOLING DEGREE DAYS



a fair rate of return. Future natural gas and electric sales will continue to be affected by weather conditions, competing fuel sources, customer conservation efforts, and the overall economy of the Company's service area.

The Kansas Corporation Commission (KCC) order approving the Merger provided a moratorium on increases, with certain exceptions, in the Company's jurisdictional electric and natural gas rates until August 1995. The KCC ordered refunds totalling $32 million to the combined companies' customers in order to share with customers the Merger-related cost savings achieved during the moratorium period. The first refund of $8.5 million was made in April 1992. A refund of the same amount will be made in 1993 and an additional refund of $15 million will be made in 1994 (see Note 2).

On March 26, 1992, in connection with the Merger, the KCC approved the elimination of the Energy Cost Adjustment clause for most Kansas retail customers of both the Company and KG&E effective April 1, 1992. The fuel costs are now included in base rates and were established at a level intended by the KCC to equal the projected average cost of fuel through August 1995.

1992 COMPARED TO 1991: Natural gas revenues decreased over two percent due to a nine percent decrease in natural gas deliveries, excluding sales related to the cumulative effect of the unbilled revenue adjustment in 1991. Also contributing to the decrease was an approximately four percent decrease in the unit cost of natural gas which is passed on to customers through the purchased gas adjustment clause (PGA). The decrease in sales can be attributed to mild winter temperatures in 1992 (see "Heating Degree Days" graph). Partially offsetting the decreased sales were increased retail rates in Kansas and Missouri beginning early in 1992 (see Note 4).

Electric revenues increased significantly in 1992 as a result of the Merger. KG&E electric revenues for the nine months ended December 31, 1992, of $424 million have been included in the Company's electric revenues.

Partially offsetting this increase in revenues were reduced retail electric sales as a result of the abnormally mild summer temperatures in 1992 (see "Cooling Degree Days" graph).

Electric revenues for 1992 compared to pro forma revenues for 1991, giving effect to the Merger as if it had occurred at January 1, 1991, would also have been lower as a result of the mild summer and winter temperatures in 1992. Retail sales of kilowatt-hours on a pro forma comparative basis decreased from approximately 15.1 billion for 1991 to approximately 14.6 billion for 1992, or 3.6 percent.

1991 COMPARED TO 1990: Natural gas revenues increased slightly due to a two percent increase in natural gas sales, excluding sales related to the cumulative effect of the unbilled revenue adjustment. These increased sales are a result of cooler winter temperatures in 1991 compared to 1990. Also contributing to the increase was a full year of permanent rate relief in the Company's Missouri and Oklahoma operations (see Note 4).

This increase was partially offset by large industrial customers switching to transportation for which the Company does not collect the cost of gas and a decrease in the unit cost of natural gas which is passed on to customers through the PGA.

Electric revenues increased two percent due to a three percent increase in sales to retail customers, excluding sales related to the cumulative effect of the unbilled revenue adjustment. These increased sales are a result

of warmer summer temperatures in 1991 compared to 1990.

Partially offsetting the increase was an 11 percent decrease in wholesale and firm interchange sales resulting from changing contract commitments and the availability of lower cost power on the spot market.

1990 COMPARED TO 1989: Natural gas revenues increased two percent as a result of a five percent increase in the unit cost of natural gas which is passed on to customers through the PGA. Also contributing to the increase were increased rates in the Company's Missouri (May 1990) and Oklahoma (April 1990) operations and a four percent increase in transportation revenue.

Partially offsetting the increase in revenue was an eight percent decrease in residential sales resulting from much milder temperatures during the heating season compared to 1989 and normal. An 11 percent reduction in commercial and industrial sales, attributable to large commercial and industrial customers switching to transportation for which the Company does not collect the gas cost, also partially offset the increase in natural gas revenues.

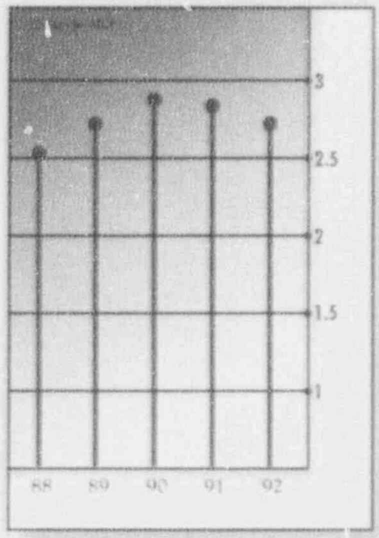
Electric revenues increased three percent as a result of a five percent increase in sales to retail customers. These increased sales are a result of the warmer summer temperatures in 1990 compared to 1989. Also contributing to the increase was a slightly higher unit cost of fuel used for electric generation which was passed on to customers through fuel adjustment clauses.

Partially offsetting the increase in retail sales was a 13 percent decrease in wholesale and firm interchange sales as a result of changing contract commitments and the availability of lower cost power on the spot market.

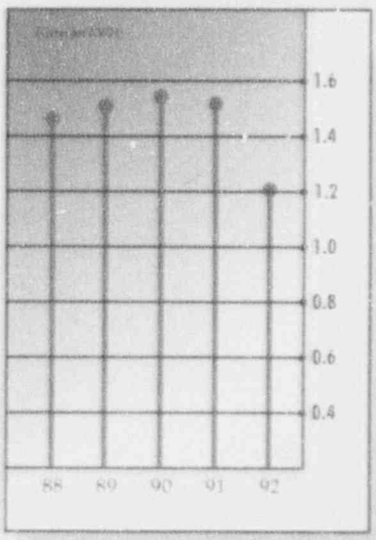
Operating Expenses: *1992 COMPARED TO 1991:* Operating expenses increased significantly for 1992 as a result of the Merger. KG&E operating expenses for the nine months ended December 31, 1992, of $316 million have been included in the Company's operating expenses.

Other factors, excluding the Merger, contributing to increased operating expenses were a one-time charge for the Company's portion of the early retirement plan and voluntary separation program of approximately $11 million; higher depreciation and amortization expense caused by increased plant investment and the beginning of the amortization of previously deferred safety-related expenditures in Kansas; and increased property taxes due to increases in plant and tax mill levies.

AVERAGE COST OF GAS



AVERAGE COST OF FUEL



Partially offsetting those increases in operating expenses was the commencement of savings as a result of the Merger. The Company also changed the depreciable life of Jeffrey Energy Center, for book purposes, to 40 years, resulting in a reduction to depreciation expense of approximately $5.4 million. Lower natural gas purchases as a result of the mild temperatures and a reduced unit cost (see "Average Cost of Gas" graph) also partially offset the increase in operating expense.

As permitted under the La Cygne 2 generating station lease agreement, KG&E requested the Trustee Lessor to refinance $341,127,000 of secured facility bonds of the Trustee and owner of La Cygne 2. The transaction was requested to reduce the Company's recurring future net lease expense. To accomplish this transaction, a one-time payment of approximately $27 million was made which will be amortized over the remaining life of the lease and will be included in operating expense as part of the future lower lease expense. On September 29, 1992, the Trustee Lessor refinanced bonds having a coupon rate of approximately 11.7% with bonds having a coupon rate of approximately 7.7%.

1991 COMPARED TO 1990: Total operating expenses increased slightly over one percent in 1991. The primary factors causing the increase were higher other operations and maintenance expense resulting from discontinuing, in 1990, the deferral of gas line survey costs in Missouri and the amortization of those costs to expense. Increases in payroll and medical expenses also contributed to the increase as well as the operation of a new, improved customer information system.

Other factors contributing to higher operating expenses were increased property taxes in Kansas and additional depreciation and amortization expense of safety-related construction costs previously deferred (see Note 4).

Partially offsetting these increases was a reduction in natural gas purchase expense caused by a decreased unit cost of natural gas.

1990 COMPARED TO 1989: Total operating expense increased two percent in 1990. Increases in natural gas purchases and other operations expense were the primary factors causing the increase. A higher unit cost of natural gas of five percent, partially offset by lower gas sales as a result of milder temperatures during the heating season and large commercial and industrial customers switching to transportation for which the Company does not incur the cost of gas, resulted in the higher natural gas purchases expense. The increase in other operations expense can be attributed to higher employee benefits expense caused by rapidly escalating health care costs and increased payroll.

Fuel used for electric generation was lower in 1990 compared to 1989, although the unit cost of fuel was slightly higher (see "Average Cost of Fuel" graph). Offsetting this reduction was higher cost of purchased power. The Company was a net purchaser of electric power in 1990 because of the availability of lower cost power from other utilities. Other contributors to the increase in total operating expense were higher depreciation expense and general taxes resulting from increased plant resulting from continued investment in the Company's service line replacement program.

Partially offsetting the increases in total operating expense was lower income tax expense resulting from a lower effective income tax rate.

Other Income and Deductions: Other income and deductions, net of taxes, was

significantly higher in 1992 compared to 1991 and 1990, respectively, as a result of the Merger. KG&E contributed, for the nine months ended December 31, 1992, $17 million to other income and deductions, net of taxes. Significant items of other income include approximately $9 million from KG&E's corporate-owned life insurance and KG&E's recognition of the recovery of approximately $4.2 million of a previously written-off investment.

Other income and deductions, net of taxes, was significantly higher in 1990 compared to 1991 as a result of the recognition of lost earnings recovered in the favorable settlement of a natural gas anti-trust lawsuit. Of the Company's total portion of the proceeds, approximately $12 million related to lost earnings was booked, net of tax, to other income in 1990.

Interest Charges and Preferred and Preference Dividend Requirements: Total interest charges increased significantly for 1992 as a result of the Merger. Partially offsetting this increase were lower short-term and long-term interest rates. The Company's embedded cost of long-term debt decreased from 8.5% at December 31, 1991, to 7.8% at December 31, 1992, primarily as a result of the refinancing of higher cost debt.

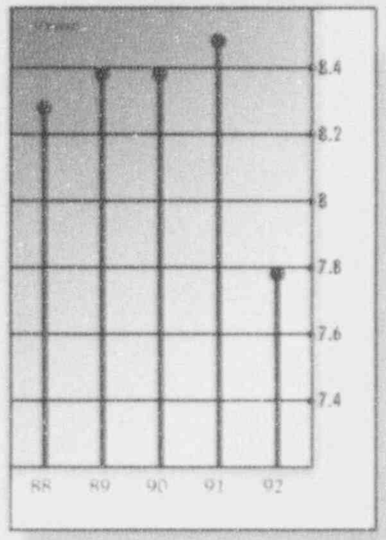
Total interest charges decreased one percent in 1991 compared to 1990 because of lower interest rates on commercial paper. This decrease was partially offset by higher commercial paper balances. The Company's commercial paper balances increased during 1991 to fund construction costs and other deferred assets not yet recoverable in rates.

Total interest charges increased 14 percent in 1990 compared to 1989 because of both higher commercial paper and long-term debt balances partially offset by lower interest rates on commercial paper.

Preferred and preference dividend requirements increased in 1992 compared to 1991 as a result of the issuance of $50 million of 7.58% preference stock in the second quarter of 1992. Preferred and preference dividend requirements increased in 1991 compared to 1990 as a result of a $100 million issuance of 8.50% preference stock in the second quarter of 1991. Preferred and preference dividend requirements were lower for the year 1990 as a result of redemptions through sinking fund requirements.

Merger Implementation: In 1992 the Company completed the consolidation of certain operations of the Company and KG&E. In conjunction with these efforts the Company incurred costs of consolidating facilities, transferring certain employees, and other costs associated with completing the Merger. Certain of these costs related to KG&E have

EMBEDDED COST OF DEBT



been considered in purchase accounting for the Merger. Other costs, including costs of the early retirement incentive programs and other employee severance compensation programs for former Kansas Power and Light Company employees, were charged to expense in 1992. See Note 8 for a discussion regarding the early retirement and Merger severance plans.

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 revenues as depreciation. 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 requires the Company to seek regulatory rate relief to recover these higher costs.

FERC Order No. 636: On April 8, 1992, the FERC issued Order No. 636 which is intended to complete the deregulation of natural gas production and facilitate competition in the gas transportation industry. Order 636 is expected to affect the Company in several ways. The rules provide greater protection for pipeline companies by providing for recovery of all fixed costs through contracts with local distribution companies and other customers choosing to transport gas on a firm (non-interruptable) basis. The order also separates the purchase of natural gas from the transportation and storage of natural gas, shifting additional responsibility to distribution companies for the provision (through purchase and/or storage) of long-term gas supply and transportation to distribution points. Under the new rules, distribution companies will elect the amount and type of services taken from pipelines. The Company may be liable to one or more of its pipeline suppliers for costs associated with any reduction in firm service demands. The Company believes substantially all of these costs will be recovered from its customers and any additional transition costs will be immaterial to the Company's results of operations.

The Company is participating in pipeline restructuring negotiations and does not anticipate any material difficulty in continuing the service provided in the past for its gas operations.

Property Tax Classification: The State of Kansas made changes in its property tax classification system in 1992. A constitutional amendment changed the assessment on utility property from 30 percent to 33 percent. As a result of this change, the Company expects an additional property tax liability of approximately $6 million, including coal and natural gas inventory, for 1993.

Environmental: The Company has recognized the importance of environmental responsibility and has taken a proactive position with respect to the potential environmental liability associated with former manufactured gas sites. The Company has an agreement with the Kansas Department of Health and Environment to systematically evaluate these sites in Kansas (see Note 3). The Company anticipates limited exposure associated with Phase I of the Clean Air Act of 1990 and minimal capital expenditures required for Phase II (see Note 3).

Energy Policy Act: In 1992, Congress passed and the President signed the Energy Policy Act (the Act) which affects all types of energy. The Act will require increased efficiency of energy usage and will potentially change the way electricity is marketed. The Company is analyzing the impact of the Act on its business opportunities. As part of the Act, a special assessment will be collected from utilities for a uranium-enrichment decontamination and decommissioning fund. It is estimated that KG&E's portion of the assessment for Wolf Creek will be approximately $10 million, payable over 15 years.

Statement of Financial Accounting Standards No. 106 (SFAS 106): For discussion regarding the effect of SFAS 106 on the Company see Note 8.

CONSOLIDATED BALANCE SHEETS

December 31,	1992(1)	1991
	(Dollars in Thousands)	
Assets		
Utility Plant (Notes 1 and 10):		
Electric plant in service	$4,999,835	$1,676,449
Natural gas plant in service	1,024,369	858,999
	6,024,204	2,535,448
Less—Accumulated depreciation	1,682,804	826,118
	4,341,400	1,709,330
Construction work in progress	68,041	17,114
Nuclear fuel (net)	33,312	—
Net utility plant	4,442,753	1,726,444
Other Property and Investments:		
Net non-utility investments	29,901	21,360
Decommissioning trust (Note 3)	9,272	—
Other	31,634	—
	70,807	21,360
Current Assets:		
Cash and cash equivalents (Note 1)	875	6,817
Accounts receivable and unbilled revenues (net) (Note 1)	222,601	198,752
Fossil fuel, at average cost	49,007	43,471
Gas stored underground, at average cost	14,644	19,166
Materials and supples, at average cost	59,357	17,092
Prepayments and other current assets	17,574	4,051
	364,058	289,349
Deferred Charges and Other Assets:		
Deferred future income taxes (Note 6)	247,051	—
Deferred coal contract settlement costs (Note 4)	24,520	—
Phase-in revenues (Note 4)	96,495	—
Corporate-owned life insurance (net) (Note 1)	146,713	—
Other deferred plant costs	32,212	—
Other (Note 4)	99,020	75,360
	646,011	75,360
Total Assets	$5,523,629	$2,112,513
Capitalization and Liabilities		
Capitalization (see statement)	$3,350,684	$1,357,919
Current Liabilities:		
Short-term debt (Note 13)	222,225	135,800
Long-term debt due within one year (Note 12)	1,961	2,733
Preferred and preference stock redeemable within one year (Note 5)	1,300	1,300
Accounts payable	214,782	151,556
Accrued taxes	21,793	47,823
Accrued interest and dividends	71,877	35,224
Other	44,757	46,476
	578,695	420,912
Deferred Credits and Other Liabilities:		
Deferred income taxes (Note 6)	1,103,368	252,020
Deferred investment tax credits (Note 6)	149,946	70,642
Deferred gain from sale-leaseback (Note 11)	271,621	—
Other	69,315	11,020
	1,594,250	333,682
Commitments and Contingencies (Notes 3 and 7)		
Total Capitalization and Liabilities	$5,523,629	$2,112,513

(1) Information for 1992 reflects the merger with KG&E on March 31, 1992. (Note 2)

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

CONSOLIDATED STATEMENTS OF INCOME

Year Ended December 31,	1992 (1)	1991	1990
	(Dollars in Thousands, except Per Share Amounts)		
Operating Revenues (Notes 1 and 4):			
Natural gas	$ 673,363	$ 690,339	$ 686,048
Electric	882,885	471,839	463,707
Total operating revenues	1,556,248	1,162,178	1,149,755
Operating Expenses:			
Natural gas purchases	403,326	439,323	456,868
Fuel used for generation:			
Fossil fuel	190,653	146,256	148,681
Nuclear fuel	10,126	—	—
Power purchased	14,819	5,335	2,658
Other operations	296,642	193,319	178,448
Maintenance	101,611	60,515	57,817
Depreciation and amortization	144,013	85,735	76,815
Amortization of phase-in revenues	13,158	—	—
Taxes (see statement):			
Federal income	34,905	24,516	24,632
State income	7,095	6,066	6,034
General	100,731	71,492	65,812
Total operating expenses	1,317,079	1,032,557	1,017,765
Operating Income	239,169	129,621	131,990
Other Income and Deductions (net of taxes)	24,186	3,351	9,012
Income Before Interest Charges	263,355	132,972	141,002
Interest Charges:			
Long-term debt	117,464	51,267	51,542
Other	20,009	10,490	11,022
Allowance for borrowed funds used during construction (credit)	(2,002)	(1,070)	(1,181)
Total interest charges	135,471	60,687	61,383
Income Before Cumulative Effect of Accounting Change	127,884	72,285	79,619
Cumulative Effect to January 1, 1991, of Change in Revenue Recognition (net of taxes) (Note 1)	—	17,360	—
Net Income	127,884	89,645	79,619
Preferred and Preference Dividends	12,751	6,377	1,744
Earnings Applicable to Common Stock	$ 115,133	$ 83,268	$ 77,875
Average Common Shares Outstanding	52,271,932	34,566,170	34,566,170
Earnings Per Average Common Share Outstanding Before Cumulative Effect of Accounting Change	$ 2.20	$ 1.91	$ 2.25
Cumulative Effect to January 1, 1991, of Change in Revenue Recognition Per Share	—	.50	—
Earnings Per Average Common Share Outstanding	$ 2.20	$ 2.41	$ 2.25
Dividends Declared Per Common Share	$ 1.90	$ 2.04 (2)	$ 1.80

(1) Information for 1992 reflects the merger with KG&E on March 31, 1992. (Note 2)
(2) Includes special, one-time dividend of $0.18 per share paid February 28, 1991.

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

CONSOLIDATED STATEMENTS OF CAPITALIZATION

December 31,	1992 (1)		1991	
	(Dollars in Thousands)			
Common Stock Equity (see statement):				
Common stock, par value $5 per share, authorized 85,000,000 shares, outstanding 58,045,550 and 34,566,170 shares, respectively	$ 290,228		$ 172,831	
Paid-in capital	559,636		87,099	
Retained earnings	398,503		382,519	
	1,248,367	37%	642,449	47%
Cumulative Preferred and Preference Stock (Note 5):				
Not subject to mandatory redemption, par value $100 per share, authorized 6,600,000 shares, outstanding—				
4½% Series, 138,576 shares	13,858		13,858	
4¼% Series, 60,000 shares	6,000		6,000	
5% Series, 50,000 shares	5,000		5,000	
	24,858		24,858	
Subject to mandatory redemption, without par value, $100 stated value, authorized 4,000,000 shares, outstanding—				
8.70% Series, 157,000 and 183,000 shares, respectively	15,700		18,300	
7.58% Series, 500,000 shares	50,000		—	
8.50% Series, 1,000,000 shares	100,000		100,000	
Less:				
Preference stock reacquired, 135,000 shares	12,967		12,967	
Preference stock redeemable within one year	1,300		1,300	
	151,433		104,033	
	176,291	5%	128,891	10%
Long-Term Debt (Note 12):				
First mortgage bonds	984,932		455,398	
Pollution control bonds	508,940		135,500	
Bank term loans	230,000		—	
Other pollution control obligations	14,205		—	
Revolving credit agreement	150,000		—	
Other long-term agreement	46,640		—	
Less:				
Unamortized debt discount	6,730		1,586	
Long-term debt due within one year	1,961		2,733	
	1,926,026	58%	586,579	43%
Total Capitalization	$3,350,684	100%	$1,357,919	100%

(1) Information for 1992 reflects the merger with KG&E on March 31, 1992. (Note 2)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended December 31,	1992 (1)	1991	1990
		(Dollars in Thousands)	
Cash Flows from Operating Activities:			
Net income	$ 127,884	$ 89,645	$ 79,619
Depreciation and amortization	152,943	85,735	76,815
Deferred taxes and investment tax credits (net)	26,900	9,319	3,445
Amortization of phase-in revenues	13,158	—	—
Corporate-owned life insurance	(14,704)	—	—
Amortization of gain from sale-leaseback	(7,231)	—	—
Changes in other working capital items:			
Accounts receivable and unbilled revenues (net) (Note 1)	(12,227)	(72,879)	5,976
Fossil fuel	14,990	(522)	(9,322)
Gas stored underground	4,522	(2,340)	(7,709)
Accounts payable	(10,194)	(3,125)	(23,954)
Accrued taxes	(52,185)	(14,130)	6,245
Other	(19,433)	11,661	4,610
Changes in other assets and liabilities	21,508	31,992	8,603
Net cash flows from operating activities	245,931	135,356	144,328
Cash Flows used in Investing Activities:			
Merger with KG&E	473,752	—	—
Non-utility investments	29,099	18,125	—
Corporate-owned life insurance polices	20,233	—	—
Death proceeds of corporate-owned life insurance policies	(6,789)	—	—
Additions to utility plant	202,493	125,675	135,001
Cash flows used in investing activities	718,788	143,800	135,001
Cash Flows from Financing Activities:			
Short-term debt (net)	42,825	20,300	(17,600)
Bank term loan issued for Merger with KG&E	480,000	—	—
Bank term loan retired	(250,000)	—	—
Long-term debt issued	427,708	—	75,000
Long-term debt retired	(236,966)	(30,233)	(3,495)
Other long-term debt issued	107,946	—	—
Other long-term debt retired	(36,156)	—	—
Preference stock issued	50,000	100,000	—
Preferred and preference stock redeemed	(2,600)	(1,300)	(1,300)
Long-term debt issuance expenses	(10,753)	—	—
Borrowings against life insurance policies (net)	(5,649)	—	—
Preference stock issuance expenses	—	(1,130)	—
Dividends on preferred, preference and common stock	(99,440)	(76,891)	(63,963)
Net cash flows from (used in) financing activities	466,915	10,746	(11,358)
Increase (Decrease) in Cash and Cash Equivalents	(5,942)	2,302	(2,031)
Cash and Cash Equivalents:			
Beginning of the period	6,817	4,515	6,546
End of the period	$ 875	$ 6,817	$ 4,515
Supplemental Disclosures of Cash Flow Information			
Cash Paid For:			
Interest on financing activities (net of amount capitalized)	$ 159,548	$ 58,462	$ 57,029
Income taxes	24,966	40,062	20,528
Components of Merger with KG&E:			
Assets acquired	$ 3,142,455		
Liabilities assumed	(2,076,821)		
Common stock issued	(589,920)		
Cash paid	475,714		
Less cash acquired	(1,962)		
Net cash paid	$ 473,752		

(1) Information for 1992 reflects the merger with KG&E on March 31, 1992. (Note 2)

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

CONSOLIDATED STATEMENTS OF TAXES

Year Ended December 31,	1992 (1)	1991	1990
		(Dollars in Thousands)	
Federal Income Taxes:			
Payable currently	$ 16,687	$ 18,479	$ 27,751
Deferred taxes arising from:			
Depreciation and other property related items	25,163	9,662	7,492
Energy and purchased gas adjustment clauses	(4,180)	(15,535)	(1,610)
Unbilled revenues	2,458	17,249	(1,894)
Natural gas line survey and replacement program	(1,106)	1,015	2,880
Other	4,121	(1,109)	(778)
Amortization of investment tax credits	(4,918)	(4,238)	(4,198)
Total Federal income taxes	38,225	25,523	29,643
Federal income taxes applicable to non-operating items	(3,320)	(1,007)	(5,011)
Total Federal income taxes charged to operations	34,905	24,516	24,632
State Income Taxes:			
Payable currently	2,522	4,033	5,540
Deferred (net)	5,352	2,276	1,553
Total state income taxes	7,874	6,309	7,093
State income taxes applicable to non-operating items	(779)	(243)	(1,059)
Total state income taxes charged to operations	7,095	6,066	6,034
General Taxes:			
Property and other taxes	68,643	40,429	35,565
Franchise taxes	19,583	20,576	20,126
Payroll taxes	12,505	10,566	10,197
Total general taxes	100,731	71,571	65,888
General taxes applicable to non-operating items	—	(79)	(76)
Total general taxes charged to operations	100,731	71,492	65,812
Total Taxes Charged to Operations	$142,731	$102,074	$ 96,478

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,	1992 (1)	1991	1990
Effective Income Tax Rate	27.0%	32.2%	31.6%
Effect of:			
Additional depreciation	(5.1)	(2.7)	(2.8)
Accelerated amortization of certain deferred taxes	7.6	3.9	4.8
State income taxes	(2.6)	(4.0)	(4.0)
Amortization of investment tax credits	3.4	3.2	3.6
Corporate-owned life insurance	2.9	—	—
Other differences	.8	1.4	.8
Statutory Federal Income Tax Rate	34.0%	34.0%	34.0%

(1) Information for 1992 reflects the merger with KG&E on March 31, 1992. (Note 2)

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

CONSOLIDATED STATEMENTS OF COMMON STOCK EQUITY

Year Ended December 31,	COMMON STOCK	PAID-IN CAPITAL	RETAINED EARNINGS
		(Dollars in Thousands)	
Balance December 31, 1989,			
34,566,170 shares	$172,831	$ 88,215	$354,123
Net income			79,619
Cash dividends:			
Preferred and preference stock			(1,744)
Common stock, $1.80 per share			(62,219)
Expenses on preference stock		7	(7)
Balance December 31, 1990,			
34,566,170 shares	172,831	88,222	369,772
Net income			89,645
Cash dividends:			
Preferred and preference stock			(6,377)
Common stock, $2.04(1) per share			(70,514)
Expenses on preference stock		(1,123)	(7)
Balance December 31, 1991,			
34,566,170 shares	172,831	87,099	382,519
Net income			127,884
Cash dividends:			
Preferred and preference stock			(12,751)
Common stock, $1.90 per share			(99,135)
Expenses on preference stock		14	(14)
Issuance of 23,479,380 shares of common stock in the Merger with KG&E	117,397	472,523	
Balance December 31, 1992,			
58,045,550 shares	$290,228	$559,636	$398,503

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

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. (formerly The Kansas Power and Light Company) (the Company, Western Resources), include the accounts of its wholly-owned subsidiaries, Astra Resources, Inc., Kansas Gas and Electric Company (KG&E) since March 31, 1992 (see Note 2), and KPL Funding Corporation (KFC). KG&E owns 47 percent of the Wolf Creek Nuclear Operating Corporation (WCNOC), the operating company for the Wolf Creek Generating Station (Wolf Creek). The Company records its proportionate share of all transactions of WCNOC as it does other jointly-owned facilities. All significant intercompany transactions have been eliminated. The accounting policies of the Company are in accordance with generally accepted accounting principles as applied to regulated public utilities. The accounting and rates of the Company are subject to requirements of certain state regulatory commissions and the Federal Energy Regulatory Commission (FERC).

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 5.99% in 1992, 6.25% in 1991, and 8.25% in 1990. The cost of additions to utility plant and replacement units of property is 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.

Depreciation: Depreciation is provided on the straight-line method based on estimated useful lives of property. Composite provisions for book depreciation approximated 3.03% during 1992, 3.34% during 1991, and 3.32% during 1990 of the average original cost of depreciable property.

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

Income Taxes: Income tax expense includes provisions for income taxes currently payable and deferred income taxes calculated in conformance with income tax laws, regulatory orders, and Statement of Financial Accounting Standards No. 109 (SFAS 109) (see Note 6).

Investment tax credits are deferred as realized and amortized to income over the life of the property which gave rise to the credits.

Revenues: Effective January 1, 1991, the Company changed its method of accounting for recognizing electric and natural gas revenues to provide for the accrual of estimated unbilled revenues. The accounting change provides a better matching of revenues with costs of services provided to customers and also serves to conform the Company's accounting treatment of unbilled revenues with the tax treatment of such revenues. Unbilled revenues represent the estimated amount customers will be billed for service provided from the time meters were last read to the end of the accounting period. Meters are read and services are billed on a cycle basis and, prior to the accounting change, revenues were recognized in the accounting period during which services were billed.

The after-tax effect of the change in accounting method for the year ended December 31, 1991, is an increase in net income of $15.9 million or $0.46 per share. This increase is a combination of an increase of $17.3 million or $0.50 per share, attributable to the cumulative effect of the accounting change prior to January 1, 1991, and a decrease of $1.4 million or $0.04 per share in the 1991 income before cumulative effect of a change in accounting principle. The pro forma net income and earnings per share of common stock for the year ended December 31, 1990, assuming the accrual for estimated unbilled revenues was applied retroactively to the period, would have been $75.5 million, or $2.13 per share. Unbilled revenues of $86.3 and $61.9 million are recorded as a component of accounts receivable on the consolidated balance sheets as of December 31, 1992 and 1991, respectively. Certain amounts of unbilled revenues have been sold (see Note 12).

The Company had reserves for doubtful accounts receivable of $3.3 and $2.0 million at December 31, 1992 and 1991, respectively.

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, 1992, was $26 million.

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

	1992
Cash surrender value of contracts	$256.3
Borrowings against contracts	(109.6)
Net	$146.7

Interest expense included in other income and deductions, net of taxes, related to KG&E's corporate-owned life insurance (net) for the nine months ended December 31, 1992, was $5.3 million. The Company is proposing, to the regulatory commissions, to defer and offset Statement of Financial Accounting Standards No. 106 (SFAS 106) expenses with a portion of the net income stream generated by corporate-owned life insurance policies purchased in 1992 by the Company and KG&E (see Note 8). Management expects to realize increases in cash surrender value of contracts resulting from premiums and investment earnings on a tax free basis upon receipt of net proceeds from death benefits under the contracts.

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

2 ACQUISITION AND MERGER

On March 31, 1992, the Company, through its wholly-owned subsidiary KCA Corporation (KCA), acquired all of the outstanding common and preferred stock of Kansas Gas and Electric Company for $454 million in cash and 23,479,380 shares of common stock (the Merger). The Company also paid $20 million in costs to complete the Merger. Simultaneously, KCA and Kansas Gas and Electric Company merged and adopted the name of Kansas Gas and Electric Company (KG&E). The Merger was accounted for as a purchase. For income tax purposes the tax basis of the KG&E assets was not changed by the Merger.

As the Company acquired 100 percent of the common and preferred stock of KG&E, the Company recorded an acquisition premium of $490 million on the consolidated balance sheet for the difference in purchase price and book value. This acquisition premium and related income tax requirement of $306 million under SFAS 109 have been classified as plant acquisition adjustment in

electric plant in service on the consolidated balance sheet. The total cost of the acquisition was $1.066 billion. Under the provisions of orders of the Kansas Corporation Commission (KCC) and the Missouri Public Service Commission (MPSC), the acquisition premium is recorded as an acquisition adjustment and not allocated to the other assets and liabilities of KG&E. As the merger with KG&E occurred on March 31, 1992, the balance sheet accounts of the Company at December 31, 1992, include the accounts of KG&E and are not directly comparable to the balances presented at December 31, 1991.

In the November 1991 KCC order approving the Merger, a mechanism was approved to share equally between the shareholders and ratepayers the cost savings generated by the Merger in excess of the revenue requirement needed to allow recovery of the amortization of a portion of the acquisition adjustment, including income tax, calculated on the basis of a purchase price of KG&E's common stock at $29.50 per share. The order provides an amortization period for the acquisition adjustment of 40 years commencing in August 1995, at which time the full amount of cost savings is expected to have been implemented. Merger savings will be measured by application of an inflation index to certain pre-merger operating and maintenance costs at the time of the next Kansas rate case. While the Company anticipates substantial savings from the Merger, there is no assurance that the cost savings sharing mechanism will be adequate to offset the amortization of the acquisition adjustment. The order further provides a moratorium on increases, with certain exceptions, in the Company's Kansas electric and natural gas rates until August 1995. The KCC ordered refunds totalling $32 million to the combined companies' customers in order to share the Merger-related cost savings achieved during the moratorium period with customers. The first refund was made in April 1992 and amounted to $8.5 million. A refund of the same amount will be made in 1993 and an additional refund of $15 million will be made in 1994. The KCC order approving the Merger requires the legal reorganization of KG&E so that it is no longer held as a separate subsidiary after January 1, 1995, unless good cause is shown why such separate existence should be maintained. The Securities and Exchange Commission order relating to the Merger granted the Company an exemption under the Public Utilities Holding Company Act until January 1, 1995.

As the Merger did not occur until March 31, 1992, the 12-month results of operations for the Company reported in its statements of income, cash flows, and common stock equity reflect KG&E's results of operations for only the nine months ended December 31, 1992. The pro forma combined revenues, operating income, net income, and earnings per common share of the Company presented below give effect to the Merger as if it had occurred at January 1, 1990. This pro forma information is not necessarily indicative of the results of operations that would have occurred had the Merger been consummated for the period for which it is being given effect nor is it necessarily indicative of future operating results.

Year Ended December 31,	1992	1991	1990
	($1,000s except per share amounts)		
Revenues	$1,684,885	$1,748,844	$1,728,094
Operating Income	268,772	279,458	295,030
Net Income	131,524	110,290 (1)	128,206
Earnings Per Common Share	$2.03	$1.72 (1)	$2.11

(1) Reflects information before the cumulative effect of the January 1, 1991, change in accounting method of recognizing revenues.

To finance the Merger, the Company issued $370 million of First Mortgage Bonds, 7.46% Demand Series, to KFC, a wholly-owned subsidiary. These first mortgage bonds along with the common stock of KG&E held by the Company were pledged to secure $480 million in bank term loans of which $370 million was borrowed by KFC.

On July 14, 1992, the Company issued $125 million of First Mortgage Bonds, 7 1/4% Series due July 1, 1999, and $125 million of First Mortgage Bonds, 8 1/2% Series due July 1, 2022. The net proceeds from the new issues were applied toward the redemption of $250 million of the First Mortgage Bonds, 7.46% Demand Series, held by KFC and KFC repaid $250 million of the bank term loan (see Note 12).

3 *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 $110 million at December 31, 1992. Approximately $46 million is attributable to modifications to upgrade the three turbines at Jeffrey Energy Center to be completed by December 31, 1998. Plans for future construction to existing utility plant are discussed in the "Management's Discussion and Analysis" section.

The Environmental Protection Agency (EPA) has associated the Company with, and performed preliminary assessments at, eleven former manufactured gas sites which may contain coal tar and other alleged potentially harmful materials. Six of these sites are currently under site investigation and one site is being investigated by the Kansas Department of Health and Environment (KDHE). The Company has not received any indication from the EPA that further action or investigation will be taken on these sites. The Company does not anticipate any fines or penalties related to any of these eleven sites. The Company and KDHE have announced that they have entered into a consent agreement to perform preliminary assessments of 20 former manufactured gas sites, some of which are being investigated by the EPA as discussed previously. At this time, it is not known to what degree these sites have environmental contamination. Until such time that the assessments are completed, the Company will be unable to estimate the accurate cost to remediate these sites. However, in the opinion of the Company's management, any expense related to the remediation of these sites will not have a material effect on the Company's financial position or results of operations.

The Company has been identified as one of numerous potentially responsible parties in three hazardous waste sites listed by the EPA as Superfund sites. One site is a groundwater contamination site in Wichita, Kansas. The other two sites are old solid waste landfills located in Edwardsville and Hutchinson, Kansas. The Company's obligation at these sites appears to be limited, and it is the opinion of the Company's management that the resolution of these matters will not have a material impact on the financial position of the Company or results of operations.

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

Decommissioning: The Company's share of Wolf Creek decommissioning costs is currently estimated to be approximately $97 million in 1988 dollars. Decommissioning costs are being charged to operating expenses. Electric rates charged to customers provide for recovery of these decommissioning costs over the life of Wolf Creek. Amounts so collected from customers are deposited in an external trust fund and will be used solely for the physical decommissioning of the plant. At December 31, 1992, $9.3 million was on deposit in the decommissioning fund. A new study is expected to be completed in 1993 which may result in increased decommissioning cost estimates. Management

expects such increases to be recovered through the rate-making process.

The Company carries $164 million in premature decommissioning insurance in the event of a shortfall in the trust fund. The insurance coverage has several restrictions. One of these is that it can only be used if Wolf Creek incurs an accident exceeding $500 million in expenses to safely stabilize the reactor, to decontaminate the reactor and reactor station site in accordance with a plan approved by the Nuclear Energy Regulatory Commission (NRC), and to pay for on-site property damages. If the amount designated as decommissioning insurance is needed to implement the NRC-approved plan for stabilization and decontamination, it would not be available for decommissioning purposes.

Nuclear Insurance: The Price-Anderson Act limits the combined public liability of the owners of nuclear power plants to $7.8 billion for a single nuclear incident. The Wolf Creek owners (Owners) have purchased the maximum available private insurance of $200 million and the balance is provided by an assessment plan mandated by the NRC. Under this plan, the Owners are jointly and severally subject to a retrospective assessment of up to $66.2 million ($31.1 million, Company's share) in the event there is a nuclear incident involving any of the nation's licensed reactors. This assessment is subject to an inflation adjustment based on the Consumer Price Index. There is a limitation of $10 million ($4.7 million, Company's share) in retrospective assessments per incident per year.

The Owners carry decontamination liability, premature decommissioning liability, and property damage insurance for Wolf Creek totalling approximately $2.6 billion. This insurance is provided by a combination of "nuclear insurance pools" and Nuclear Electric Insurance Limited (NEIL). The Owners also carry additional insurance with NEIL to cover costs of replacement power and other extra expenses incurred during a prolonged outage resulting from accidental property damage at Wolf Creek. If losses incurred at any of the nuclear plants insured under the NEIL policies exceed premiums, reserves, and other NEIL resources, the Company may be subject to retrospective assessments of approximately $8 million per year.

There can be no assurance that all potential losses or liabilities will be insurable or that the amount of insurance will be sufficient to cover them. Any substantial losses not covered by insurance could have a material adverse effect on the Company's financial condition and results of operations.

Clean Air Act: The Clean Air Act Amendments of 1990 (the Act) require a two-phase reduction in sulfur dioxide emissions effective in 1995 and 2000 and a reduction in nitrous oxide and toxic emissions effective in 2000. To meet Phase I of the Act requirements, the Company will install continuous emission monitoring and reporting equipment at all generating facilities. Unlike many coal-burning utilities, additional equipment to reduce sulfur emissions will not be necessary. The nitrous oxide and toxic limits, which were not set in the law (but are a part of Phase II), will be specified in future EPA regulations. While difficult to predict, the Company anticipates capital expenditures will not be material to the Company's financial position.

Federal Income Taxes: During 1991, the Internal Revenue Service (IRS) completed an examination of KG&E's federal income tax returns for the years 1984 through 1988. In April 1992, KG&E received the examination report and upon review filed a written protest in August 1992. The most significant adjustments proposed by the IRS reduce the depreciable basis of certain assets and investment tax credits generated. Management believes there are significant questions regarding the theory, computations, and sampling techniques used by the IRS to arrive at its proposed adjustments, and also believes any additional tax expense incurred or loss of investment tax credits will not be material to the Company's financial position and results of operations. Additional income tax payments, if any, are expected to be offset by investment tax credit carryforwards, alternative minimum tax credit carryforwards, or deferred tax provisions.

Fuel Commitments: To supply a portion of the fuel requirements for its generating plants, the Company has entered into various commitments to obtain nuclear fuel, coal, and natural gas. Some of these contracts contain provisions for price escalation and minimum purchase commitments. At December 31, 1992, WCNOC's nuclear fuel commitments (Company's share) were approximately $22.4 million for uranium concentrates through 1995 and in 1997, $137.2 million for enrichment through 1995 and in 2014, and $50.4 million for fabrication through 2014. At December 31, 1992, the Company's coal and natural gas contract commitments in 1992 dollars under the remaining term of the contracts are $2.9 billion and $27.2 million, respectively. The largest coal contract expires in 2013 with the remaining coal contracts expiring in 1993. The majority of natural gas contracts continue through 1995 with automatic one-year extension provisions. During 1993, additional commitments will be made to assure adequate fuel supplies.

4 RATE MATTERS AND REGULATION

The Company, under rate orders from certain state regulatory commissions and the 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 gas customers. Certain state regulatory commissions 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.

Elimination of the Energy Cost Adjustment Clause (ECA): On March 26, 1992, in connection with the Merger, the KCC approved the elimination of the ECA for most Kansas retail customers of both the Company and KG&E effective April 1, 1992. The provisions for fuel costs included in base rates were established at a level intended by the KCC to equal the projected average cost of fuel through August 1995 and to include recovery of costs provided by previously issued orders relating to coal contract settlements.

MPSC Rate Proceedings: On February 5, 1993, the Company filed an application with the MPSC requesting an increase in natural gas rates of $20.8 million or seven percent. The proposed increase, if approved by the MPSC, will take effect by January 1994.

On January 22, 1992, the MPSC issued an order authorizing the Company to increase natural gas rates $7.3 million annually. On February 5, 1992, the Company filed an application for the issuance of an accounting order to defer service line replacement program costs incurred since July 1, 1991, including depreciation expenses, property taxes, and carrying costs for recovery in the next general rate case. The MPSC subsequently issued an accounting order allowing the deferral of service line replacement program costs. At December 31, 1992, approximately $3.1 million of these deferrals have been included in other deferred charges on the consolidated balance sheet.

On April 27, 1990, the MPSC approved an agreement among the Company, the MPSC staff, and intervenors to increase natural gas rates $18.5 million annually, effective May 1, 1990. The Company discontinued the deferral of accelerated line surveys and carrying charges on plant investment in new service lines on April 30, 1990, and began amortizing the balance to expense over a three-year period which began May 1, 1990.

KCC Rate Proceedings: On December 30, 1991, the KCC approved a permanent rate increase of $39 million annually and the Company discontinued the deferral of accelerated line surveys on January 1, 1992. Approximately $13.6 million of these deferrals remain in other deferred charges on the consolidated balance sheet at

December 31, 1992, with the balance being amortized to expense during a 43-month period, commencing January 1, 1992.

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, 1992, approximately $784,000 of these deferrals have been included in other deferred charges on the consolidated balance sheet.

Gas Transportation Charges: On September 12, 1991, the KCC authorized the Company to begin recovering increased supplier gas transportation rates, charged Western Resources by Panhandle and Trunkline Gas Company, in the PGA. The KCC also authorized recovery of deferred costs of $9.9 million through December 31, 1990, based on a three-year amortization schedule. On December 30, 1991, the KCC authorized the Company to recover deferred transportation costs of approximately $2.8 million incurred subsequent to December 31, 1990, through the PGA over a 32-month period. The Company discontinued the deferral of these costs on January 1, 1992. At December 31, 1992, approximately $8.6 million of these deferrals remain in other deferred charges on the consolidated balance sheet.

Tight Sands: In December 1991, the KCC, MPSC, and Oklahoma Corporation Commission (OCC) approved agreements authorizing the Company to refund to customers approximately $40 million of the proceeds of the Tight Sands anti-trust 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 10 years.

Rate Stabilization Plan: In 1988, the KCC issued an order requiring that the accrual of phase-in revenues be discontinued by KG&E effective December 31, 1988. Effective January 1, 1989, KG&E began amortizing the phase-in revenue asset on a straight-line basis over 9½ years.

Coal Contract Settlements: In March 1990, the KCC issued an order allowing KG&E 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 is recorded as a deferred charge on the consolidated balance sheet. The settlement resulted in the termination of a long-term coal contract. In June 1991, the KCC permitted KG&E to recover this settlement as follows: 76 percent of the settlement plus a return through its ECA 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, KG&E paid $8.5 million to settle a coal contract lawsuit with AMAX Coal Company and recorded the payment as a deferred charge on the consolidated balance sheet. In July 1991, the KCC approved the recovery of the settlement plus a return, equivalent to the carrying cost of the asset, through the ECA over the remaining term of the terminated contract (through 1996).

FERC Order No. 528: In 1990, the FERC issued Order No. 528 which authorized new methods for the allocation and recovery of take-or-pay settlement costs by natural gas pipelines from their customers. A settlement was reached between one of the Company's gas pipelines and its customers concerning the amount and allocation of take-or-pay settlement costs to be recovered from its customers. Approval of a settlement with another of Western Resources' natural gas pipelines is currently pending before the FERC. Negotiation and litigation continues between Western Resources and other suppliers concerning the amount of such costs to be allocated to Western Resources. Due to the present uncertainty of the outcome of the litigation and negotiations, the Company is unable to estimate any further liability for take-or-pay settlement costs incurred by its pipeline suppliers. The Company believes it will be able to recover costs billed from its suppliers through recovery mechanisms approved by its state regulatory commissions.

5 CUMULATIVE PREFERRED AND PREFERENCE STOCK

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 8.70% Series preference stock require the Company to redeem 13,000 shares annually on October 1, at par value. The Company may, at its option, redeem up to an additional 13,000 shares on each October 1, at par value. The 8.70% 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 $103.99, $103.63, and $103.26 per share after October 1, 1992, 1993, and 1994, respectively. The Company held 135,000 shares in treasury stock at December 31, 1992, which may not be used for stock redemptions under mandatory or optional sinking fund provisions.

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 $107.93, $107.37, and $106.80 per share beginning July 1, 1992, 1993, and 1994, 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 $107.58, $106.82, and $106.06 per share beginning April 1, 1992, 1993, and 1994, respectively.

6 INCOME TAXES

The Company adopted the provisions of SFAS 109 in the first quarter of 1992. KG&E adopted the provisions of SFAS 96 in 1987 and SFAS 109 in 1992. These statements require the Company to establish deferred tax assets and liabilities, as appropriate, for all temporary differences, and to adjust deferred tax balances to reflect changes in tax rates expected to be in effect during the periods the temporary differences reverse.

In accordance with various rate orders received from the KCC, MPSC, and 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 through future rates, it has recorded net deferred future income taxes for the portions of the net deferred income tax liabilities not yet collected through rates. These assets are also a temporary difference for which deferred income tax liabilities have been provided. Accordingly, the adoption of SFAS 109 did not have a material impact on the Company's results of operations.

At December 31, 1992, the Company had unused investment tax credits of approximately $14.5 million available for carryforward to future years which, if not utilized, will expire in the years 2000

through 2002. In addition, the Company has alternative minimum tax credits generated prior to April 1, 1992, which carryforward without expiration, of $39.9 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, 1992.

Deferred income taxes result from temporary differences between the financial statement and tax basis of the Company's assets and liabilities. The sources of these differences and their cumulative tax effects are as follows:

	1992		
	Debits	Credits	Total
	(Dollars in Thousands)		
Sources of Deferred Income Taxes:			
Accelerated depreciation		$ (627,288)	$ (627,288)
Disallowance of plant costs	$ 26,916		26,916
Phase-in revenues		(37,564)	(37,564)
Accelerated amortization		(9,127)	(9,127)
Deferred gain on sale—leaseback	104,573		104,573
Alternative minimum tax credits	39,882		39,882
Deferred coal contract settlements		(9,263)	(9,263)
Acquisition premium		(313,721)	(313,721)
Deferred compensation	7,693		7,693
Pension liability	3,309		3,309
La Cygne operating lease	2,255		2,255
Deferred future income taxes	219,001	(522,687)	(303,686)
Other	24,962	(12,309)	12,653
Total Deferred Income Taxes	$428,591	$(1,531,959)	$(1,103,368)

	1991		
	Debits	Credits	Total
	(Dollars in Thousands)		
Sources of Deferred Income Taxes:			
Accelerated depreciation		$ (269,942)	$ (269,942)
Other	$ 29,485	(11,563)	17,922
Total Deferred Income Taxes	$ 29,485	$ (281,505)	$ (252,020)

7 LEGAL PROCEEDINGS

The Company was named as a defendant in lawsuits arising out of an explosion which occurred in the River Market area of Kansas City, Missouri, in July 1990. In December 1992, the litigation was settled. The resolution of this litigation did not have a material adverse impact on the Company's financial position or results of operations.

In 1988, KG&E was named as a third party defendant in a suit against Kansas Gas Supply brought by Chevron USA in 1987. In January 1993, all claims against KG&E were resolved and the suit was dismissed. The cost of the settlement was adequately provided for prior to the Merger.

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

8 EMPLOYEE BENEFIT PLANS

Pension: The Company maintains 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.

The following tables provide information on the components of pension cost, funded status, and actuarial assumptions for the Company's pension plans:

Year Ended December 31, ($1,000s)	1992	1991	1990
Pension Cost:			
Service cost	$ 9,847	$ 6,589	$ 6,345
Interest cost on projected benefit obligation	29,457	20,985	18,729
Return on plan assets	(38,967)	(59,161)	(3,819)
Deferred gain (loss) on plan assets	7,705	38,015	(15,721)
Net amortization	(948)	(131)	242
Net pension cost	$ 7,094	$ 6,297	$ 5,776

December 31, ($1,000s)	1992	1991	1990
Funded Status:			
Actuarial present value of benefit obligations:			
Vested	$316,100	$200,435	$183,262
Non-vested	19,331	13,935	12,790
Total	$335,431	$214,370	$196,052
Plan assets (principally debt and equity securities) at fair value	$452,372	$324,780	$274,622
Projected benefit obligation	424,232	282,062	262,831
Plan assets in excess of projected benefit obligation	28,140	42,718	11,791
Unrecognized transition asset	(3,092)	(1,253)	(1,370)
Unrecognized prior service costs	55,886	27,216	29,321
Unrecognized net gain	(106,486)	(69,494)	(40,198)
Accrued pension costs	$ (25,552)	$ (813)	$ (456)

Year Ended December 31,	1992	1991	1990
Actuarial Assumptions:			
Discount rate	8.0-8.5%	8.0%	8.0%
Annual salary increase rate	6.0%	6.0%	6.0%
Long-term rate of return	8.0-8.5%	8.0%	8.0%

Early Retirement and Voluntary Separation Plans: In January 1992 the Board of Directors approved early retirement plans and voluntary separation programs. The voluntary early retirement plans were offered to all vested participants in the Company's defined pension plan who reached the age of 55 with 10 or more years of service on or before May 1, 1992. Certain pension plan improvements were made, including a waiver of the actuarial reduction factors for early retirement and a cash incentive payable as a monthly supplement up to 60 months or as a lump sum payment. Of the 738 employees eligible for the early retirement option, 531, representing ten percent of the combined Company's work force, elected to retire on or before the May 1, 1992, deadline. Seventy-one of those electing to retire were employees of KG&E acquired March 31, 1992 (see Note 2). Another 67 employees, with 10 or more years of service, elected to participate in the voluntary separation program. Of those, 29 were employees of KG&E. In addition, 68 employees received Merger-related severance benefits, including 61 employees of KG&E. The actuarial cost, based on plan provisions for early retirement and voluntary separation programs, and Merger-related severance benefits for

the KG&E employees, was considered in purchase accounting for the Merger. The actuarial cost of the former Kansas Power and Light Company employees, of approximately $11 million, was expensed in 1992.

Postretirement: The Company provides health care and life insurance benefits to its retired employees. The Company's policy has been to recognize expenses as claims are paid. The cost of retiree health care and life insurance benefits is recognized as expense when claims and premiums for life insurance policies are paid. The cost of providing health care and the life insurance benefits for 5,138 employees was $19.3 million in 1992, while the cost of providing those benefits to 2,928 retirees was $8.1 million. The cost of providing health care and life insurance benefits for retired and active employees totalled $23.0 and $20.4 million for 1991 and 1990, respectively. The cost of providing benefits for 1,911, and 1,886 retirees is not separable from the cost of providing benefits for the 4,474 and 4,614 active employees in 1991 and 1990, respectively.

In December 1990 the Financial Accounting Standards Board (FASB) issued SFAS 106. The Company plans to implement SFAS 106 for its fiscal year ending December 31, 1993. SFAS 106 will require accrual of postretirement benefits other than pensions, primarily medical benefits costs, during the years an employee provides services.

Management believes, based on discussions with its consulting actuaries, that the annual expense under SFAS 106 commencing after adoption will be approximately $28 million and the Company's total obligation will be approximately $180 million. These costs historically have been allowed in rates when paid. To mitigate the impact of SFAS 106 expenses, the Company has implemented programs to reduce health care costs and has filed applications with its three state regulatory commissions for orders permitting the initial deferral of SFAS 106 expense and its inclusion in the computation of cost of service net of an income stream generated from corporate-owned life insurance. However, if the state regulatory commissions were to recognize postretirement benefit costs under a different method, earnings could be impacted negatively.

Postemployment: The FASB has issued a new statement SFAS 112, which establishes accounting and reporting standards for postemployment benefits. The new statement will require the Company to recognize the liability to provide postemployment benefits when the liability has been incurred. The Company is required to adopt SFAS 112 no later than January 1, 1994. Although the effect of adoption has not been determined, the Company does not expect adoption to have a material effect on results of operations.

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 $5.4, $3.3, and $2.8 million for 1992, 1991, and 1990, respectively.

9 *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:

Cash and Cash Equivalents—

The carrying amount approximates the fair value because of the short-term maturity of those investments.

Decommissioning Trust—

The fair value of the Decommissioning Trust is based on quoted market prices at December 31, 1992.

Variable-rate Debt—

The carrying amount approximates the fair value because of the short-term variable-rates of those 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 coupon 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 coupon, maturity, and redemption provisions of each issue.

The estimated fair values of the Company's financial instruments are as follows:

	December 31, 1992	
	Carrying Value	Fair Value
	(Dollars in Thousands)	
Cash and cash equivalents	$ 875	$ 875
Decommissioning trust	9,272	9,500
Variable-rate debt	758,449	758,449
Fixed-rate debt	1,508,077	1,563,375
Redeemable preference stock	152,733	161,733

10 *JOINT OWNERSHIP OF UTILITY PLANTS*

	Company's Ownership at December 31, 1992				
	In-Service Dates	Investment	Accumulated Depreciation	Net (MW)	Percent
	(Dollars in Thousands)				
La Cygne 1 (a)	Jun 1973	$ 130,282	$ 86,576	342	50
Jeffrey 1 (b)	Jul 1978	274,123	129,930	569	84
Jeffrey 2 (b)	May 1980	272,415	90,761	565	84
Jeffrey 3 (b)	May 1983	386,414	105,659	585	84
Wolf Creek (c)	Sep 1985	1,355,677	247,227	532	47

(a) Jointly owned with Kansas City Power & Light Company (KCPL)
(b) Jointly owned with UtiliCorp United Inc. and a third party
(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 in the statements of income. The Company's share of other transactions associated with the plants is included in the appropriate classification in the Company's consolidated financial statements.

11 *LEASES*

At December 31, 1992, the Company had leases covering various property and equipment. Certain lease agreements meet the criteria, as set forth in Statement of Financial Accounting Standards No. 13, for classification as capital leases.

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

Year Ending December 31, ($1,000s)	Capital Leases	Operating Leases
1990	$ 803	$ 17,743
1991	1,217	21,501
1992	2,426	52,701
Future commitments:		
1993	$ 4,002	$ 47,273
1994	4,002	45,024
1995	3,783	43,113
1996	3,627	40,956
1997	1,511	40,368
Thereafter	—	811,263
Total	16,925	$1,027,997
Less interest	2,528	
Net obligation	$ 14,397	

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

As permitted under the lease agreement, KG&E, in 1992, requested the Trustee Lessor to refinance $341.1 million of secured facility bonds of the Trustee and owner of La Cygne 2. The transaction was requested to reduce recurring future net lease expense. In connection with the refinancing on September 29, 1992, a one-time payment of approximately $27 million was made by KG&E 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.

Future minimum annual lease payments, included in the preceding table, required under the lease agreement are approximately $34.6 million for each year through 1997 and $749.6 million over the remainder of the lease.

The gain of approximately $322 million realized at the date of the sale has been deferred for financial reporting purposes, and is being amortized over the initial lease term in proportion to the related lease expense. KG&E's lease expense, net of amortization of the deferred gain and the one-time payment, was approximately $20.6 million for the nine months ended December 31, 1992.

12 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 KG&E Mortgage dated April 1, 1940, as supplemented, is limited to a maximum of $2 billion. The amount of first mortgage bonds authorized by The Gas Service Company (GSC) Mortgage and Deed of Trust dated September 1, 1949, as supplemented, is limited to a maximum of $200 million. Amounts of additional bonds which may be issued are subject to certain restrictive provisions of each Mortgage.

Debt discounts and expenses are being amortized over the remaining lives of each issue. The Western Resources and KG&E improvement and maintenance fund requirements for certain first mortgage bond series can be met by bonding additional property. The sinking fund requirements for certain Western Resources and KG&E pollution control series and GSC first mortgage bonds can be met only through the acquisition and retirement of outstanding bonds. Bonds maturing and acquisition and retirement of bonds for sinking fund requirements for the five years subsequent to December 31, 1992, are as follows:

Year	Maturing Bonds	Retiring Bonds
	(Dollars in Thousands)	
1993	$ —	$1,961
1994	—	1,973
1995	—	1,986
1996	17,233	770
1997	—	1,333

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

	1992	1991
	(Dollars in Thousands)	
Western Resources		
First mortgage bond series:		
8 1/4% due 1996	$ —	$ 60,000
9.35 % due 1998	75,000	75,000
7 1/4% due 1999	125,000	—
7 5/8% due 1999	19,000	19,000
8 3/4% due 2000	20,000	20,000
8 7/8% due 2000	75,000	75,000
7 1/4% due 2002	100,000	—
8 5/8% due 2005	35,000	35,000
8 5/8% due 2006	—	45,000
8 1/8% due 2007	30,000	30,000
8 3/4% due 2008	35,000	35,000
8 5/8% due 2017	50,000	50,000
8 1/2% due 2022	125,000	—
	689,000	444,000
Pollution control bond series:		
5.90 % due 2007	31,500	32,000
6 3/4% due 2009	45,000	45,000
9 5/8% due 2013	58,500	58,500
	135,000	135,500
KG&E		
First mortgage bond series:		
5 5/8% due 1996	16,000	—
8 1/8% due 2001	35,000	—
7 3/8% due 2002	25,000	—
7.60 % due 2003	135,000	—
8 3/8% due 2006	25,000	—
8 1/2% due 2007	25,000	—
8 7/8% due 2008	30,000	—
	291,000	—
Pollution control bond series:		
6.8% due 2004	14,500	—
5 7/8% due 2007	21,940	—
6% due 2007	10,000	—
7.0% due 2031	327,500	—
	373,940	—
GSC		
First mortgage bond series:		
10.0 % due 1995	—	4,000
8 1/2% due 1997	4,932	7,398
	4,932	11,398
Bank term loans	230,000	—
Other pollution control obligations	14,205	—
Revolving credit agreement	150,000	—
Other long-term agreement	46,640	—
Less:		
Unamortized debt discount	6,730	1,586
Long-term debt due within one year	1,961	2,733
	$1,926,026	$586,579

To finance the Merger, the Company arranged for a bank term loan and revolving credit facility for $600 million, of which

a $480 million term loan was drawn down at the close of the Merger. At December 31, 1992, a $230 million term loan remained outstanding under the facility with no borrowings under the $120 million revolving credit agreement. In January 1993, the Company renegotiated this facility into a $350 million revolving credit facility, secured by KG&E common stock. As a result of the negotiations, $120 million of bonds pledged as collateral were released. The revolver has an initial term of three years with options to renew for an additional two years with the consent of the banks.

The KG&E revolving credit agreement, which expires in 1994, provides for borrowings of up to $150 million. This agreement may be extended until 1995 with the consent of the banks and it may be repaid prior to its expiration date without penalty. The weighted average interest rate, including fees, was 6.8% for the nine months ended December 31, 1992.

The unused portion of the above-mentioned revolving credit agreements may be used to provide support for outstanding short-term debt.

The other KG&E long-term agreement, which expires in 1995, contains provisions for the sale of accounts receivable and unbilled revenues (receivables) and phase-in revenues up to a total of $180 million. Amounts related to receivables are accounted for as sales while those related to phase-in revenues are accounted for as collateralized borrowings. Additional receivables are continually sold to replace those collected. At December 31, 1992, outstanding receivables amounting to $47.7 million are considered sold under the agreement. The credit risk associated with the sale of customer accounts receivable is considered minimal. The weighted average interest rate, including fees, was 6.6% for the nine months ended December 31, 1992. At December 31, 1992, an additional $37.9 million was available under the agreement.

13 *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, 1992, 1991, and 1990, is set forth below:

Year Ended December 31, ($1,000s)	1992	1991	1990
Lines of credit at year end	$250,000(1)	$185,000(2)	$165,000(3)
Short-term debt outstanding at year end	222,225	135,800	115,500
Weighted average interest rate on debt outstanding at year end (including fees)	4.70%	5.07%	8.43%
Maximum amount of short-term debt outstanding during the period	$263,900	$175,000	$179,000
Monthly average short-term debt	179,577	125,968	109,195
Weighted daily average interest rates during the year (including fees)	4.90%	6.69%	9.18%

(1) Decreased to $155 million in January 1993.
(2) Increased to $200 million in January 1992.
(3) Increased to $185 million in January 1991.

In connection with the commitments, the Company has agreed to pay certain fees to the banks. Lines of credit also are utilized to support the Company's outstanding short-term debt.

14 *SEGMENTS OF BUSINESS*

The Company is 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, Missouri, and Oklahoma.

Year Ended December 31, ($1,000s)	1992 (1)	1991	1990
Operating revenues:			
Natural gas	$ 673,363	$ 690,339	$ 686,048
Electric	882,885	471,839	463,707
	1,556,248	1,162,178	1,149,755
Operating expenses excluding income taxes:			
Natural gas	642,910	664,825	660,856
Electric	632,169	337,150	326,243
	1,275,079	1,001,975	987,099
Income taxes:			
Natural gas	816	(1,657)	1,072
Electric	41,184	32,239	29,594
	42,000	30,582	30,666
Operating income:			
Natural gas	29,637	27,171	24,120
Electric	209,532	102,450	107,870
	$ 239,169	$ 129,621	$ 131,990
Identifiable assets at December 31:			
Natural gas	$ 918,729	$ 840,692	$ 766,247
Electric	4,572,348	1,196,023	1,188,780
Other corporate assets (2)	32,552	75,798	61,002
	$5,523,629	$2,112,513	$2,016,029
Other Information—			
Depreciation and amortization:			
Natural gas	$ 38,171	$ 32,103	$ 25,005
Electric	105,842	53,632	51,810
	$ 144,013	$ 85,735	$ 76,815
Maintenance:			
Natural gas	$ 28,507	$ 26,275	$ 24,263
Electric	73,104	34,240	33,554
	$ 101,611	$ 60,515	$ 57,817
Construction expenditures:			
Natural gas	$ 91,189	$ 81,961	$ 85,617
Electric	95,465	43,714	49,384
	$ 186,654	$ 125,675	$ 135,001

(1) Information for 1992 reflects the merger with KG&E on March 31, 1992.
(2) Principally cash, temporary cash investments, non-utility investments, and deferred charges.

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
	(In Thousands, except Per Share Amounts)			
1992 (1)				
Operating revenues	$373,620	$341,715	$380,745	$460,168
Operating income	42,684	45,830	77,010	73,645
Net income	27,984	18,434	42,185	39,281
Earnings applicable to common stock	25,472	15,113	38,726	35,822
Earnings per share	$0.74	$0.26	$0.67	$0.62
Dividends per share	$0.475	$0.475	$0.475	$0.475
Average common shares outstanding	34,566	58,046	58,046	58,046
Common stock price:				
High	$29½	$26⅞	$30½	$32⅝
Low	$25⅜	$25¾	$26¾	$28½

	First	Second	Third	Fourth
1991				
Operating revenues	$389,984	$210,824	$219,797	$341,573
Operating income	43,367	22,249	31,680	32,325
Income before cumulative effect of accounting change	28,125	7,192	17,918	19,050
Cumulative effect to January 1, 1991, of change in revenue recognition (net of income taxes) (Note 1)	17,360	—	—	—
Net income	45,485	7,192	17,918	19,050
Earnings applicable to common stock	45,071	6,281	15,379	16,537
Earnings per average common share outstanding before cumulative effect of accounting change	$0.81	$0.18	$0.44	$0.48
Cumulative effect to January 1, 1991, of change in revenue recognition per share	0.50	—	—	—
Earnings per share	$1.31	$0.18	$0.44	$0.48
Dividends per share	$0.645 (2)	$0.465	$0.465	$0.465
Average common shares outstanding	34,566	34,566	34,566	34,566
Common stock price:				
High	$24	$25¼	$26⅜	$28⅜
Low	$20¾	$23⅜	$23¼	$25½

(1) Information for 1992 reflects the merger with KG&E on March 31, 1992.
(2) Includes special, one-time dividend of $0.18 per share paid February 28, 1991.

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, 1992 and 1991, 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, 1992. 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 did not audit the financial statements of Kansas Gas and Electric Company, a wholly-owned subsidiary of Western Resources, Inc., which statements reflect assets and revenues of 61 percent and 27 percent, respectively, of the consolidated totals for 1992. Those statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for that entity, is based solely on the report of other auditors.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit 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 and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Western Resources, Inc., and its subsidiaries as of December 31, 1992 and 1991, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1992, in conformity with generally accepted accounting principles.

As explained in Note 1 to the consolidated financial statements, effective January 1, 1991, the Company changed to a preferred method of accounting for revenue recognition. As explained in Note 6 to the consolidated financial statements, effective January 1, 1992, the Company changed its method of accounting for income taxes.

ARTHUR ANDERSEN & CO.

Kansas City, Missouri,
January 29, 1993

TEN-YEAR COMPARATIVE DATA

INCOME STATEMENT DATA ($1,000s):

		Operating Expenses							
Years	Total Operating Revenues	Natural Gas Purchases	Fuel Used for Generation	Power Purchased (Net)	Other Operations	Maintenance	Depreciation	Taxes	Operating Income
1992 (1)	$1,556,248	$403,326	$200,779	$14,819	$296,642	$101,611	$157,171	$142,731	$239,169
1991	1,162,178	439,323	146,256	5,335	193,319	60,515	85,735	102,074	129,621
1990	1,149,755	456,868	148,681	2,658	178,448	57,817	76,815	96,478	131,990
1989	1,127,623	451,896	149,796	148	171,094	58,442	73,305	97,406	125,536
1988	1,166,114	486,347	148,787	(2,356)	165,234	55,128	70,406	112,146	130,422
1987	1,166,458	485,995	144,495	2,328	153,789	49,598	67,804	124,115	138,334
1986	1,198,884	511,344	144,693	2,065	151,676	45,842	65,208	135,417	142,639
1985	1,354,128	655,429	150,679	2,279	150,295	45,962	60,794	142,680	146,010
1984	1,480,182	764,819	173,709	4,319	145,559	45,181	58,552	144,316	143,727
1983	922,080	376,115	158,127	11,734	82,582	31,719	45,144	99,791	116,868

ELECTRIC STATISTICS:

	MWH Sales (1,000s)					Company System Supply at Peak Hour (Net MW)			
Years	Residential	Commercial	Industrial	Other	Total	System Hourly Peak	System Peak Net (2)	Generating Capacity	Generating Capacity Net (2)
1992 (1)	3,842	4,473	4,419	3,119	15,853	3,683	3,590	5,139	4,807
1991	2,556	3,051	1,947	1,984 (6)	9,538 (6)	2,077	1,959	2,622	2,367
1990	2,403	2,952	1,954	1,820	9,129	2,066	1,948	2,589	2,344
1989	2,248	2,814	1,925	2,077	9,064	1,933	1,823	2,589	2,345
1988	2,296	2,782	1,877	2,174	9,129	2,031	1,919	2,526	2,287
1987	2,153	2,633	1,816	2,001	8,603	1,917	1,821	2,505	2,241
1986	2,075	2,521	1,821	2,125	8,542	1,844	1,740	2,531	2,262
1985	1,989	2,405	1,852	2,296	8,542	1,728	1,615	2,672	2,435
1984	1,991	2,322	1,777	2,379	8,469	1,802	1,668	2,681	2,387
1983	2,062	2,300	1,599	2,404	8,365	1,853	1,735	2,681	2,371

NATURAL GAS STATISTICS:

	MCF Sales (1,000s)						
Years	Residential	Commercial	Industrial	Other	Transportation	Total	Average Cost of Gas Purchased Per MCF
1992	93,779	40,555	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	202,390	2.67
1986	97,368	54,132	48,181	2,523	5,752	207,956	2.50
1985	106,315	59,947	53,170	7,540	9,664	236,636	2.79
1984	104,092	57,624	61,163	3,815	—	226,694	3.25
1983	48,332	26,185	35,507	8,381	—	118,405	3.10

(1) Information for 1992 reflects the merger with KG&E on March 31, 1992. (Note 2)
(2) Net of off-system sales and purchases.
(3) Restated to reflect two-for-one stock split on May 5, 1987.
(4) Includes cumulative effect to January 1, 1985, of change in revenue recognition, a $5,793,000 or $0.17 per share decrease.

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 (3)	Dividends Declared per Common Share (3)
$ —	$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	48,185	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
406	41	48,423	5,026	(760)	87,975 (4)	8,973	79,002 (4)	2.30 (4)	1.48
800	1,635	50,577	6,103	(366)	89,848	9,759	80,089	2.40	1.38
8,208	350	43,360	4,224	(5,762)	83,604	8,311	75,293	2.33	1.28

Electric Revenues ($1,000s)					Customers	Utility Plant ($1,000s)	
Residential	Commercial	Industrial	Other	Total	Average Total	Gross Additions	Total
$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
145,712	140,764	91,747	101,951	480,174	288,674	48,109	1,428,383
152,151	144,069	94,468	113,195	503,883	285,232	42,195	1,387,074
142,985	126,904	75,092	114,747	459,728	281,533	65,114	1,351,864

Natural Gas Revenues ($1,000s)					Customers	Utility Plant ($1,000s)	
Residential	Commercial	Industrial	Other	Total	Average Total	Gross Additions	Total
$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
452,854	225,735	164,782	30,583	873,954	998,306	40,370	462,677
494,643	244,249	218,890	18,517	976,299	985,268	41,848	422,993
214,[illegible]44	104,178	117,545	26,085	462,352	975,521	14,123	379,206

(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 & Officers

DIRECTORS

Frank J. Becker[1,4] **(55) 1992**
Personal Investments
El Dorado, Kansas

Gene A. Budig[1,2] **(53) 1987**
Chancellor
The University of Kansas
Lawrence, Kansas

C. Q. Chandler[1,4] **(66) 1992**
Chairman of the Board
First National Bank of Wichita
Wichita, Kansas

Thomas R. Clevenger[2,3] **(57) 1975**
Financial Consultant
Wichita, Kansas

Cloud L. Cray, Jr.[3,4] **(70) 1973**
Chairman of the Board
Midwest Grain Products, Inc.
Atchison, Kansas

John C. Dicus[2,4] **(59) 1990**
Chairman of the Board
Capitol Federal Savings
Topeka, Kansas

John E. Hayes, Jr. (55) 1989
Chairman of the Board, President, and Chief Executive Officer
Western Resources, Inc.
Topeka, Kansas

David H. Hughes[1,3] **(64) 1988**
Vice Chairman
Hallmark Cards, Inc. (retired)
Kansas City, Missouri

Russell W. Meyer, Jr.[2,3] **(60) 1992**
Chairman and Chief Executive Officer
Cessna Aircraft Company
Wichita, Kansas

John H. Robinson[2,3] **(66) 1991**
Chairman Emeritus
Black & Veatch
Kansas City, Missouri

Marjorie I. Setter[2,4] **(68) 1992**
Consultant-Advertising
Wichita, Kansas

Louis W. Smith[3,4] **(49) 1991**
President
Allied-Signal Aerospace Company
Kansas City, Missouri

Kenneth J. Wagnon[1,3] **(54) 1987**
President
Capital Enterprises, Inc.
Wichita, Kansas

OFFICERS
of Western Resources, Inc., its operating groups and subsidiaries

EXECUTIVE OFFICERS

John E. Hayes, Jr. (55) 1989
Chairman of the Board, President, and Chief Executive Officer

William E. Brown (53) 1962
President and Chief Executive Officer—KPL

James S. Haines, Jr. (46) 1980
Executive Vice President and Chief Administrative Officer

Steven L. Kitchen (47) 1964
Executive Vice President and Chief Financial Officer

John K. Rosenberg (47) 1979
Executive Vice President and General Counsel

Carl M. Koupal, Jr. (39) 1992
Vice President, Corporate Communications, Marketing, and Economic Development

KPL

M. Lee Brunton (57) 1958
Executive Vice President, Electric Production

Richard M. Haden (53) 1966
Executive Vice President, Field Services

Norman E. Jackson (55) 1960
Executive Vice President, Electric Engineering and Field Operations

KG&E

Kent R. Brown (47) 1982
President and Chief Executive Officer

Richard D. LaGree (62) 1956
Vice President, Field Operations

GAS SERVICE

William L. Johnson (50) 1990
President and Chief Executive Officer

James W. Ingram (61) 1969
Vice President, Production, Transmission, and Storage

Hans E. Mertens (43) 1990
Vice President, Engineering

Verneda F. Robinson (32) 1985
Vice President, Customer Service

P. Thomas Hall III (50) 1983
Assistant Vice President, Community Relations

Richard H. Tangeman (43) 1972
Assistant Vice President, Gas Operations

CORPORATE

Fred M. Bryan (51) 1970
Executive Vice President, Human Resources

James T. Clark (51) 1978
Vice President, Internal Audit

William B. Moore (40) 1978
Vice President, Finance

David E. Roth (37) 1979
Vice President, Labor

Edward H. Schaub (61) 1989
Vice President, Government Affairs

Kenneth T. Wymore (40) 1974
Vice President, Management Information Services and Telecommunications

Jerry D. Courington (47) 1977
Controller

Thomas E. Shea (43) 1972
Treasurer

Richard D. Terrill (38) 1980
Secretary

Darrell D. Bledsoe (49) 1985
Assistant Controller

E. Lynn Cook (48) 1985
Assistant Treasurer

Stacy F. Kramer (36) 1979
Assistant Secretary

George R. Melling (44) 1978
Assistant Secretary

ASTRA RESOURCES, INC.

C. Bob Cline (46) 1991
Chairman, President, and Chief Executive Officer

Dwain L. Williams (47) 1993
Vice President, Administration, and Chief Financial Officer

[1] *Member Audit and Finance Committee*
[2] *Member Human Resources Committee*
[3] *Member Nominating Committee*
[4] *Member Corporate Public Policy Committee*
( ) *Age as of December 31, 1992*
Year joining the Company

Investor Information

DIVIDENDS

Quarterly dividends on common and preferred stock normally are paid on or about the first of January, April, July, and October to shareholders of record as of about the third day of the preceding month. All cash dividends paid by the Company are taxable as ordinary income.

SHAREHOLDER INQUIRIES

Communications regarding stock transfers, lost or stolen certificates or dividend checks, or other information requests should be directed to our principal transfer agent and registrar Chemical Bank. Please include in your correspondence a telephone number where you can be reached during the day.

Western Resources, Inc.	Toll-free:
c/o Chemical Bank	(800) 648-8165
Shareholder Services	Collect, outside the U.S.:
P. O. Box 24970, Church Street Station	(212) 613-7147
New York, New York 10249-0018	

Investor questions concerning the Company's operations or financial performance should be addressed to:

Western Resources, Inc.
Investor Relations Department
P. O. Box 889
Topeka, Kansas 66601-0889
(913) 575-8226

DIVIDEND REINVESTMENT PLAN

The Company's Automatic Dividend Reinvestment and Stock Purchase Plan (DRIP) offers common shareholders a convenient and economical method of purchasing additional shares of common stock.

Any common shareholder of record is eligible to participate in the Plan. Additional information on DRIP and an authorization card will be sent to you on request:

Western Resources, Inc.
Dividend Reinvestment
P. O. Box 24970, Church Street Station
New York, New York 10249-0018
(800) 648-8165

ADDRESS CHANGES, DUPLICATE MAILINGS, AND CONSOLIDATING ACCOUNTS

Address changes may be made by calling (800) 648-8165 or by written request. Please PRINT all changes on written requests.

If you are receiving duplicate copies of Company reports due to your name or address being listed on our records in more than one form, the duplication can be stopped by written request, or by calling (800) 648-8165. This authorization will not affect the distribution of dividends or proxy material.

Such requests should be sent to:

Western Resources, Inc.
Shareholder Services
P. O. Box 24970, Church Street Station
New York, New York 10249-0018

OTHER REPORTS

Shareholders may obtain without charge a copy of periodic reports filed with the Securities and Exchange Commission. Requests should be addressed to:

Western Resources, Inc.
Investor Relations Department
P. O. Box 889
Topeka, Kansas 66601-0889

TRANSFERRING STOCK

A stock transfer is required when stock is sold or a name changed on the certificate. To transfer the stock, complete the assignment form on the reverse side of the certificate and endorse it exactly as the registration shown on the face of the certificate. The signature(s) must be guaranteed by a commercial bank or a brokerage firm that is a member of a medallion signature guarantee program. The certificate and applicable documentation then is sent, preferably by registered mail, to:

Western Resources, Inc.
Stock Issuance Department
P. O. Box 24970, Church Street Station
New York, New York 10249-0018

LOST OR STOLEN CERTIFICATES

If a certificate is missing, notify the transfer agent immediately in writing, or by calling (800) 648-8165. A "stop transfer" will be entered in the records and an affidavit will be mailed to you for completion. A surety bond fee must be paid to replace the certificate(s). The bond fee amount will be included with the affidavit.

EXCHANGE LISTING AND STOCK SYMBOLS

New York Stock Exchange — Ticker Symbol: WR
Newspaper Listing: WstnRes

CORPORATE ADDRESS

Western Resources, Inc.
818 Kansas Avenue
Topeka, Kansas 66612-1217
(913) 575-6300

COMMON, PREFERRED, AND PREFERENCE STOCK

Principal Transfer Agent and Registrar
Chemical Bank
P. O. Box 24970, Church Street Station
New York, New York 10249-0018

Co-Transfer Agent	Co-Registrar
Bank IV Topeka, N.A.	The Merchants National Bank
Trust Department	P. O. Box 178
One Townsite Plaza, P.O. Box 88	Topeka, Kansas 66601-0178
Topeka, Kansas 66601-0088	

WESTERN RESOURCES/KPL FIRST MORTGAGE BONDS

Principal Trustee, Paying Agent, and Registrar
Harris Trust and Savings Bank
111 West Monroe Street
Chicago, Illinois 60603-4003
(312) 461-6838 Collect

CSC FIRST MORTGAGE BONDS

Principal Trustee, Paying Agent, and Registrar
The Chase Manhattan Bank, N.A.
4 Chase Metrotech Center, 3rd floor
Brooklyn, New York 11245
(718) 242-7272 Collect

Co-Trustee
Commerce Bank of Kansas City, N.A.
P. O. Box 248
Kansas City, Missouri 64141-6248
(816) 234-2000 Collect

KG&E FIRST MORTGAGE BONDS

Morgan Guaranty Trust Company of New York
Corporate Trust Department
60 Wall Street, 36th floor
New York, New York 10260-0060
(212) 648-9261 Collect

ANNUAL MEETING

The annual meeting of shareholders is held on the first Tuesday in May. In 1993 the meeting will be held May 4 in Topeka, Kansas, at 11:00 a.m.

Western Resources, Inc.

P. O. Box 889

Topeka, Kansas 66601

Coopers
&Lybrand

certified public accountants

REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Trustees
Kansas Electric Power Cooperative, Inc.:

We have audited the accompanying balance sheets of Kansas Electric Power Cooperative, Inc. as of December 31, 1992 and 1991, and the related statements of operations, patronage capital (deficit) and other equities, and cash flows for the years then ended. These financial statements are the responsibility of the Cooperative'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 and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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.

As more fully described in Note 1 to the financial statements, certain depreciation and amortization methods have been used in the preparation of the financial statements which do not, in our opinion, conform to generally accepted accounting principles.

In our opinion, except for the effects of the matters referred to in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Kansas Electric Power Cooperative, Inc. as of December 31, 1992 and 1991, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

Coopers & Lybrand

Kansas City, Missouri
February 17, 1993

Post-it™ brand fax transmittal memo 7671	# of pages ▸ 17
To Jennie Yunk	From Bill Gosborn
Co. Wolf Creek	Co. KEPCo
Dept.	Phone # 913-273-7010
Fax # 316. 364. 4138	Fax # 9.. 7014

KANSAS ELECTRIC POWER COOPERATIVE, INC.

BALANCE SHEETS

ASSETS	December 31, 1992	December 31, 1991
Utility plant:		
Electric plant in service	$200,168,121	$200,742,353
Less allowances for depreciation	20,931,899	18,792,591
Net utility plant	179,236,222	181,949,762
Construction work in process	1,082,312	565,310
Nuclear fuel, less accumulated amortization of $10,594,156 and $9,236,068 at December 31, 1992 and 1991, respectively	4,839,135	4,160,034
Total utility plant	185,157,669	186,675,106
Restricted assets:		
Cash and cash equivalents	209,858	203,332
Investments in associated organizations	2,668,927	2,568,715
Bond fund reserve	3,923,577	3,921,323
Decommissioning fund assets	1,304,226	1,036,248
Total restricted assets	8,106,588	7,729,618
Current assets:		
Cash and cash equivalents	3,240,493	5,342,738
National Rural Utilities Cooperative Finance Corp. patronage capital certificate	4,292	8,477
Accounts receivable from members	5,807,523	5,505,446
Materials and supplies inventory	2,023,214	1,867,692
Other assets and prepaid expenses	581,281	515,366
Total current assets	11,656,803	13,239,719
Other long-term assets:		
Deferred charges, less accumulated amortization of $4,079,857 and $3,463,443 at December 31, 1992 and 1991, respectively	24,910,243	25,526,972
Deferred incremental outage costs	383,199	2,404,783
Unamortized bond issue cost	1,224,315	1,286,115
Wolf Creek Nuclear Operating Corp. investments, at cost	1,163,018	859,278
Total other long-term assets	27,680,775	30,077,148
Total assets	$232,601,835	$237,721,591

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

Coopers & Lybrand | certified public accountants

REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Trustees
Kansas Electric Power Cooperative, Inc.:

We have audited the accompanying balance sheets of Kansas Electric Power Cooperative, Inc. as of December 31, 1992 and 1991, and the related statements of operations, patronage capital (deficit) and other equities, and cash flows for the years then ended. These financial statements are the responsibility of the Cooperative'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 and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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.

As more fully described in Note 1 to the financial statements, certain depreciation and amortization methods have been used in the preparation of the financial statements which do not, in our opinion, conform to generally accepted accounting principles.

In our opinion, except for the effects of the matters referred to in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Kansas Electric Power Cooperative, Inc. as of December 31, 1992 and 1991, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

Coopers & Lybrand

Kansas City, Missouri
February 17, 1993

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To Jennie Yunk	From Bill Gosborn
Co. Wolf Creek	Co. KEPCo
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KANSAS ELECTRIC POWER COOPERATIVE, INC.

BALANCE SHEETS

ASSETS	December 31, 1992	1991
Utility plant:		
Electric plant in service	$200,168,121	$200,742,353
Less allowances for depreciation	20,931,899	18,792,591
Net utility plant	179,236,222	181,949,762
Construction work in process	1,082,312	565,310
Nuclear fuel, less accumulated amortization of $10,594,156 and $9,236,068 at December 31, 1992 and 1991, respectively	4,839,135	4,160,034
Total utility plant	185,157,669	186,675,106
Restricted assets:		
Cash and cash equivalents	209,858	203,332
Investments in associated organizations	2,668,927	2,668,715
Bond fund reserve	3,923,577	3,921,323
Decommissioning fund assets	1,384,226	1,036,248
Total restricted assets	8,186,588	7,829,618
Current assets:		
Cash and cash equivalents	3,240,493	5,342,738
National Rural Utilities Cooperative Finance Corp. patronage capital certificate	4,292	8,477
Accounts receivable from members	5,807,523	5,505,446
Materials and supplies inventory	2,023,214	1,867,692
Other assets and prepaid expenses	581,281	515,366
Total current assets	11,656,803	13,239,719
Other long-term assets:		
Deferred charges, less accumulated amortization of $4,079,857 and $3,463,443 at December 31, 1992 and 1991, respectively	24,910,243	25,526,972
Deferred incremental outage costs	383,199	2,404,783
Unamortized bond issue cost	1,224,315	1,286,115
Wolf Creek Nuclear Operating Corp. investments, at cost	1,163,018	859,278
Total other long-term assets	27,680,775	30,077,148
Total assets	$232,681,835	$237,821,591

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

CAPITALIZATION AND LIABILITIES	December 31, 1992	December 31, 1991
Capitalization:		
Patronage capital (deficit) and other equities:		
Memberships	$ 2,900	$ 2,900
Patronage capital (deficit) unallocated and other equities (see statement)	(9,360,747)	(7,058,075)
Total patronage capital (deficit) and other equities	(9,357,847)	(7,055,175)
Long-term debt, less current portion	230,192,632	233,526,802
Total capitalization	220,834,785	226,471,627
Liabilities:		
Current liabilities:		
Accounts payable	4,763,477	5,577,847
Payroll and payroll related liabilities	57,380	51,289
Accrued property taxes	1,305,242	835,722
Accrued interest payable	719,032	782,546
Current portion of long-term debt	3,333,865	2,940,332
Total current liabilities	10,178,996	10,187,736
Other liabilities:		
Decommissioning liability	1,384,226	1,036,248
Other liabilities	283,828	125,980
Total other liabilities	1,668,054	1,162,228
Commitments and contingencies		
Total capitalization and liabilities	$232,681,835	$237,821,591

KANSAS ELECTRIC POWER COOPERATIVE, INC.

STATEMENTS OF OPERATIONS

	Years Ended December 31,	
	1992	1991
Operating revenue:		
Member	$64,974,591	$67,875,208
Nonmember	144,872	131,510
Total operating revenue	65,119,463	68,006,718
Operating expenses:		
Power purchased	32,227,238	35,503,638
Nuclear fuel	1,761,054	1,226,974
Nuclear plant operations	3,343,035	2,892,592
Nuclear plant maintenance	1,988,831	1,531,130
Nuclear plant administrative and general	4,692,652	3,649,411
Administrative and general	2,205,447	2,222,540
Amortization of deferred charges	616,414	583,645
Depreciation	3,297,269	2,907,673
Total operating expenses	50,231,940	50,516,603
Operating margin	14,887,523	17,490,115
Interest income	632,815	981,930
Income before interest charges	15,520,338	18,472,045
Interest expense on long-term debt	17,823,010	18,741,561
Net margin (loss)	$(2,302,672)	$ (269,516)

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

KANSAS ELECTRIC POWER COOPERATIVE, INC.

STATEMENTS OF PATRONAGE CAPITAL (DEFICIT) AND OTHER EQUITIES

	For the Years Ended December 31, 1992 and 1991			
	Memberships	Patronage Capital (Deficit) Unallocated	Other Equities	Total
Balance, December 31, 1990	$2,900	$(11,744,952)	$ 4,956,393	$ (6,785,659)
Capital allocation	-	438,692	(438,692)	-
1991 net margin (loss)	-	(1,251,446)	981,930	(269,516)
Balance, December 31, 1991	2,900	(12,557,706)	5,499,631	(7,055,175)
1992 net margin (loss)	-	(2,935,487)	632,815	(2,302,672)
Balance, December 31, 1992	$2,900	$(15,493,193)	$ 6,132,446	$ (9,357,847)

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

KANSAS ELECTRIC POWER COOPERATIVE, INC.

STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	1992	1991
Cash flows from operations:		
Cash received from member sales	$ 64,867,371	$ 68,530,845
Cash received from non-member sales	153,746	[illegible]
Cash paid for purchased power	[illegible]	[illegible]
Cash paid for Wolf Creek operations	(6,925,075)	(7,003,062)
Cash paid for KEPCo operations	(2,309,943)	(2,205,441)
Interest paid	(17,753,553)	(18,873,969)
Property taxes paid	(2,161,509)	(1,545,765)
Interest received	709,201	1,120,070
Cash paid to decommissioning trust	(297,250)	(237,800)
Miscellaneous cash received	5,353	2,079
Net cash provided by operations	4,194,147	4,305,310
Cash flows from investing activities:		
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
Plant additions	(1,079,342)	(1,353,545)
Wolf Creek Nuclear Operating Corp. investments	(239,224)	(178,305)
Cash paid for purchase of municipal bonds	-	(80,879)
Cash received from the sale of government bonds	-	33,768
Net cash used in investing activities	(3,355,755)	(4,068,821)
Cash flows from financing activities:		
Repayment of long-term debt	(2,940,637)	(2,585,509)
Payment on line of credit	-	(400,000)
Net cash used in financing activities	(2,940,637)	(2,985,509)
Decrease in cash and cash equivalents	(2,102,245)	(2,748,520)
Cash and cash equivalents, beginning of year	5,342,738	8,091,258
Cash and cash equivalents, end of year	$ 3,240,493	$ 5,342,738

Continued

KANSAS ELECTRIC POWER COOPERATIVE, INC.

STATEMENTS OF CASH FLOWS, Continued

	Years Ended December 31,	
	1992	1991
Reconciliation of net income to net cash provided by operating activities:		
Net margin (loss)	$ (2,302,672)	$ (269,516)
Adjustments to reconcile net margin to net cash provided by (used in) operating activities:		
Depreciation	3,297,269	2,907,673
Amortization of nuclear fuel	1,358,088	881,092
Amortization of deferred charges	616,414	582,645
Amortization of deferred incremental outage costs	2,390,667	1,546,172
Amortization of bond issue costs	61,800	62,045
Accretion of discount/amortization of premium	(2,255)	(2,255)
Loss on sales of assets	22,021	62,654
(Increase) in restricted cash and short-term investments	(6,525)	(4,936)
(Increase) decrease in investments in associated organizations	(211)	17,623
(Increase) in cash surrender value of life insurance	(64,518)	(62,640)
(Increase) in decommissioning fund assets	(347,978)	(301,970)
Increase in decommissioning liability	347,978	301,970
(Increase) in deferred incremental outage expense	(369,083)	(3,169,055)
Increase in arbitrage payable	157,848	118,423
Net change in current assets and liabilities:		
National Rural Utilities Cooperative Finance Corp. patronage capital certificate	4,185	5,959
Accounts receivable	(302,077)	359,766
Materials and supplies inventory	(155,521)	40,562
Other assets and prepaid expenses	(109,010)	88,701
Accounts payable	(814,370)	1,248,479
Payroll and payroll related liabilities	6,091	6,273
Accrued property taxes	409,520	131,570
Accrued interest payable	(63,514)	(245,925)
Total adjustments	6,496,819	4,574,826
Total provided by operations	$ 4,194,147	$ 4,305,310

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

KANSAS ELECTRIC POWER COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

1. Departures From Generally Accepted Accounting Principles:

Effective February 1, 1987, the Kansas Corporation Commission (KCC) issued an order to Kansas Electric Power Cooperative, Inc. (KEPCo) requiring the use of present worth (sinking fund) depreciation and amortization. As more fully described in Notes 3 and 6a, such depreciation and amortization practices constitute phase-in plans which do not meet the requirements of FASB No. 92, "Accounting for Phase-in Plans." The effect of these departures on the financial statements as of December 31, 1992 and 1991 is to overstate net utility plant by $25,630,852 and $21,787,750, overstate deferred charges by $3,491,993 and $2,973,796, understate the deficit in patronage capital (deficit) by $29,172,845 and $24,761,546, and understate the net loss by $4,411,299 and $4,768,401, respectively.

2. Summary of Significant Accounting Policies:

a. System of Accounts:

KEPCo maintains its accounting records substantially in accordance with the Federal Energy Regulatory Commission's chart of accounts as adopted by the Rural Electrification Administration (REA) and in accordance with accounting practices prescribed by the KCC.

b. Utility Plant and Depreciation:

Utility plant is stated at cost. The costs of repairs and minor replacements are charged to operating expense as appropriate. Costs of renewals and betterments are capitalized. The original cost of utility plant retired and the cost of removal, less salvage, are charged to accumulated depreciation.

Through January 31, 1987, the provision for depreciation for electric plant in service was computed on the straight-line method at a 3.44% annual composite rate. Effective February 1, 1987, in accordance with an order issued by the KCC, the provision for depreciation is computed on a present worth (sinking fund) method which provides for increasing annual provisions over the next 28 years. The composite rates for the years ended December 31, 1992 and 1991 were 1.7190% and 1.5362%, respectively. Pursuant to a KCC rate order dated March 27, 1992, beginning January 1, 1992, all additions, betterments and improvements are depreciated on a straight-line basis over 30 years. The provision for depreciation, computed on a straight-line basis, of other components of utility plant are as follows:

Transportation equipment	25 to 33%
Office furniture and fixtures	10 to 20%
Leasehold improvements	20%
Transmission equipment	10%

Depreciation expense other than as set forth in the statements of operations is not significant.

Continued

c. Nuclear Fuel:

Nuclear fuel cost is amortized to fuel expense based upon the quantity of heat produced for the generation of electric power. The permanent disposal of spent fuel is the responsibility of the Department of Energy (DOE). KEPCo pays one mill per net kwh of nuclear generation to the DOE for the future disposal service. These disposal costs are charged to fuel expense.

d. Investments in Associated Organizations:

Investments in associated organizations are carried at cost and consist principally of patronage capital certificates, capital term certificates and subordinated term certificates of the National Rural Utilities Cooperative Finance Corp. (CFC). CFC patronage capital certificates maturing within one year of the balance sheet date are reflected as a current asset.

e. Cash Equivalents:

All highly liquid investments which mature within three months or less from the date of purchase are considered to be cash equivalents and are stated at cost which approximates market.

f. Materials and Supplies Inventory:

Materials and supplies inventory for the Wolf Creek Generating Station is stated at cost determined by the average cost method.

g. Unamortized Bond Issue Costs:

Unamortized bond issue costs related to the issuance of the floating/ fixed rate pollution control revenue bonds and mortgage notes payable to the National Rural Utilities Cooperative Finance Corporation are being amortized using the interest method over the remaining life of the bonds.

h. Decommissioning Fund Assets/Decommissioning Liability:

At December 31, 1992 and 1991, $1,384,226 and $1,036,248, respectively, has been collected and is being retained in an interest-bearing trust fund to be used for the physical decommissioning of Wolf Creek. During 1989, the KCC extended the estimated useful life of the Wolf Creek Generating Station to 40 years from the original estimate of 30 years only for the determination of decommissioning costs. Additionally, the estimated cost of decommissioning Wolf Creek was increased to $206 million in 1988 dollars. KEPCo is responsible for a 6 percent share of the decommissioning costs for the Wolf Creek Generating Station. These costs are being recovered and charged to operations over the life of the plant.

i. Income Taxes:

In February 1992, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 109, "Accounting for Income Taxes," which requires companies to adopt the new method of accounting for income taxes no later than fiscal year 1993. KEPCo has not adopted early application of the provisions of FASB Statement No. 109, however, management expects no impact on the financial statements as a result of adopting this Statement.

j. Patronage Capital and Other Equities:

Operating margin, net of interest expense, is credited or charged to patronage capital. Nonoperating margin (interest income) is credited to other equities; however, upon an affirmative vote of the membership, margins may be allocated to patronage capital unallocated.

Continued

k. Rates:

The KCC has authority to establish KEPCo's electric rates subject to times interest earned ratio and debt service coverage requirements set forth by the Rural Electrification Administration (REA).

KEPCo believes it is probable that future rates, as established by the KCC, will allow the recovery of deferred charges (see Note 6). If subsequent recovery is not permitted, the unrecovered deferred balances would be charged to expense at that time.

l. Revenues:

Revenues from the sale of electricity are recorded based on billings to customers and on contracts and scheduled power usages, as appropriate.

m. Fair Values of Financial Instruments:

The carrying value of financial instruments as of December 31, 1992 approximated fair value. The fair market values were determined based on quoted market prices for the instruments or for similar types of instruments as of December 31, 1992, or on the current rates offered to KEPCo for debt of the same remaining maturities.

n. Reclassification:

KEPCo has reclassified the presentation of certain prior year information to conform with the current presentation.

3. Wolf Creek Generating Station:

KEPCo owns 6 percent of the Wolf Creek Generating Station near Burlington, Kansas. The remainder is owned by the Kansas City Power & Light Company (KCPL-47%) and Kansas Gas & Electric Company (KGE-47%). Substantially all of KEPCo's utility plant represents its share of the Wolf Creek Generating Station. KEPCo is entitled to a proportionate share of the capacity and energy from Wolf Creek which is used to supply a portion of KEPCo's members' requirements. KEPCo is billed for 6 percent of the operations, maintenance and administrative and general costs related to Wolf Creek. All operations are accounted for in the same manner as would be a wholly-owned facility.

The KCC declared Wolf Creek commercially operable on September 3, 1985. KEPCo's total investment includes interest and administrative costs during construction.

Effective February 1, 1987, the KCC issued an order to KEPCo to utilize a present worth (sinking fund) depreciation method which does not conform with generally accepted accounting principles and which constitutes a phase-in plan which does not meet the criteria of FASB No. 92. If depreciation on electric plant in service was calculated using a method in accordance with generally accepted accounting principles, depreciation expense would be increased and KEPCo's operating margin would be decreased by $3,893,102 and $4,209,692 for the years ended December 31, 1992 and 1991, respectively. In addition, net utility plant would be decreased and the deficit in patronage capital (deficit) unallocated would be increased by $25,680,852 and $21,787,750 at December 31, 1992 and 1991, respectively.

4. Investments:

KEPCo's portfolio, which is included in the balance sheet at cost as cash and cash equivalents, is invested in fixed-income securities and is composed of the following securities at December 31:

Continued

	1992	1991
Deposits at federally insured banks	$ 6,056	$ 224,393
United States Government agency obligations	2,994,295	2,496,677
Collateralized repurchase agreements	450,000	-
National Rural Utilities Cooperative Finance Corporation (CFC):		
Commercial paper	-	2,825,000

KEPCo has entered into a bond covenant whereby the Cooperative is required to maintain, with a trustee, a Bond Fund Reserve of a stipulated amount of approximately $3.9 million, sufficient to satisfy certain future interest and principal obligations. The amount held in the Bond Fund Reserve is invested by the trustee in various securities pursuant to the restrictions of the indenture agreement. These reserve funds have been invested by the trustee in municipal securities and are carried at cost.

The decommissioning funds have been invested by the trustee in United States Treasury obligations and are carried at cost.

5. Investments in Associated Organizations:

At December 31, 1992 and 1991, investments in associated organizations consisted of the following:

	1992	1991
National Rural Utilities Cooperative Finance Corporation (CFC):		
Membership	$ 1,000	$ 1,000
Capital term certificates	395,970	395,970
Subordinated term certificates	2,205,000	2,205,000
Patronage capital certificates	56,526	60,347
Other	10,431	6,398
	$ 2,668,927	$ 2,668,715

6. Deferred Charges:

a. Disallowed Costs:

Effective October 1, 1985, the KCC issued a rate order relating to KEPCo's investment in Wolf Creek which disallowed approximately $22.9 million of KEPCo's investment in Wolf Creek. A subsequent rate order, effective February 1, 1987, allows KEPCo to recover these disallowed costs, as well as interest costs and property taxes related to the disallowed portion for the period from September 3, 1985 through January 31, 1987, over a 27.736 year period starting February 1, 1987. KEPCo is using present worth (sinking fund) amortization to recover the disallowed costs which enables it to meet the times interest earned ratio and debt service requirements in the KCC rate order dated January 30, 1987. The method used by KEPCo constitutes a phase-in plan which does not meet the criteria of FASB No. 92 and, accordingly, an additional $518,197 and $558,709 should be charged to expense for 1992 and 1991, respectively. In addition, deferred charges would be decreased and the deficit in patronage capital (deficit) unallocated would be increased by $3,491,993 and $2,973,796 at December 31, 1992 and 1991, respectively.

Continued

b. Utility Plant Costs:

Certain utility plant costs were not included in KEPCo's 1985 rate request because the KCC required KEPCo to file the rate request based on projected total utility plant costs. The February 1, 1987 rate order included these costs in KEPCo's rate prospectively. However, no provision was made in the rate order for recovery of the related depreciation, property taxes and interest costs for the period from September 3, 1985 through January 31, 1987. Accordingly, KEPCo included the related depreciation, property taxes and interest costs for the period from September 3, 1985 through January 31, 1987 in deferred charges and, in accordance with a rate order dated February 11, 1988, KEPCo began amortizing these deferred costs effective January 1, 1988 over 26.82 years. Pursuant to a KCC rate order dated March 27, 1992, these costs were transferred to utility plant in service in the accompanying balance sheets. The unamortized balance will be depreciated over the remaining life of the plant consistent with the present worth (sinking fund) depreciation method.

c. Revenue and Expenses for the Period from September 3, 1985 Through September 30, 1985:

Although the Wolf Creek Generating Station began commercial operations on September 3, 1985, the KCC ordered KEPCo to accumulate all revenues and expenses related to the operation of Wolf Creek for the period from September 3, 1985 through September 30, 1985 in deferred charges. The KCC issued an order on February 1, 1987 which allowed KEPCo to recover these costs over a ten-year period. Annual amortization of such costs increases over the recovery period.

d. Deferred Incremental Outage Costs:

On April 9, 1991, the KCC issued an order that allowed KEPCo to defer its 6 percent share of the incremental maintenance and replacement power costs associated with refueling of the Wolf Creek Generating Station. Such deferred costs are being amortized over the operating cycle coincident with the recognition of the related revenues. Total costs deferred at December 31, 1992 and 1991 were $383,199 and $2,404,783, respectively. Amortization expense for 1992 and 1991 was $2,390,667 and $1,546,172, respectively.

7. Long-term Debt:

Long-term debt consists of mortgage notes payable to the United States of America acting through the Federal Financing Bank (FFB), the National Rural Utilities Cooperative Finance Corporation (CFC) and others. Substantially all of KEPCo's assets are pledged as collateral. The terms of the notes as of December 31 are as follows:

	1992	1991
Mortgage notes payable to the Federal Financing Bank (FFB) at rates varying from 7.030% to 9.366%, payable in quarterly installments through 2018.	$130,317,007	$132,262,867
Mortgage notes payable to the National Rural Utilities Cooperative Finance Corporation at a rate of 10.0201% through December 1997 and 9.83% thereafter, payable semi-annually, principal payments commencing in 2003 and continuing annually through 2017.	51,340,000	51,340,000

Continued

	1992	1991
Mortgage notes payable to the National Rural Utilities Cooperative Finance Corporation at a rate of 9.5274% through December, 1997 and 9.33% thereafter, payable semi-annually, principal payments commencing in 1989 and continuing annually through 2002.	$ 10,169,490	$ 10,764,267
Floating/fixed rate pollution control revenue bonds, City of Burlington, Kansas, Pooled Series 1985C, variable interest rate (2.69% at December 31, 1992) payable annually through 2015.	41,700,000	42,100,000
	233,526,497	236,467,134
Less current portion	3,333,865	2,940,332
	$230,192,632	$233,526,802

Aggregate maturities of mortgage notes payable to the Federal Financing Bank and National Rural Utilities Cooperative Finance Corporation and floating/fixed rate pollution control bonds as of December 31, 1992 are as follows:

Year	Amount
1993	$ 3,333,865
1994	3,563,811
1995	3,831,087
1996	4,261,627
1997	4,556,621
Thereafter to 2018	213,979,486
	$233,526,497

At December 31, 1992, KEPCo has approved FFB loans guaranteed by REA with balances of $130,317,007. Of this amount, $5,140,179 currently has a maturity date of March 31, 1994. Upon maturity of each short-term advance, KEPCo may renew the advance for another two-year period or elect to extend the maturity date on a long-term basis. The above schedule of long-term debt maturities assumes that the $5,140,179 which matures on March 31, 1994 will be extended on a long-term basis with a maturity date of December 31, 2017.

In addition, restrictive covenants require KEPCo to design rates enabling it to maintain a times interest earned ratio and debt service coverage of at least one-to-one in at least two out of every three years.

Restricted cash and short-term investments consist of unexpended loan proceeds remaining in the Construction Fund. These funds will be utilized for scheduled principal reduction of the originating debt.

8. Short-term Borrowings:

KEPCo has available a $12 million line of credit with the CFC which remained unused at December 31, 1992.

9. Operating Lease:

KEPCo leases office space under a noncancellable operating lease expiring on December 31, 1996. The related rental expense for 1992 and 1991 was $120,519 and $98,462, respectively.

Continued

Future minimum lease payments for office space and equipment leased at December 31, 1992 are as follows:

Year	Amount
1993	$110,676
1994	108,720
1995	97,466
1996	90,096
	$406,958

The minimum lease payments can be increased to the extent that taxes and insurance paid by the lessor exceed 1990 levels.

10. Pension Plan:

a. National Rural Electric Cooperative Association (NRECA) Retirement and Security Program:

KEPCo participates in the National Rural Electric Cooperative Association (NRECA) retirement and security program for its employees. All employees of members of NRECA are eligible to participate in the program. A moratorium on contributions is in effect for the period July 1, 1987 through December 31, 1992 due to reaching the full funding limitation. In the master multiemployer plan which is available to all members of NRECA, the accumulated benefits and plan assets are not determined or allocated by individual employee. KEPCo has no pension expense for the plan for the years ended December 31, 1992 and 1991.

Substantially all employees of KEPCo also participate in the NRECA Savings Plan 401(K) option. Under the plan, KEPCo contributes amounts not to exceed 3 percent, dependent on the employee's level of participation, of the respective employee's base pay to provide additional retirement benefits. KEPCo contributed approximately $29,537 and $27,846 to the plan in 1992 and 1991, respectively.

b. Wolf Creek Nuclear Operating Corporation Retirement Plan:

KEPCo has an obligation to the Wolf Creek Nuclear Operating Corporation Retirement Plan for its 6 percent ownership interest in the Wolf Creek Generating Station. This plan provides for benefits upon retirement, normally at age 65. In accordance with the Employee Retirement Income Security Act of 1974 (ERISA), KEPCo has satisfied at least its minimum funding requirements. Benefits under this plan reflect the employee's compensation, years of service and age at retirement.

Provisions for pensions are determined under the rules prescribed by Financial Accounting Standards Board (FASB) Statement No. 87. The following is KEPCo's portion of the funded status of the plan as of December 31:

	1992	1991
Accumulated benefit obligation:		
Vested	$ 266,846	$ 215,040
Nonvested	128,539	101,620
Total	$ 395,385	$ 316,660

Continued

	1992	1991
Determination of plan assets less obligations:		
Fair value of plan assets (a)	$ 569,765	$ 507,660
Projected benefit obligation (b)	1,191,226	952,740
Difference	$ (621,461)	$ (445,080)
Reconciliation of difference:		
Contributions to trusts:		
Accrued liability	$ (459,540)	$ (246,840)
Unamortized transition amount	(137,894)	(145,140)
Unrecognized net gain	38,018	12,300
Unrecognized prior service cost	(62,045)	(65,400)
Difference	$ (621,461)	$ (445,080)

(a) Plan assets are invested in insurance contracts, corporate bonds, equity securities, U.S. Government securities and short-term investments.

(b) Based on discount rate and rate of increase in future salary levels of 8% and 6%, respectively.

Long-term rate of return on plan assets of 8% was used.

Components of provisions for pensions:

	1992	1991
Service cost	$ 154,471	$ 128,160
Interest cost on projected benefit obligation	88,309	52,920
Actual return on plan assets	(64,387)	(69,960)
Other	36,311	40,380
Total pension expense	$ 212,704	$ 151,500

11. Income Taxes:

At December 31, 1992, KEPCo had unused net operating loss carryforwards available to reduce future taxable income and investment tax credit carryforwards as follows:

Available Through	Net Operating Loss Carryforwards (Book Basis)	Net Operating Loss Carryforwards (Tax Basis)	Investment Tax Credit Carryforwards
1996	$ -	$ 7,160,000	$ -
1997	-	12,410,000	203
1998	-	17,123,000	896
1999	194,274	21,468,000	1,210
2000	1,977,542	4,442,000	7,731,327
2001	2,885,169	3,899,000	-
2002	1,292,882	4,263,000	-
2003	-	-	-
2004	-	1,562,000	-
2005	-	1,851,000	-
2006	269,516	4,630,000	-
2007	2,302,672	1,498,000	-
	$ 8,922,055	$ 80,306,000	$ 7,733,636

Continued

Coopers &Lybrand

certified public accountants

REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Trustees
Kansas Electric Power Cooperative, Inc.:

We have audited the accompanying balance sheets of Kansas Electric Power Cooperative, Inc. as of December 31, 1992 and 1991, and the related statements of operations, patronage capital (deficit) and other equities, and cash flows for the years then ended. These financial statements are the responsibility of the Cooperative'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 and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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.

As more fully described in Note 1 to the financial statements, certain depreciation and amortization methods have been used in the preparation of the financial statements which do not, in our opinion, conform to generally accepted accounting principles.

In our opinion, except for the effects of the matters referred to in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Kansas Electric Power Cooperative, Inc. as of December 31, 1992 and 1991, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

Coopers & Lybrand

Kansas City, Missouri
February 17, 1993

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To Jennie Yunk	From Bill Goshorn
Co. Wolf Creek	Co. KEPCo
Dept.	Phone # 913-273-7010
Fax # 316 364 4138	Fax # 913-273-7014

KANSAS ELECTRIC POWER COOPERATIVE, INC.

BALANCE SHEETS

ASSETS	December 31, 1992	December 31, 1991
Utility plant:		
Electric plant in service	$200,168,121	$200,742,353
Less allowances for depreciation	20,931,899	18,792,591
Net utility plant	179,236,222	181,949,762
Construction work in process	1,082,312	565,310
Nuclear fuel, less accumulated amortization of $10,594,156 and $9,236,068 at December 31, 1992 and 1991, respectively	4,839,135	4,160,034
Total utility plant	185,157,669	186,675,106
Restricted assets:		
Cash and cash equivalents	209,858	203,332
Investments in associated organizations	2,668,927	2,668,715
Bond fund reserve	3,923,577	3,921,323
Decommissioning fund assets	1,384,226	1,036,248
Total restricted assets	8,186,588	7,829,618
Current assets:		
Cash and cash equivalents	3,240,493	5,342,738
National Rural Utilities Cooperative Finance Corp. patronage capital certificate	4,292	8,477
Accounts receivable from members	5,807,523	5,505,446
Materials and supplies inventory	2,023,214	1,867,692
Other assets and prepaid expenses	581,281	515,366
Total current assets	11,656,803	13,239,719
Other long-term assets:		
Deferred charges, less accumulated amortization of $4,079,857 and $3,463,443 at December 31, 1992 and 1991, respectively	24,910,243	25,526,972
Deferred incremental outage costs	383,199	2,404,783
Unamortized bond issue cost	1,224,315	1,286,115
Wolf Creek Nuclear Operating Corp. investments, at cost	1,163,010	859,278
Total other long-term assets	27,680,775	30,077,148
Total assets	$232,681,835	$237,821,591

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

CAPITALIZATION AND LIABILITIES	December 31, 1992	December 31, 1991
Capitalization:		
Patronage capital (deficit) and other equities:		
Memberships	$ 2,900	$ 2,900
Patronage capital (deficit) unallocated and other equities (see statement)	(9,360,747)	(7,058,075)
Total patronage capital (deficit) and other equities	(9,357,847)	(7,055,175)
Long-term debt, less current portion	230,192,632	233,526,802
Total capitalization	220,834,785	226,471,627
Liabilities:		
Current liabilities:		
Accounts payable	4,763,477	5,577,847
Payroll and payroll related liabilities	57,380	51,289
Accrued property taxes	1,305,242	835,722
Accrued interest payable	719,032	782,546
Current portion of long-term debt	3,333,865	2,940,332
Total current liabilities	10,178,996	10,187,736
Other liabilities:		
Decommissioning liability	1,384,225	1,036,248
Other liabilities	283,829	125,980
Total other liabilities	1,668,054	1,162,228
Commitments and contingencies		
Total capitalization and liabilities	$232,681,835	$237,821,591

KANSAS ELECTRIC POWER COOPERATIVE, INC.

STATEMENTS OF OPERATIONS

	Years Ended December 31,	
	1992	1991
Operating revenue:		
Member	$64,974,591	$67,875,208
Nonmember	144,872	131,510
Total operating revenue	65,119,463	68,006,718
Operating expenses:		
Power purchased	32,227,238	35,503,638
Nuclear fuel	1,781,054	1,226,974
Nuclear plant operations	3,343,036	2,892,592
Nuclear plant maintenance	1,988,831	1,531,130
Nuclear plant administrative and general	4,692,652	3,649,411
Administrative and general	2,285,447	2,222,540
Amortization of deferred charges	616,414	582,645
Depreciation	3,297,269	2,907,673
Total operating expenses	50,231,940	50,516,603
Operating margin	14,887,523	17,490,115
Interest income	632,815	981,930
Income before interest charges	15,520,338	18,472,045
Interest expense on long-term debt	17,823,010	18,741,561
Net margin (loss)	$(2,302,672)	$ (269,516)

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

KANSAS ELECTRIC POWER COOPERATIVE, INC.

STATEMENTS OF PATRONAGE CAPITAL (DEFICIT) AND OTHER EQUITIES

	For the Years Ended December 31, 1992 and 1991			
	Memberships	Patronage Capital (Deficit) Unallocated	Other Equities	Total
Balance, December 31, 1990	$2,900	$(11,744,952)	$ 4,956,393	$ (6,785,659)
Capital allocation	-	438,692	(438,692)	-
1991 net margin (loss)	-	(1,251,446)	981,930	(269,516)
Balance, December 31, 1991	2,900	(12,557,706)	5,499,631	(7,055,175)
1992 net margin (loss)	-	(2,935,487)	632,815	(2,302,672)
Balance, December 31, 1992	$2,900	$(15,493,193)	$ 6,132,446	$ (9,357,847)

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

KANSAS ELECTRIC POWER COOPERATIVE, INC.

STATEMENTS OF CASH FLOWS

	Years Ended December 31, 1992	1991
Cash flows from operations:		
Cash received from member sales	$ 64,867,371	$ 68,530,845
Cash received from non-member sales	153,745	122,671
Cash paid for purchased power	(32,093,193)	(35,604,318)
Cash paid for Wolf Creek operations	(6,926,075)	(7,003,062)
Cash paid for KEPCo operations	(2,309,943)	(2,205,441)
Interest paid	(17,753,553)	(18,873,969)
Property taxes paid	(2,161,509)	(1,545,765)
Interest received	709,201	1,120,070
Cash paid to decommissioning trust	(297,250)	(237,800)
Miscellaneous cash received	5,353	2,079
Net cash provided by operations	4,194,147	4,305,310
Cash flows from investing activities:		
Nuclear fuel purchases	(2,037,189)	(2,409,360)
Plant additions	(1,079,342)	(1,353,545)
Wolf Creek Nuclear Operating Corp. investments	(239,224)	(178,305)
Cash paid for purchase of municipal bonds	-	(80,879)
Cash received from the sale of government bonds	-	33,768
Net cash used in investing activities	(3,355,755)	(4,068,321)
Cash flows from financing activities:		
Repayment of long-term debt	(2,940,637)	(2,585,509)
Payment on line of credit	-	(400,000)
Net cash used in financing activities	(2,940,637)	(2,985,509)
Decrease in cash and cash equivalents	(2,102,245)	(2,748,520)
Cash and cash equivalents, beginning of year	5,342,738	8,091,258
Cash and cash equivalents, end of year	$ 3,240,493	$ 5,342,738

Continued

KANSAS ELECTRIC POWER COOPERATIVE, INC.

STATEMENTS OF CASH FLOWS, Continued

	Years Ended December 31,	
	1992	1991
Reconciliation of net income to net cash provided by operating activities:		
Net margin (loss)	$ (2,302,672)	$ (269,516)
Adjustments to reconcile net margin to net cash provided by (used in) operating activities:		
Depreciation	3,297,269	2,907,673
Amortization of nuclear fuel	1,358,088	881,092
Amortization of deferred charges	616,414	582,645
Amortization of deferred incremental outage costs	2,390,667	1,546,172
Amortization of bond issue costs	61,800	62,045
Accretion of discount/amortization of premium	(2,255)	(2,265)
Loss on sales of assets	22,021	62,654
(Increase) in restricted cash and short-term investments	(6,525)	(4,936)
(Increase) decrease in investments in associated organizations	(211)	17,623
(Increase) in cash surrender value of life insurance	(64,518)	(62,640)
(Increase) in decommissioning fund assets	(347,978)	(301,970)
Increase in decommissioning liability	347,978	301,970
(Increase) in deferred incremental outage expense	(369,083)	(3,169,055)
Increase in arbitrage payable	157,848	118,423
Net change in current assets and liabilities:		
National Rural Utilities Cooperative Finance Corp. patronage capital certificate	4,185	5,959
Accounts receivable	(302,077)	359,766
Materials and supplies inventory	(155,521)	40,562
Other assets and prepaid expenses	(109,010)	88,701
Accounts payable	(814,370)	1,248,479
Payroll and payroll related liabilities	6,091	6,273
Accrued property taxes	469,520	131,570
Accrued interest payable	(63,514)	(245,925)
Total adjustments	6,496,819	4,574,826
Total provided by operations	$ 4,194,147	$ 4,305,310

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

KANSAS ELECTRIC POWER COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

1. Departures From Generally Accepted Accounting Principles:

Effective February 1, 1987, the Kansas Corporation Commission (KCC) issued an order to Kansas Electric Power Cooperative, Inc. (KEPCo) requiring the use of present worth (sinking fund) depreciation and amortization. As more fully described in Notes 3 and 6a, such depreciation and amortization practices constitute phase-in plans which do not meet the requirements of FASB No. 92, "Accounting for Phase-in Plans." The effect of these departures on the financial statements as of December 31, 1992 and 1991 is to overstate net utility plant by $25,680,852 and $21,787,750, overstate deferred charges by $3,491,993 and $2,973,796, understate the deficit in patronage capital (deficit) by $29,172,845 and $24,761,546, and understate the net loss by $4,411,299 and $4,768,401, respectively.

2. Summary of Significant Accounting Policies:

a. System of Accounts:

KEPCo maintains its accounting records substantially in accordance with the Federal Energy Regulatory Commission's chart of accounts as adopted by the Rural Electrification Administration (REA) and in accordance with accounting practices prescribed by the KCC.

b. Utility Plant and Depreciation:

Utility plant is stated at cost. The costs of repairs and minor replacements are charged to operating expense as appropriate. Costs of renewals and betterments are capitalized. The original cost of utility plant retired and the cost of removal, less salvage, are charged to accumulated depreciation.

Through January 31, 1987, the provision for depreciation for electric plant in service was computed on the straight-line method at a 3.44% annual composite rate. Effective February 1, 1987, in accordance with an order issued by the KCC, the provision for depreciation is computed on a present worth (sinking fund) method which provides for increasing annual provisions over the next 25 years. The composite rates for the years ended December 31, 1992 and 1991 were 1.7190% and 1.5362%, respectively. Pursuant to a KCC rate order dated March 27, 1992, beginning January 1, 1992, all additions, betterments and improvements are depreciated on a straight-line basis over 30 years. The provision for depreciation, computed on a straight-line basis, of other components of utility plant are as follows:

Transportation equipment	25 to 33%
Office furniture and fixtures	10 to 20%
Leasehold improvements	20%
Transmission equipment	10%

Depreciation expense other than as set forth in the statements of operations is not significant.

Continued

c. Nuclear Fuel:

Nuclear fuel cost is amortized to fuel expense based upon the quantity of heat produced for the generation of electric power. The permanent disposal of spent fuel is the responsibility of the Department of Energy (DOE). KEPCo pays one mill per net kwh of nuclear generation to the DOE for the future disposal service. These disposal costs are charged to fuel expense.

d. Investments in Associated Organizations:

Investments in associated organizations are carried at cost and consist principally of patronage capital certificates, capital term certificates and subordinated term certificates of the National Rural Utilities Cooperative Finance Corp. (CFC). CFC patronage capital certificates maturing within one year of the balance sheet date are reflected as a current asset.

e. Cash Equivalents:

All highly liquid investments which mature within three months or less from the date of purchase are considered to be cash equivalents and are stated at cost which approximates market.

f. Materials and Supplies Inventory:

Materials and supplies inventory for the Wolf Creek Generating Station is stated at cost determined by the average cost method.

g. Unamortized Bond Issue Costs:

Unamortized bond issue costs related to the issuance of the floating/ fixed rate pollution control revenue bonds and mortgage notes payable to the National Rural Utilities Cooperative Finance Corporation are being amortized using the interest method over the remaining life of the bonds.

h. Decommissioning Fund Assets/Decommissioning Liability:

At December 31, 1992 and 1991, $1,384,226 and $1,036,248, respectively, has been collected and is being retained in an interest-bearing trust fund to be used for the physical decommissioning of Wolf Creek. During 1989, the KCC extended the estimated useful life of the Wolf Creek Generating Station to 40 years from the original estimate of 30 years only for the determination of decommissioning costs. Additionally, the estimated cost of decommissioning Wolf Creek was increased to $206 million in 1988 dollars. KEPCo is responsible for a 6 percent share of the decommissioning costs for the Wolf Creek Generating Station. These costs are being recovered and charged to operations over the life of the plant.

i. Income Taxes:

In February 1992, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 109, "Accounting for Income Taxes," which requires companies to adopt the new method of accounting for income taxes no later than fiscal year 1993. KEPCo has not adopted early application of the provisions of FASB Statement No. 109, however, management expects no impact on the financial statements as a result of adopting this Statement.

j. Patronage Capital and Other Equities:

Operating margin, net of interest expense, is credited or charged to patronage capital. Nonoperating margin (interest income) is credited to other equities; however, upon an affirmative vote of the membership, margins may be allocated to patronage capital unallocated.

Continued

k. Rates:

The KCC has authority to establish KEPCo's electric rates subject to times interest earned ratio and debt service coverage requirements set forth by the Rural Electrification Administration (REA).

KEPCo believes it is probable that future rates, as established by the KCC, will allow the recovery of deferred charges (see Note 6). If subsequent recovery is not permitted, the unrecovered deferred balances would be charged to expense at that time.

l. Revenues:

Revenues from the sale of electricity are recorded based on billings to customers and on contracts and scheduled power usages, as appropriate.

m. Fair Values of Financial Instruments:

The carrying value of financial instruments as of December 31, 1992 approximated fair value. The fair market values were determined based on quoted market prices for the instruments or for similar types of instruments as of December 31, 1992, or on the current rates offered to KEPCo for debt of the same remaining maturities.

n. Reclassification:

KEPCo has reclassified the presentation of certain prior year information to conform with the current presentation.

3. Wolf Creek Generating Station:

KEPCo owns 6 percent of the Wolf Creek Generating Station near Burlington, Kansas. The remainder is owned by the Kansas City Power & Light Company (KCPL-47%) and Kansas Gas & Electric Company (KGE-47%). Substantially all of KEPCo's utility plant represents its share of the Wolf Creek Generating Station. KEPCo is entitled to a proportionate share of the capacity and energy from Wolf Creek which is used to supply a portion of KEPCo's members' requirements. KEPCo is billed for 6 percent of the operations, maintenance and administrative and general costs related to Wolf Creek. All operations are accounted for in the same manner as would be a wholly-owned facility.

The KCC declared Wolf Creek commercially operable on September 3, 1985. KEPCo's total investment includes interest and administrative costs during construction.

Effective February 1, 1987, the KCC issued an order to KEPCo to utilize a present worth (sinking fund) depreciation method which does not conform with generally accepted accounting principles and which constitutes a phase-in plan which does not meet the criteria of FASB No. 92. If depreciation on electric plant in service was calculated using a method in accordance with generally accepted accounting principles, depreciation expense would be increased and KEPCo's operating margin would be decreased by $3,893,102 and $4,209,692 for the years ended December 31, 1992 and 1991, respectively. In addition, net utility plant would be decreased and the deficit in patronage capital (deficit) unallocated would be increased by $25,680,852 and $21,787,750 at December 31, 1992 and 1991, respectively.

4. Investments:

KEPCo's portfolio, which is included in the balance sheet at cost as cash and cash equivalents, is invested in fixed-income securities and is composed of the following securities at December 31:

Continued

	1992	1991
Deposits at federally insured banks	$ 6,056	$ 224,393
United States Government agency obligations	2,994,295	2,496,677
Collateralized repurchase agreements	450,000	-
National Rural Utilities Cooperative Finance Corporation (CFC):		
Commercial paper	-	2,825,000

KEPCo has entered into a bond covenant whereby the Cooperative is required to maintain, with a trustee, a Bond Fund Reserve of a stipulated amount of approximately $3.9 million, sufficient to satisfy certain future interest and principal obligations. The amount held in the Bond Fund Reserve is invested by the trustee in various securities pursuant to the restrictions of the indenture agreement. These reserve funds have been invested by the trustee in municipal securities and are carried at cost.

The decommissioning funds have been invested by the trustee in United States Treasury obligations and are carried at cost.

5. Investments in Associated Organizations:

At December 31, 1992 and 1991, investments in associated organizations consisted of the following:

	1992	1991
National Rural Utilities Cooperative Finance Corporation (CFC):		
Membership	$ 1,000	$ 1,000
Capital term certificates	395,970	395,970
Subordinated term certificates	2,205,000	2,205,000
Patronage capital certificates	56,526	60,347
Other	10,431	6,398
	$2,668,927	$2,668,715

6. Deferred Charges:

a. Disallowed Costs:

Effective October 1, 1985, the KCC issued a rate order relating to KEPCo's investment in Wolf Creek which disallowed approximately $22.9 million of KEPCo's investment in Wolf Creek. A subsequent rate order, effective February 1, 1987, allows KEPCo to recover these disallowed costs, as well as interest costs and property taxes related to the disallowed portion for the period from September 3, 1985 through January 31, 1987, over a 27.736 year period starting February 1, 1987. KEPCo is using present worth (sinking fund) amortization to recover the disallowed costs which enables it to meet the times interest earned ratio and debt service requirements in the KCC rate order dated January 30, 1987. The method used by KEPCo constitutes a phase-in plan which does not meet the criteria of FASB No. 92 and, accordingly, an additional $518,197 and $558,709 should be charged to expense for 1992 and 1991, respectively. In addition, deferred charges would be decreased and the deficit in patronage capital (deficit) unallocated would be increased by $3,491,993 and $2,973,796 at December 31, 1992 and 1991, respectively.

Continued

b. Utility Plant Costs:

Certain utility plant costs were not included in KEPCo's 1985 rate request because the KCC required KEPCo to file the rate request based on projected total utility plant costs. The February 1, 1987 rate order included these costs in KEPCo's rate prospectively. However, no provision was made in the rate order for recovery of the related depreciation, property taxes and interest costs for the period from September 3, 1985 through January 31, 1987. Accordingly, KEPCo included the related depreciation, property taxes and interest costs for the period from September 3, 1985 through January 31, 1987 in deferred charges and, in accordance with a rate order dated February 11, 1988, KEPCo began amortizing these deferred costs effective January 1, 1988 over 26.82 years. Pursuant to a KCC rate order dated March 27, 1992, these costs were transferred to utility plant in service in the accompanying balance sheets. The unamortized balance will be depreciated over the remaining life of the plant consistent with the present worth (sinking fund) depreciation method.

c. Revenue and Expenses for the Period from September 3, 1985 Through September 30, 1985:

Although the Wolf Creek Generating Station began commercial operations on September 3, 1985, the KCC ordered KEPCo to accumulate all revenues and expenses related to the operation of Wolf Creek for the period from September 3, 1985 through September 30, 1985 in deferred charges. The KCC issued an order on February 1, 1987 which allowed KEPCo to recover these costs over a ten-year period. Annual amortization of such costs increases over the recovery period.

d. Deferred Incremental Outage Costs:

On April 9, 1991, the KCC issued an order that allowed KEPCo to defer its 6 percent share of the incremental maintenance and replacement power costs associated with refueling of the Wolf Creek Generating Station. Such deferred costs are being amortized over the operating cycle coincident with the recognition of the related revenues. Total costs deferred at December 31, 1992 and 1991 were $383,199 and $2,404,783, respectively. Amortization expense for 1992 and 1991 was $2,390,667 and $1,546,172, respectively.

7. Long-term Debt:

Long-term debt consists of mortgage notes payable to the United States of America acting through the Federal Financing Bank (FFB), the National Rural Utilities Cooperative Finance Corporation (CFC) and others. Substantially all of KEPCo's assets are pledged as collateral. The terms of the notes as of December 31 are as follows:

	1992	1991
Mortgage notes payable to the Federal Financing Bank (FFB) at rates varying from 7.030% to 9.366%, payable in quarterly installments through 2018.	$130,317,007	$132,262,867
Mortgage notes payable to the National Rural Utilities Cooperative Finance Corporation at a rate of 10.0281% through December 1997 and 9.83% thereafter, payable semi-annually, principal payments commencing in 2003 and continuing annually through 2017.	$1,340,000	$1,340,000

Continued

	1992	1991
Mortgage notes payable to the National Rural Utilities Cooperative Finance Corporation at a rate of 9.5274% through December, 1997 and 9.33% thereafter, payable semi-annually, principal payments commencing in 1989 and continuing annually through 2002.	$ 10,109,490	$ 10,764,267
Floating/fixed rate pollution control revenue bonds, City of Burlington, Kansas, Pooled Series 1985C, variable interest rate (2.69% at December 31, 1992) payable annually through 2015.	41,700,000	42,100,000
	233,526,497	236,467,134
Less current portion	3,333,865	2,940,332
	$230,192,632	$233,526,802

Aggregate maturities of mortgage notes payable to the Federal Financing Bank and National Rural Utilities Cooperative Finance Corporation and floating/fixed rate pollution control bonds as of December 31, 1992 are as follows:

Year	Amount
1993	$ 3,333,865
1994	3,563,811
1995	3,831,087
1996	4,261,627
1997	4,556,621
Thereafter to 2018	213,979,486
	$233,526,497

At December 31, 1992, KEPCo has approved FFB loans guaranteed by REA with balances of $130,317,007. Of this amount, $5,140,179 currently has a maturity date of March 31, 1994. Upon maturity of each short-term advance, KEPCo may renew the advance for another two-year period or elect to extend the maturity date on a long-term basis. The above schedule of long-term debt maturities assumes that the $5,140,179 which matures on March 31, 1994 will be extended on a long-term basis with a maturity date of December 31, 2017.

In addition, restrictive covenants require KEPCo to design rates enabling it to maintain a times interest earned ratio and debt service coverage of at least one-to-one in at least two out of every three years.

Restricted cash and short-term investments consist of unexpended loan proceeds remaining in the Construction Fund. These funds will be utilized for scheduled principal reduction of the originating debt.

8. Short-term Borrowings:

KEPCo has available a $12 million line of credit with the CFC which remained unused at December 31, 1992.

9. Operating Lease:

KEPCo leases office space under a noncancellable operating lease expiring on December 31, 1996. The related rental expense for 1992 and 1991 was $120,519 and $98,462, respectively.

Continued

Future minimum lease payments for office space and equipment leased at December 31, 1992 are as follows:

Year	Amount
1993	$110,676
1994	108,720
1995	97,466
1996	90,096
	$406,958

The minimum lease payments can be increased to the extent that taxes and insurance paid by the lessor exceed 1990 levels.

10. Pension Plan:

a. National Rural Electric Cooperative Association (NRECA) Retirement and Security Program:

KEPCo participates in the National Rural Electric Cooperative Association (NRECA) retirement and security program for its employees. All employees of members of NRECA are eligible to participate in the program. A moratorium on contributions is in effect for the period July 1, 1987 through December 31, 1992 due to reaching the full funding limitation. In the master multiemployer plan which is available to all members of NRECA, the accumulated benefits and plan assets are not determined or allocated by individual employee. KEPCo has no pension expense for the plan for the years ended December 31, 1992 and 1991.

Substantially all employees of KEPCo also participate in the NRECA Savings Plan 401(K) option. Under the plan, KEPCo contributes amounts not to exceed 3 percent, dependent on the employee's level of participation, of the respective employee's base pay to provide additional retirement benefits. KEPCo contributed approximately $29,537 and $27,846 to the plan in 1992 and 1991, respectively.

b. Wolf Creek Nuclear Operating Corporation Retirement Plan:

KEPCo has an obligation to the Wolf Creek Nuclear Operating Corporation Retirement Plan for its 6 percent ownership interest in the Wolf Creek Generating Station. This plan provides for benefits upon retirement, normally at age 65. In accordance with the Employee Retirement Income Security Act of 1974 (ERISA), KEPCo has satisfied at least its minimum funding requirements. Benefits under this plan reflect the employee's compensation, years of service and age at retirement.

Provisions for pensions are determined under the rules prescribed by Financial Accounting Standards Board (FASB) Statement No. 87. The following is KEPCo's portion of the funded status of the plan as of December 31:

	1992	1991
Accumulated benefit obligation:		
Vested	$ 266,846	$ 215,040
Nonvested	128,539	101,620
Total	$ 395,385	$ 316,660

Continued

	1992	1991
Determination of plan assets less obligations:		
Fair value of plan assets (a)	$ 569,765	$ 507,660
Projected benefit obligation (b)	1,191,226	952,740
Difference	$ (621,461)	$(445,080)
Reconciliation of difference:		
Contributions to trusts:		
Accrued liability	$ (459,540)	$(246,840)
Unamortized transition amount	(137,894)	(145,140)
Unrecognized net gain	38,018	12,300
Unrecognized prior service cost	(62,045)	(65,400)
Difference	$ (621,461)	$(445,080)

(a) Plan assets are invested in insurance contracts, corporate bonds, equity securities, U.S. Government securities and short-term investments.

(b) Based on discount rate and rate of increase in future salary levels of 8% and 6%, respectively.

Long-term rate of return on plan assets of 8% was used.

Components of provisions for pensions:

	1992	1991
Service cost	$ 154,471	$ 128,160
Interest cost on projected benefit obligation	88,309	52,920
Actual return on plan assets	(64,387)	(69,960)
Other	36,311	40,380
Total pension expense	$ 212,704	$ 151,500

11. Income Taxes:

At December 31, 1992, KEPCo had unused net operating loss carryforwards available to reduce future taxable income and investment tax credit carryforwards as follows:

Available Through	Net Operating Loss Carryforwards (Book Basis)	Net Operating Loss Carryforwards (Tax Basis)	Investment Tax Credit Carryforwards
1996	$ –	$ 7,100,000	$ –
1997	–	12,410,000	203
1998	–	17,123,000	896
1999	194,274	21,468,000	1,210
2000	1,977,542	4,442,000	7,731,327
2001	2,885,169	3,899,000	–
2002	1,292,882	4,263,000	–
2003	–	–	–
2004	–	1,562,000	–
2005	–	1,851,000	–
2006	269,516	4,630,000	–
2007	2,302,672	1,498,000	–
	$ 8,922,055	$ 80,306,000	$ 7,733,636

Continued

The difference between the net margin (loss) shown in the accompanying financial statements and the net operating losses for tax return purposes for 1992 and 1991 is due primarily to operating expenses deferred for financial statement purposes and expensed for tax return purposes and timing differences related to depreciation expense and deferred refueling costs.

As there were net losses in 1992 and 1991, no income tax provision has been recorded.

12. Contingencies:

a. Litigation:

There is a provision in the Wolf Creek operating agreement whereby the owners treat certain claims and losses arising out of the operation of the Wolf Creek Generating Station as a cost to be born by the owners separately (but not jointly) in proportion to their ownership shares. Each of the owners has agreed to indemnify the others in such cases.

As is the case with other electric utilities, the Cooperative, from time to time, is subject to various actions which occasionally include punitive damage claims. The Cooperative maintains insurance providing liability coverage; however, the insurance companies generally reserve the right to challenge insurance coverage for punitive damage recoveries. In the opinion of the general counsel of the Cooperative, there is not a significant probability that, as a result of pending or threatened personal injury actions, the Cooperative will be liable for payment of actual or punitive damages in an amount material to the financial position of the Cooperative.

b. Nuclear Liability and Insurance:

The Price-Anderson Act and its amendments currently limit the public liability, including attorney costs, of nuclear reactor owners for claims that could arise from a nuclear incident to $7.807 billion. Accordingly, KEPCo and other owners of Wolf Creek have liability insurance coverage of this amount which consists of the maximum available private insurance of $200 million and Secondary Financial Protection (SFP).

The SFP coverage is funded by a mandatory program of deferred premiums assessed against all owners of licensed reactors for any nuclear incident anywhere in the country. The maximum assessment per reactor is $63 million ($3.8 million - KEPCo's share), plus 5% for attorney costs. The owners of Wolf Creek are jointly and severally liable for these charges, payable at a rate not to exceed $10 million ($600,000 - KEPCo's share) per incident per year.

The owners of Wolf Creek also have property damage, decontamination and decommissioning insurance for loss resulting from damage to the Wolf Creek facilities in the amount of $2.625 billion. Nuclear insurance pools provide $1.3 billion of coverage. Nuclear Electric Insurance Limited (NEIL) provides $1.325 billion. In the event of an accident, insurance proceeds must first be used for reactor stabilization and site decontamination. The remaining proceeds from the $2.625 billion insurance coverage ($157.5 million KEPCo's share), if any, can be used for property damage up to $136.5 million (KEPCo's share) and premature decommissioning costs up to $21 million (KEPCo's share) in excess of funds previously collected for decommissioning.

Continued

The owners of Wolf Creek have also procured extra expense insurance from NEIL. Under both the NEIL property and extra expense policies the Company is subject to retroactive assessment if NEIL losses, with respect to each policy year, exceed the accumulated funds available to the insurer under that policy. The estimated maximum retroactive assessments for KEPCo's share under the policies total approximately $878,599 per year.

In the event of a catastrophic loss at Wolf Creek, the amount of insurance available may not be adequate for property damages and extra expenses incurred. Uninsured losses, to the extent not recovered through rates, would be assumed by KEPCo and could have a material adverse effect on the KEPCo's financial condition.

c. Nuclear Fuel Commitments:

At December 31, 1992, Wolf Creek's nuclear fuel commitments (KEPCo's share) were approximately $2.6 million for uranium concentrates through 1997, $17.8 million for enrichment through 2014 and $6.4 million for fabrication through 2014.

d. REA Development:

KEPCo has received notification from the REA that, because KEPCo's financial statements are not in conformance with generally accepted accounting principles, as discussed in Note 1, the REA will evaluate all requests for action on the basis of financial information prepared as if the straight-line method of depreciation had been used.

13. Other Matters:

On March 27, 1992, the KCC issued a rate order increasing KEPCo's energy rate by 2.5 mills per kwh effective April 1, 1992.

On December 31, 1992, the KCC issued a rate order allowing KEPCo to collect $859,000 per year through an increase of .66 mills per kwh in KEPCo's energy rates effective January 1, 1993. The increase allows KEPCo to recover additional property taxes resulting from legislation passed during the 1992 Kansas legislative session.