Kansas Gas and Electric Company Report to Stockholders 1982

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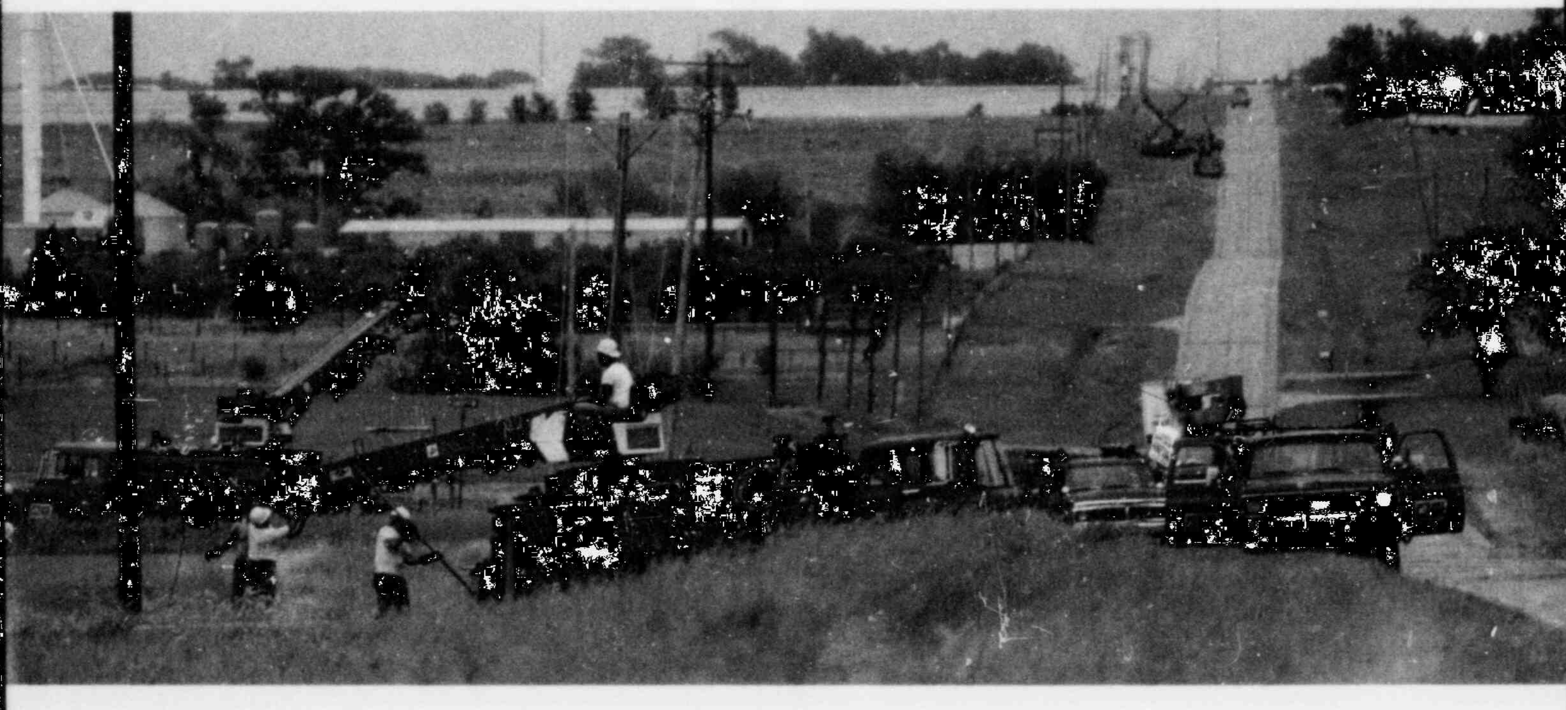
Contents

Right: At KG&E's system control center, computers monitor the price of available electricity over the entire southwest. Operators use the data to see that power from lowest-cost generation sources is used to meet customer needs throughout the KG&E system.

Far Right: High technology supports most of KG&E's varied work groups. In June, the most disruptive storm ever swept through the Wichita area. Linemen and support groups worked around the clock. It was still four days before all customers had power restored. But without a computerized system to help locate trouble spots, the work could have taken two weeks, managers estimate.

(Dollars in thousands except per share data)

	1982	1981	1980	1979	1978
Operating Revenues	**$350,937**	$313,093	$293,808	$244,970	$238,460
Net Income	**$84,663**	$65,975	$52,395	$29,220	$28,964
Earnings Applicable to Common Stock	**$70,521**	$53,060	$43,208	$21,003	$21,880
Average Shares of Common Stock Outstanding	**23,503,302**	18,631,479	14,562,746	11,400,916	9,615,051
Common Stock Per Share Data					
Earnings	**$3.00**	$2.85	$2.97	$1.84	$2.28
Cash Dividends	**$2.15**	$2.06	$1.965	$1.91	$1.825
Indicated Year-End Dividend Rate	**$2.24**	$2.12	$2.04	$1.94	$1.90
Market Value Year-End	**$18.375**	$14.875	$14.625	$15.250	$18.125
Book Value (Moody's Net Tangible Assets) Year-End	**$19.66**	$20.08	$20.22	$20.70	$21.95
Available Capacity (Kilowatts)	**1,944,000**	2,026,000	2,023,000	1,968,000	2,031,000
System Peak (Kilowatts)	**1,547,900**	1,681,100	1,727,100	1,473,400	1,532,600
Average Use Per Residential Customer (Kilowatthours)	**9,529**	9,433	10,708	9,496	10,136
Average Price Per Residential Kilowatthour	**6.05¢**	5.04¢	4.57¢	3.97¢	3.78¢
Number of Customers at End of Year	**234,972**	233,421	228,992	223,413	217,649
Long-Term Debt	**$613,781**	$607,256	$451,608	$386,519	$374,071
Redemption Required Preferred Stock	**$95,855**	$82,000	$53,000	$54,000	$30,000
Net Plant in Service	**$ 610,746**	$ 608,498	$ 610,846	$557,088	$558,785
Construction Work in Progress	**812,297**	613,874	453,640	356,361	195,002
Total Utility Plant (Net)	**$1,423,043**	$1,222,372	$1,064,486	$913,449	$753,787
Total Assets	**$1,515,517**	$1,300,495	$1,137,883	$983,637	$822,377



KG&E successfully faced the severe economic downturn of 1982 the same way it overcame other difficult times—through innovation and action. Here are some of the results in brief.

Several [illegible] all [illegible] [illegible]. The following [illegible] developments and [illegible] [illegible].

[illegible] to acknowledge the [illegible] of Ralph [illegible].

Mr. [illegible] joined the company [illegible]. He was president [illegible] and [illegible]. Arthur [illegible] [illegible] [illegible] Corporation [illegible] Michael [illegible] [illegible].

Several [illegible] changes followed [illegible] [illegible] president [illegible].

[illegible] B. Brown, [illegible]; Howard J. Harrison, finance; Ellen L. Morrison, administration; and Robert L. Hines, corporate relations.

Mr. [illegible] was president of Management Analysis Corporation in San Diego. The [illegible] vice presidents were [illegible] officers.

In addition, Richard M. Harris became vice president, corporate planning and systems. [illegible] corporate planning [illegible] W. R. [illegible] treasurer, succeeding R. E. [illegible], who retired after 44 years of service.

[illegible] elected [illegible] Dwayne L. [illegible], former president and chief [illegible] of [illegible] Company [illegible] 1976 [illegible] was succeeded by [illegible].

Jr., [illegible] president and [illegible].

We record [illegible] [illegible] since 1933.

[illegible] employees [illegible] and [illegible].

William K. [illegible]

Chairman of the Board

and President

February [illegible]

Results of Operations

Operating revenues of $350.9 million were recorded in 1982, an increase of $37.8 million or 12% over 1981. The increase resulted primarily from a January increase in retail rates and an increase in fuel and purchased power costs collected through the fuel adjustment clause.

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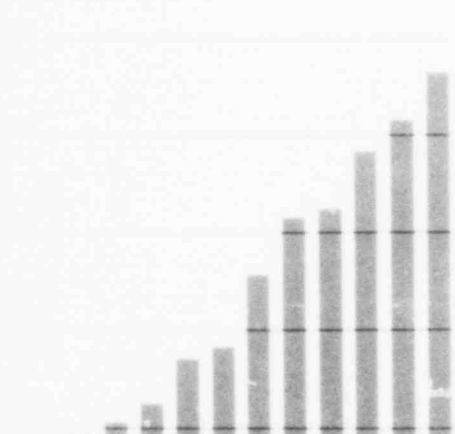
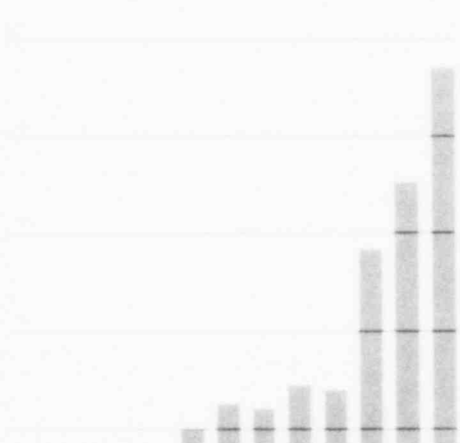
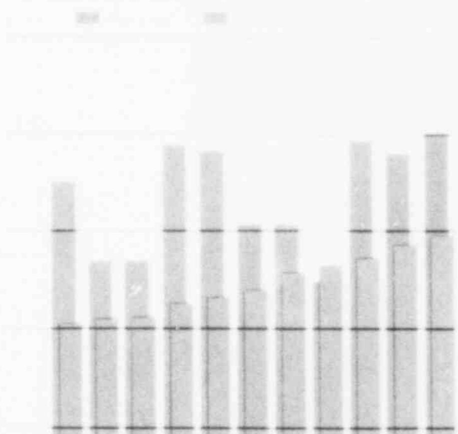


Operating Revenues



Earnings Applicable to Common Stock



Annual Common Stock Earnings Per Share and Year-End Dividend Rate

KG&E's Diversified Industrial Revenues

(Thousands of Dollars)

	1982	1981	Percent Increase over 1981
Energy Production (32% of total)			
Petroleum Refining	$ 21,645	$ 20,691	4.6
Petroleum and Gas	7,833	6,500	20.5
Pipeline Pumping	5,086	4,835	5.2
Coal Mining	908	892	1.8
Subtotal	35,472	32,918	7.8
Natural Resource (26% of total)			
Chemical	17,861	20,414	(12.5)
Sand, Stone, Clay and Cement	7,752	8,041	(3.6)
Plastics	2,877	2,786	3.3
Subtotal	28,490	31,241	(8.8)
Manufacturing (26% of total)			
Aircraft	15,462	13,689	13.0
Machinery	7,254	7,878	(7.9)
Metal Fabricating	3,886	3,884	*
Other Manufacturing	1,661	1,760	(5.6)
Subtotal	28,263	27,211	3.9
Agricultural, Food and Kindred Products (10% of total)			
Grain Mill Products	4,001	3,669	9.0
Prepared Foods	2,910	2,768	5.1
Meat Products	3,370	3,300	2.1
Dairy Products	561	551	1.8
Subtotal	10,842	10,288	5.4
Service Related Industries (6% of total)			
Subtotal	6,125	5,536	10.6
Total (Note)	$109,192	$107,194	1.9

Note: [illegible]

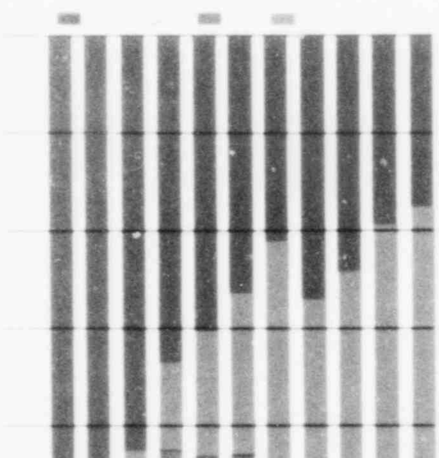
Ten years ago, almost all of KG&E's generating capacity was natural gas fueled with oil as a backup.

In the 1960's our gas suppliers said they would not be able to meet our future fuel needs. In the 1970's the natural gas shortage became so serious that in 1978 Congress banned using gas in most large utility boilers after January 1, 1990.

But, as natural gas regulation eased, producers had incentive to develop more expensive gas reserves. Late in 1981 Congress repealed the 1990 deadline for phasing out use of gas in existing generating plants.

Although gas is available today, the sharp increases in gas prices have made it too expensive for base load generation. And KG&E still is required to reduce gas usage by 1990. Its plan for doing so has been approved by the U.S. Department of Energy.

Generation by Fuel Type



Long before the first public outcry to reduce dependence on gas and oil, KG&E had begun implementing a comprehensive plan to shift the bulk of generating capability to a mix of more readily available and cheaper fuels — coal and nuclear.

Now, we are partners in four operating coal units, all completed within the past decade. Although only 49% of our generating capacity is coal-fueled, these units provided 64% of our generation in 1982.

The graph below shows the progress we have made since 1972 in diversifying our use of fuel.

Two generating units under construction are key elements in our planning for the future. Jeffrey Energy Center Unit 3 is coal-fired and will be completed in mid-1983. Wolf Creek Generating Station, a nuclear-fueled plant, is now scheduled for completion in the spring of 1985.

Negotiations began in May 1981 for the sale of the company's 136 megawatt, or 20%, interest in Jeffrey Unit 3 with two of the joint owners, The Kansas Power and Light Company and Missouri Public Service Company. In April 1982, KPL withdrew from negotiations.

In August 1982, the company and MPS entered into an agreement. The sale, however, was not completed as the Kansas Corporation Commission did not approve certain conditions of the sale. We now do not expect to sell our equity in that unit although we are continuing to offer participation power to other utilities.

KG&E owns 47% of the 1,150 megawatt Wolf Creek and is responsible for construction and operation. Our partners in the unit include Kansas City Power & Light Company, which also owns 47%, and Kansas Electric Power Cooperative, Inc., which owns 6%. Estimated total cost of our share of Wolf Creek is now $1.166 billion. At the end of 1982, our investment was $706 million.

Major boiler replacement work costing $24 million was started in October on La Cygne Generating Station Unit 1, the company's first modern coal-fueled unit. Work will be completed to assure availability of the unit for 1983 summer demand. Coal burned is from nearby mines. It is low in cost but produces high levels of ash and is high in sulfur. Boiler problems resulted in part from the abrasive coal and ash. The boiler design is being modified to reduce the possibility of future problems. We own 50% of this 740 megawatt unit.

Early in 1982 the Department of Energy released a report indicating the middle third of the United States could face a shortage of electric generating capacity by the end of the 1980's. Depending upon the projected rate of growth, capacity reserve margins in the Southwest Power Pool, of which KG&E is a part, could range from less than 2% to about 6%, well below the desired 18% level.

KG&E, however, is in a good capacity position to meet demand growth with coal and nuclear generation. We will continue to use our gas/oil generators as prices warrant.

Research is of critical importance, especially in long term efforts to provide customers

Right Above

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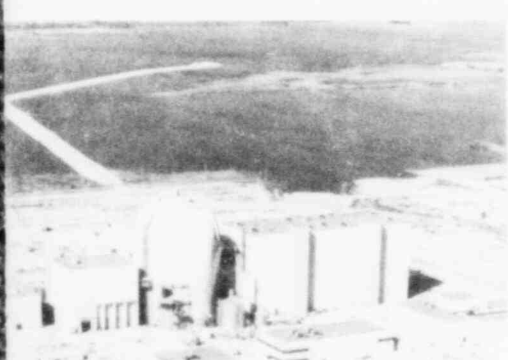


Customers of an electric utility are in a unique position to help keep costs of electricity down. Perhaps the greatest direct benefit customers can receive in working with the utility is in load management. These are steps taken to match most efficiently customer needs for power with the ability of the utility to provide it.

In 1982 KG&E renewed aggressive marketing activities to build understanding of the utility-customer partnership and to show customers the important role they have in determining cost of service.

Like other utilities in or near the sun belt, KG&E has a summer peak load well above the winter peak. This is primarily because of heavy dependence on air conditioning.

Generating capability maintained to meet our high summer peak is under-utilized during the winter. By distributing demand more evenly throughout the year, generating facilities would be used more efficiently. It is more expensive to build and own generating units used only during the summer peaks rather than throughout the 12 months.

By controlling the time when air conditioner compressors cycle, we plan to reduce summer peak demand by 100,000 kilowatts by the 1990's. This is being done by installing with customer cooperation radio controlled switches on central air conditioners. Cooling is not noticeably reduced.

Meeting these load management goals will allow KG&E to avoid building a peaking generating unit estimated to cost at today's prices $16 million. It also reduces our need for natural gas as power plant fuel, our most expensive fuel.

Use of heat pumps and add-on heat pumps also helps spread out power demand throughout the year. Our promotions helped produce record-breaking heat pump sales in 1982. Dealers reported sales up nearly 29% over 1981 for installations in new single family homes and up 130% for replacement in existing homes. Sales of add-on heat pumps increased 112%.

Efforts to promote wise use of electricity and conservation emphasize the fact that electricity is a commodity. It is the customer who decides how much service to use and as a result, the amount of the bill.

The Audit for Conservation Today Program helps customers conserve energy.

Trained utility inspectors audit a residence for energy efficiency. A comprehensive report outlines conservation measures. Customers pay only $5.

A new plan to save money for customers and the company—and to be a convenience to both—was initiated in 1982. This is the "Stamp Saver Plan." Bills of participating customers are sent directly to their bank for payment.

Below: A Kansas State Fair exhibit emphasized the [illegible] importance of electricity and explained KG&E's program to shift generating capacity from natural gas to coal and nuclear. This bicycle demonstrated how electricity makes our work easier. It was connected to a generator. Electricity was produced to light bulbs showing different wattages of electricity produced by different [illegible] power [illegible].

Right: Thirty-five homes were caulked by 60 KG&E employees who volunteered their time to Operation Volunteer to weatherize homes of the elderly and disabled.

from the customer's account. This reduces postage costs and handling expenses.

A unique partnership between an electric utility and its customers is a new program, Project DESERVE. The plan offers our customers a convenient way to help elderly and handicapped Kansans pay energy costs.

The program has been unusually successful. In the first 11 months, $155,000 was raised. Support was provided for 830 households. Some 85 other utilities across the country have begun similar plans.

Project DESERVE was launched in February 1982. KG&E provided a contribution of $25,000 from company stockholder funds. Employees have donated $13,000. Company suppliers have provided $12,000.

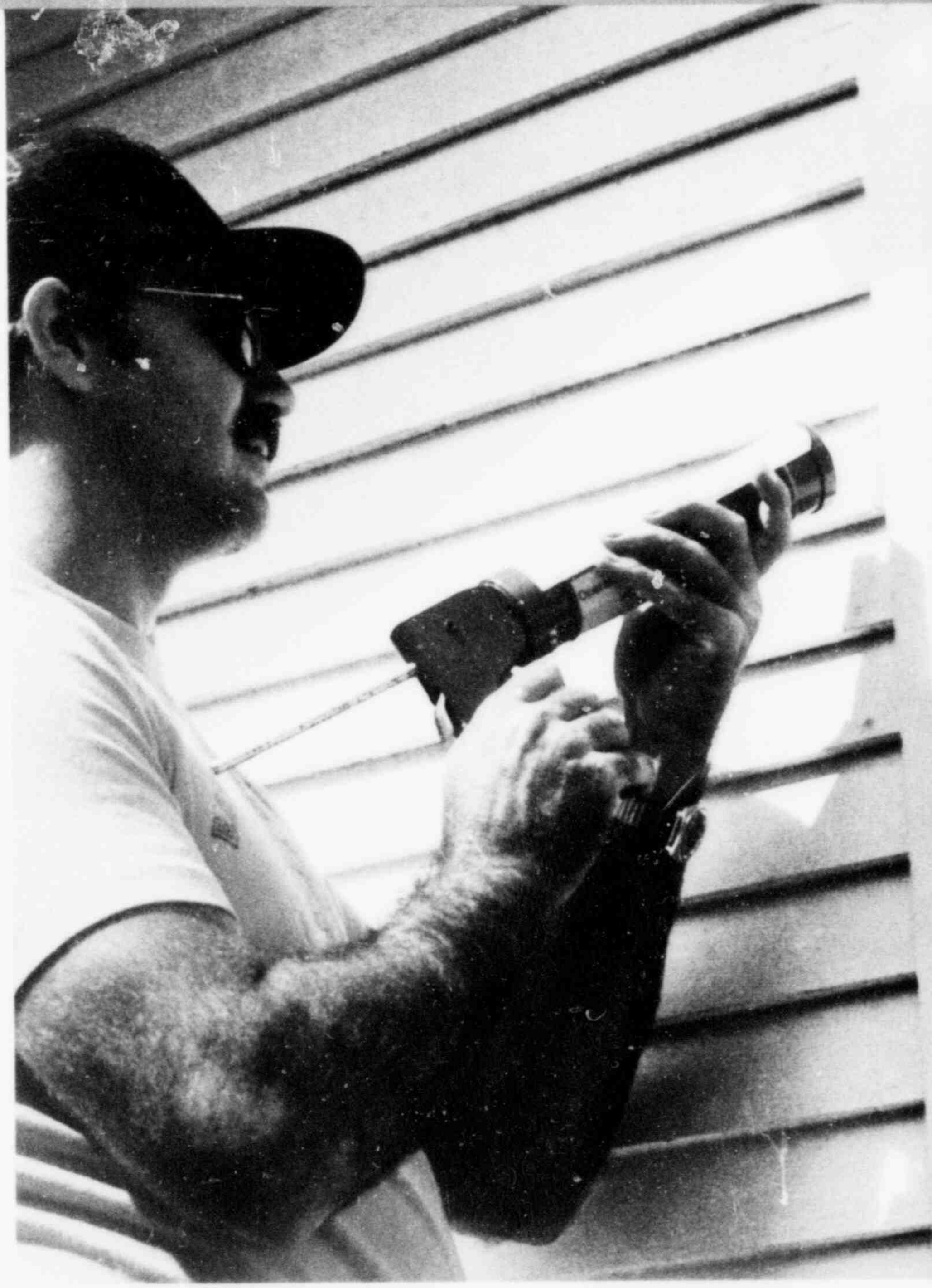
The role of the customer has been, however, the critical one. Customers were asked to contribute $1 monthly. This could be done simply by paying $1 extra when they paid their monthly electric bill. At year's end they had donated more than $100,000. The American Red Cross administers the project and distributes all funds.

Popularity of the average billing plan continues to grow. Now more than 21% of residential customers are participating.

The third-party notification program assists customers who are elderly, ill, away from home or who have difficulty with the English language.

Another company service identifies customers who rely on life support equipment such as respiratory support. They then are given a high priority if it becomes necessary to restore service.

Education and community service programs are of special importance. An electrical safety



program is now being offered in schools within our service area.

KG&E speakers gave more than 2,100 public presentations in 1982 with attendance exceeding 51,500. In addition, more than 5,000 persons toured the Wolf Creek Generating Station site, and 1,400 toured other company power plants and facilities.

Passive solar energy technique workshops were held throughout our service area for home builders, architects and home lenders.

The economic slump has been a primary cause in slowing down the increase in new customers. In 1979, 1980 and 1981 an average of more than 5,000 new customers were added yearly. In 1982 new customers numbered only 1,551. Total served is now 234,972.

Regulation affects all aspects of our business. Rates for the electricity we sell are determined by regulation.

Meeting regulatory requirements has become a significant cost factor in building new power plants and other facilities. Operating expenses also are affected by the cost of complying with the hundreds of rules and directives from numerous local, state and national regulatory agencies.

Current rates for retail customers became effective in January 1982 following authorization December 31, 1981, by the Kansas Corporation Commission of a $48.9 million annual retail increase. The rate request was based on expenses incurred during the 12 months ending December 31, 1980.

A new request for increased retail rates was filed with the KCC in August 1982 seeking $48 million annually. The request is based on costs during the 12 months ended March 31, 1982. A KCC ruling is expected prior to April 10, 1983.

Three rate requests are before the Federal Energy Regulatory Commission (FERC). All involve wholesale rates for electricity sold to municipal systems, cooperatives or other utilities.

In 1981 collection of a $1.3 million annual increase in wholesale rates, primarily from municipal systems, was approved by FERC. The rate request based on projected 1978 expenses was not, however, fully resolved until 1982. The FERC has not yet acted on an additional $2.2 million yearly wholesale increase filed in February 1980.

Another wholesale rate increase was filed with FERC in March 1982 requesting $2.1 million annually.

A request for new permanent rates was filed with FERC in January 1982 when responsibility to supply power to eight rural electric cooperatives was shifted to Kansas Electric Power Cooperative, Inc., following the purchase by that organization of a 6% interest in Wolf Creek Generating Station.

There is no time limit on rate cases before federal regulators. The KCC is required by state law to act on rate cases within eight months of filing.

Important milestones in the licensing of Wolf Creek Generating Station were achieved in 1982. The Advisory Committee on Reactor Safeguards in May issued its letter supporting the application. The NRC issued the Safety Evaluation Report in April and the Final Environmental Statement in June. NRC hearings are expected to begin in 1983.

Although the KCC approved sale of our 136 megawatt interest in Jeffrey Energy Center Unit 3 to Missouri Public Service Company it did not approve a contractual plan for recovering the cost of electricity we agreed to buy from MPS. Therefore, the sale was not completed.

Left: The Arkansas River that flows through Wichita provides an opportunity for a somewhat unlikely midwestern sport, the sport of rowing. Here a Wichita State University crew is involved in its daily workout. In July the City of Wichita granted KG&E a new 20-year service franchise.

Even with extensive application of high technology, our success in meeting customer needs still depends directly on employee performance. In 1982, employees again demonstrated their commitment, resourcefulness and skill.

The most graphic illustration of this came in June when "gust front" winds struck Wichita and several nearby communities. The storm tore down more than 100 transmission and distribution poles and structures. Thousands of customers were without electricity. The most difficult to solve problems resulted when falling branches knocked out service lines to individual customers. Employees worked around the clock restoring all service within four days. A computerized system pinpointed trouble spots. Without this aid, some customers would have been without electricity for as long as two weeks.

Employees at Ripley Generating Station hold what is believed to be the nation's longest power plant safety record. There has not been a lost-time accident at Ripley since it became operational in 1938.

Fourteen employees received cash awards for suggestions submitted under the Employee Cost Reduction Plan.

The majority of company employees own an interest in the company as a result of stock distribution through the Employee Stock Ownership Plan. In addition, 412 employees are buying stock each month through a payroll deduction plan.

Employees received a general wage increase of 6% in October 1982 and will receive an additional 4% increase in June 1983. Some liberalization of vacation benefits was made in 1982 with additional liberalization scheduled for 1983.

Training and educational programs continue to increase. More than 50% of employees were involved in company-sponsored programs designed to improve job performance. Also, 64 employees were enrolled in university level classes with partial tuition paid by the company.

The Lineman Apprentice Training Program continues to produce skilled line employees. This is a cooperative company-union effort.

Each worker is equipped with the tools and resources for efficient use of time and skills. Likewise, the company remains committed to securing the most from its capital investment through highly qualified employees at all levels.

Staffing Wolf Creek Generating Station illustrates how creative approaches are used in meeting personnel needs. By starting to organize the operating staff when construction of Wolf Creek began in 1977, a highly-qualified management and operating group is now working at the plant. We continue to develop training programs through Kansas State University and Emporia State University. We also have our own highly-qualified training staff.

Right: The Lineman Apprentice Training Program conducted as a cooperative company-union effort is representative of the emphasis on developing employee skills.

In today's volatile capital markets, flexibility must be a key element in financial management. KG&E's success in operating in this environment was demonstrated by financings completed during 1982.

Total financing activity, including securities sold and facilities renegotiated or established, totaled $284.4 million. This record activity provided funds for construction and other company needs.

A reduction in the cost of capital was realized as a result of more favorable interest rates in a year when the prime rate dropped from a high of 17% in February to 11.5% at year end.

Financing activities in 1982 included:

- $44.1 million was raised in February by selling three million shares of common stock at $15.25 per share.
- $40 million was placed in May through the sale of [illegible] first mortgage bonds [illegible]
- $15 million was raised by selling $13.[illegible] serial preferred stock in September.
- $31.[illegible] million was raised [illegible] two million shares of common stock. By registering the shares using the Securities and Exchange Commission Rule 415, greater flexibility in timing of issuance was realized along with reduced costs. In September, one million shares were sold at $16.[illegible] per share and [illegible]
- $[illegible] million was made available by negotiating an increase in the commercial paper [illegible] facility from $[illegible] million to $[illegible] million. A [illegible] lower cost to remain assured with continuation of the [illegible] rating [illegible]
- $14 million was received during the year for common stock issued through the company's dividend reinvestment and employee stock plans.
- $100 million became available through a new term bank loan due in 1990 negotiated with three banks.

In addition, a $25 million banker's acceptance facility was extended for three years to February, 1986.

Common stock sold in 1982 through the dividend reinvestment plan increased to 660,333 shares from 434,644 shares sold in 1981. Major factors in this increase were the federal tax law changes, effective in 1982, which permit participants to defer federal income taxes on up to $750 (up to $1,500 of dividends in the case of a joint return) when the dividends are reinvested in newly issued common stock. This tax break continues in effect through 1985.

The dividends are reinvested each quarter with the new common stock issued at 95% of market price. Participants may also invest up to $5,000 more each quarter at 100% of market price. The company maintains the records and pays all costs of stock issuance.

Details of the plan can be obtained by writing:

Stockholder Records
Kansas Gas and
Electric Company
P.O. Box 208
Wichita, KS 67201

Since the reinvestment plan was begun in 1977, more than [illegible] million shares have been purchased. This has produced [illegible]

Above: [illegible]

[illegible] the year was 61,048, a gain of [illegible] from the end of 1981. There were 4,319 holding preferred stock.

Stockholders live in all of the 50 states and in several foreign countries. No common stockholder owns as much as 1% of the common stock, and the average common holding is 475 shares.

About [illegible] of the common stock dividend in 1982 represented a return of capital and can be excluded by stockholders from income in determining 1982 income taxes. The cost basis of the stock will have to be reduced by a corresponding amount. The company presently estimates that [illegible] of the common stock dividends in 1983 will represent return of capital.

Construction

Diversification of generating fuels, the use of lower cost fuels and the need for reliable and adequate electric service have been the basis for the company's construction program. Natural gas was the company's primary boiler fuel, with oil as the back-up, until 1973 when the first of the four present coal-fired units was completed. By the mid-1980's, the company will be able to use coal, nuclear, gas or oil as fuel.

Net construction expenditures are expected to peak in 1983 and 1984. The table below shows actual expenditures and allowance for funds used during construction (AFC) in 1980-1982 and estimates for 1983-1985.

The majority of expenditures have been and will be for Wolf Creek Generating Station. Jeffrey Energy Center Unit 3, scheduled for completion in June 1983, and Wolf Creek, scheduled for completion in the spring of 1985, are the only generating units planned or under construction. As estimated in November 1982, the company's 47% interest in Wolf Creek will approximate $1.166 billion or $2,157 per kilowatt. Through December 1982, $706 million, exclusive of nuclear fuel cost, had been spent by the company on the project. The completed cost estimate assumes annual cost increases ranging from 6.3% to 8.8% and an AFC net rate of 10.2%.

The construction program is continually monitored in light of load forecasts, financial and economic conditions and other factors.

Sale of Properties

Negotiations began in May 1981 for the sale of the company's 20% (136 MW) interest in Jeffrey Unit 3 to two of the joint owners—The Kansas Power and Light Company (KPL) and Missouri Public Service Company (MPS). In April 1982, KPL, the principal prospective purchaser, withdrew from negotiations.

Discussions continued with MPS, and in August 1982 MPS agreed to purchase the company's interest. As a condition to the sale, the company agreed to purchase 136 MW of the power to be generated by Jeffrey Unit 3 for three years. However, because the Kansas Corporation Commission did not permit the company to include in rates a portion of the purchased power costs after the first year, the sale was not completed.

The company had been negotiating the sale of up to 90 MW capacity, including up to 4.5% (52 MW) of Wolf Creek and up to 2% (38 MW) of the existing La Cygne Generating Station, to Kansas Municipal Energy Agency (KMEA). In May 1982, KMEA advised the company that it would not purchase any of the capacity.

No further sale by the company of an interest in Wolf Creek or other generating capacity is presently anticipated. However, the company is actively pursuing the sale of participation power.

1980-85 Construction Expenditures

(Thousands of Dollars)

	Actual			Estimated		
	1980	1981	1982	1983	1984	1985
Nuclear Generation (Wolf Creek)	$144,442	$111,457	$171,412	$202,737	$194,504	$ 55,707
All Other Construction	47,797	61,685	57,126	48,959	57,623	52,168
Total Construction	192,239	173,142	228,538	251,696	252,127	107,875
Nuclear Fuel	(14,818)	14,008	(227)	5,699	18,830	14,548
Total	177,421	187,150	228,311	257,395	270,957	122,423
Less AFC	38,871	60,101	66,117	85,989	105,393	39,646
Net Construction Expenditures	$138,550	$127,049	$162,194	$171,406	$165,564	$ 82,777

Continued next page

Financing Requirements, Liquidity and Capital Resources

Construction expenditures are typically financed initially with short-term borrowings and are then refinanced with long-term debt, preferred stock or common stock. Total 1980-1982 capital requirements are summarized in the table that follows.

1980-1982 Capital Requirements
(Thousands of Dollars)

	Actual		
	1980	1981	1982
Net Construction Expenditures	$138,550	$127,049	$162,194
Add: Sinking Fund and Debt Maturities	1,000	1,046	23,202
Total Capital Requirements	$139,550	$128,095	$185,396

Sources of capital for these years were as follows:

External	87.8%	97.0%	93.4%
Internal	12.2	3.0	6.6
Total Sources	100.0%	100.0%	100.0%

At the end of 1982, the capital structure of the company, including short-term borrowings and securities due within one year, was 39% common equity, 12% preferred stock and 49% debt. On a pro-forma basis, after taking into account the sale by the company in February 1983 of an additional two million shares of common stock, the respective balances were 40%, 12% and 48%. Additional new financings during 1983 are expected to include both debt and equity, but the type, amounts and timing will depend upon cash requirements and market conditions. The company's first mortgage bonds presently are rated Baa 3 by Moody's and BBB- by Standard & Poor's.

A complete discussion of 1982 debt and equity financings is on Page 12, under Financial Management.

Flexibility in timing and pricing new security offerings in 1983 will be aided by the Securities and Exchange Commission's new Rule 415, or "shelf" registration procedure. Shelf registration permits a company to quickly issue securities when market conditions are favorable and reduces expenses. Three million shares of common stock were issued in September and October of 1982 using this method. This technique was also used for the two million shares issued in February 1983.

The Federal Energy Regulatory Commission (FERC) has authorized the company to borrow up to $100 million on a short-term basis, and the company has bank credit arrangements for this amount. As of December 31, 1982, the company had no short-term borrowings.

The company has two long-term bank loan facilities, each making available up to $100 million on a revolving credit basis. The first expires December 31, 1983, and the second August 31, 1986, at which times the facilities are converted to three- and four-year term loans, respectively. As of December 31, 1982, $100 million was outstanding under one of these agreements. The other $100 million is available as needed.

The company regularly sells commercial paper with up to 45 days maturity. Rated A1/P1, the paper is supported by a bank letter of credit (LOC). The LOC agreement, which expires July 8, 1985, was increased in 1982 from $30 million to $50 million, and $50 million of commercial paper was outstanding at year-end.

A $25 million banker's acceptance facility, which is collateralized by fossil fuel inventory, was extended for an additional three years to February 28, 1986. At year-end, $23 million was outstanding.

The company's indenture contains provisions which restrict issuance of additional bonds. Under the earnings test, which is the most limiting, as of December 31, 1982, the company would have been able to issue $108 million of bonds, assuming an interest rate of 13%. Under the property test, as of December 31, 1982, the company had $601 million of unfunded net property additions which were sufficient to issue $421 million of additional bonds.

The company's Restated Articles of Incorporation contain no financial tests limiting the issuance of additional shares of authorized preferred stock.

Allowance for Funds Used During Construction

AFC is an accounting concept which has had a significant impact on reported earnings in recent years.

Net investment in company plant and facilities which presently provide electric service to customers is generally referred to as rate base. Investment in construction projects not yet completed is known as construction work in progress (CWIP).

Under Kansas law, the company generally is permitted to earn a return on money invested in rate base, but not on money invested in CWIP.

Inability to earn on CWIP during a period of heavy construction and high interest rates has an adverse effect on the company's financial condition. The degree of this impact relates to the amount of CWIP in relation to rate base. At the end of 1982, investment in CWIP was $812 million, whereas $611 million of plant and facilities was in rate base.

AFC represents the carrying costs associated with CWIP which does not earn a return from customers rates. These carrying charges are added to the cost of construction and are included in CWIP on the balance sheet.

AFC is also added to income in a like amount and, although this increases reported earnings, it does not increase cash flow.

AFC, or non-cash earnings, were $66 million in 1982, $60 million in 1981 and $39 million in 1980, and for those years represented 94%, 113% and 90%, respectively, of

reported earnings applicable to common stock.

About 30 states presently permit all or some portion of CWIP to be included in current rate base, resulting in periodic rate increases during the period of construction of new facilities. These increases are modest, however, compared to the large one-time increase which occurs when CWIP is transferred to rate base at the completion of a facility. Since the periodic increases reduce the amount of AFC added to CWIP, the final cost of the facility and the aggregate of the rate increases required are less than the increase required if CWIP is not included in current rate base. Moreover, electric utilities in these states generally have a lower cost of capital than those which do not receive timely rate relief on CWIP.

Results of Operations

During 1980-1982, the following matters significantly influenced the company's operations.

Operating revenues in 1982 increased 12% over the prior year, following a 7% increase in 1981. The 1982 increase resulted from a January 1982 retail rate increase and a 10% increase in the combined cost of fuel and purchased power, which are recovered through the company's fuel adjustment clause on a current basis. Similarly, the increase in operating revenues in 1981 resulted from a June 1980 rate increase and a 15% increase in fuel and purchased power costs.

Retail kWh sales for 1982 declined by 3% from 1981 due to a 9% reduction in industrial sales resulting from the national economic recession, the August completion of a cogeneration unit by a major customer and a 9% cooler summer than 1981. Electric sales in 1981 were limited by normal summer weather, as retail kWh sales declined 3%, including a 10% decline in residential kWh sales, following record sales in 1980, which occurred during an abnormally hot summer.

Purchased power increased significantly during 1982 over the previous year. The company's policy is to purchase power when it is cheaper than the incremental cost of its own generation.

Other operation expenses increased 10% in 1982 over the prior year and 14% in 1981 over 1980, primarily due to inflationary effects on all costs.

Interest expenses have been up substantially in recent years primarily due to increased indebtedness incurred to finance construction. The embedded cost of long-term debt was 9.66% in 1982, 10.52% in 1981 and 9.62% in 1980.

Earnings applicable to common stock in 1982 increased by 33% over 1981 and 23% in 1981 over 1980. The number of average shares outstanding increased 26% in 1982 and 28% in 1981 over 1981 and 1980, respectively. Nevertheless, earnings per share of common stock were $3.00 in 1982, up from $2.85 in 1981 and $2.97 in 1980.

Impact of Inflation and Changing Prices

Inflation has had a continuing impact on the company. A discussion of its effects is included in Note 13 of the Notes to Financial Statements.

Management Statement of Responsibility for Financial Statements

The management of Kansas Gas and Electric Company is responsible for the financial statements, notes thereto, and other information in this report. The accompanying financial statements have been prepared by management in accordance with generally accepted accounting principles consistently applied. The accounting system is in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission and the State Corporation Commission of Kansas.

The integrity of the accounting records is upheld by a comprehensive system of internal accounting controls, monitored on a regular basis by the internal audit staff of the Company. The system of internal control is complemented by a set of accounting policies and procedures which provide the necessary guidance needed to institute effective internal control.

The Board of Directors maintains its oversight responsibility through an Audit Committee, consisting of three outside directors. The Committee meets with Management, the Internal Auditors, and the Independent Auditors in connection with its review of matters relating to the Company's financial reporting, the Company's Internal Audit Program, the Company's system of internal accounting controls, and services of the Independent Auditors. The Committee meets with the auditors without management present in order to assure independent treatment of matters brought to its attention. The Committee also recommends to the Directors the selection of Independent Auditors.

Wichita, Kansas
January 28, 1983

Howard J. Hansen
Group Vice President-Finance

Statements of Income

For the Years Ended December 31

	1982	1981	1980
		(Thousands of Dollars)	
Operating Revenues (Note 2)	$ 350.937	$ 313.093	$ 293.808
Operating Expenses:			
Fuel	128,043	127.748	115.221
Purchased power - net	19,587	11.860	9.233
Other operation	39,179	35.658	31.383
Maintenance	29.064	27.173	24.583
Depreciation	27,288	26.578	25.368
Taxes - other than income taxes	13.419	12.610	12.019
Income taxes (Note 9)	28.447	8.992	14.098
Total operating expenses	285.027	250.619	231.905
Operating Income	65.910	62.474	61.903
Other Income and Deductions:			
Allowance for other funds used during construction	46,948	28.574	20.353
Equity in earnings of subsidiary companies (Note 7)	1,327	—	—
Income taxes - net (Note 9)	(893)	(785)	(408)
Miscellaneous - net	377	1.527	772
Total other income and deductions	47.759	29.316	20.717
Income before Interest Charges	113.669	91.790	82.620
Interest Charges:			
Interest on long-term debt	61,650	42.942	39.582
Other interest	4,508	13.697	8.749
Amortization of debt premium, discount and expense - net	916	703	412
Allowance for borrowed funds used during construction	(38.068)	(31.527)	(18.518)
Total interest charges - net	29.006	25.815	30.225
Net Income	84.663	65.975	52.395
Preferred Stock Dividends	14,142	12.915	9.187
Earnings Applicable to Common Stock	$ 70.521	$ 53.060	$ 43.208
Average Shares of Common Stock Outstanding	23.503.302	18.631.479	14.562.746
Earnings Per Share of Common Stock	$ 3.00	$ 2.85	$ 2.97

Statements of Retained Earnings

For the Years Ended December 31

	1982	1981	1980
		(Thousands of Dollars)	
Balance at Beginning of the Year	$116.949	$102.864	$ 89.407
Net Income	84.663	65.975	52.395
Total	201.612	168.839	141.802
Deduct:			
Cash Dividends:			
Preferred Stock (at prescribed rates of each series - Note 5)	14.142	12.915	9.187
Common Stock - $2.15 in 1982, $2.06 in 1981, $1.98½ in 1980	52.253	38.595	29.618
Capital Stock Expense	673	380	133
Total	67.068	51.890	38.938
Balance at End of the Year	$134.544	$116.949	$102.864

See notes to financial statements.

Balance Sheets, December 31, 1982 and 1981

	1982	1981
	(Thousands of Dollars)	
ASSETS		
Electric Plant - at Original Cost (Note 6):		
Plant in service	$ 856,632	$ 830,206
Less accumulated provision for depreciation	245,886	221,708
Net plant in service	610,746	608,498
Construction work in progress	799,990	601,340
Nuclear fuel	12,307	12,534
Total electric plant - net	1,423,043	1,222,372
Other Property and Investments:		
Investment in subsidiary companies (Note 7)	14,010	—
Other	173	173
Total other property and investments	14,183	173
Current Assets:		
Cash	2,537	2,487
Temporary cash investments	4,700	10,000
Special deposits	4,887	6,488
Accounts receivable - net	24,035	19,781
Fuel - at average cost	24,922	21,996
Materials and supplies - at average cost	8,770	9,188
Prepayments and other current assets	1,076	905
Total current assets	70,927	70,845
Deferred Debits:		
Unamortized debt expense	5,535	5,216
Other	1,829	1,889
Total deferred debits	7,364	7,105
Total	$1,515,517	$1,300,495
LIABILITIES		
Capitalization:		
Common stock, without par value; authorized 35,000,000 shares; outstanding 26,412,589 and 19,507,086 shares, respectively (Note 4)	$ 383,781	$ 274,411
Retained earnings (Note 6)	134,544	116,949
Other paid-in capital (Note 4)	857	292
Total	519,182	391,652
Preferred stock - redemption not required (Note 5)	63,701	63,701
Preferred stock - redemption required (Note 5)	95,855	82,000
Long-term debt (Note 6)	613,781	607,256
Total capitalization	1,292,519	1,144,609
Current Liabilities:		
Short-term borrowings (Note 3)	—	4,775
Securities due within one year (Note 6)	50,500	12,000
Accounts payable	45,016	26,918
Customers' deposits	2,015	1,798
Taxes accrued	6,786	5,334
Interest accrued	16,336	11,650
Dividends declared	3,905	3,419
Other current liabilities	165	198
Total current liabilities	124,723	66,092
Deferred Credits:		
Accumulated deferred income taxes	69,053	61,350
Accumulated deferred investment tax credit	26,390	25,819
Customers' advances for construction	1,825	1,752
Other	397	415
Total deferred credits	97,665	89,336
Reserve for Injuries and Damages	610	458
Commitments and Contingent Liabilities (Note 10)		
Total	$1,515,517	$1,300,495

Statements of Sources of Funds for Construction

For the Years Ended December 31

	1982	1981	1980
	(Thousands of Dollars)		
Sources of Funds			
From Operations:			
Net income	$ 84,663	$ 65,975	$ 52,395
Non-cash charges (credits) to net income:			
Depreciation	27,288	26,578	25,368
Deferred income tax and investment tax credit	27,083	6,053	9,394
Allowance for funds used during construction (AFC)	(85,016)	(60,101)	(38,871)
AFC credits on KEPCo advance	—	9,821	6,319
Other - net	916	703	412
Funds from operations	54,934	49,029	55,017
Dividends	66,395	51,510	38,805
Funds retained (used) in business	(11,461)	(2,481)	16,212
From Financing:			
Long-term debt proceeds	67,095	167,709	65,105
Securities redemption	(23,202)	(1,046)	(1,000)
Preferred stock	15,000	30,000	—
Common stock	109,370	36,008	54,006
Investment in subsidiary companies	(13,500)	—	—
Increase (decrease) in short-term borrowings	(4,775)	(20,875)	(16,150)
Funds from financing	149,988	211,796	101,961
Advance - KEPCo	—	5,000	19,500
Payments to CFC for KEPCo's credit or credited to sales price:			
Advances	—	(69,500)	—
Accrued interest	—	(24,028)	—
Net	—	(88,528)	19,500
(Increase) decrease in working capital (other than short-term borrowings and securities due within one year)*	24,824	(410)	25
Other - net	(1,157)	6,672	852
Total Funds Used for Construction (excludes AFC)	$162,194	$127,049	$138,550

*The decrease for 1982 primarily consists of an $18.1 million increase in accounts payable.

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

1. **Summary of Significant Accounting Policies:**

System of Accounts - The Company is subject to the jurisdiction of the State Corporation Commission of Kansas (Kansas Commission) and the Federal Energy Regulatory Commission (FERC) and maintains its accounts in accordance with the uniform system of accounts prescribed by these regulatory commissions. As a regulated utility, the accounting principles applied by the Company differ in certain respects from those applied by non-regulated business.

Electric Plant - The Company performs a portion of its construction work and capitalizes general overhead and engineering expenses related to construction projects. Maintenance and repairs of property and replacements and renewals of items determined to be less than units of property are charged to operating expenses. The cost of units of property replaced or renewed, plus removal costs less salvage, is charged to the accumulated provision for

depreciation, and the cost of related replacements and renewals is added to electric plant. Betterments are charged to electric plant.

Nuclear Fuel - The cost of nuclear fuel in process of refinement, conversion, enrichment, and fabrication is recorded at original cost. The account has been credited for the proceeds received to date from a settlement agreement with Westinghouse Corporation.

Allowance for Funds Used During Construction - Allowance for funds used during construction (AFC), a non-cash item, is defined in the applicable regulatory system of accounts as the net cost during the period of construction of borrowed funds used for construction purposes, including nuclear fuel and a reasonable rate on other funds when so used. This allowance has been added to all major construction projects with semi-annual compounding. Effective May 1, 1982, upon receiving approval from the Federal Energy Regulatory Commission, the Company adopted a policy of updating its AFC rate monthly. Since that time the net AFC rate has averaged 9.83%. A 9.48% net annual AFC rate was in effect January through April 1982 with an annual 12% gross rate for October through December 1981, 11.2% gross rate for January through September 1981 and a 10.6% gross rate for 1980.

Depreciation - For accounting purposes, the Company is depreciating the original cost of property by the straight-line method over its estimated remaining service life, as determined by independent engineers. Depreciation provision stated as a percent of original cost of depreciable property was 3.3% for 1982 and 3.4% for 1981 and 1980.

Income Taxes - In the calculation of income taxes, the Company (i) uses liberalized depreciation for additions since 1954, the ADR system for additions for 1973 through 1980 and ACRS beginning in 1981, and (ii) utilizes other tax benefits as permitted by the Internal Revenue Code consisting principally of differences in straight-line depreciation and the deduction currently for interest and taxes capitalized for book purposes. Deferred taxes are provided for those items as approved by the appropriate regulatory commission and as required by the Internal Revenue Code. For 1980 and 1981 AFC is recorded in Electric Plant on a gross basis. Under the gross basis the income tax effect on the borrowed funds portion of the AFC is capitalized for financial reporting purposes. Effective January 1, 1982 in connection with an Order from the Kansas Commission, AFC is recorded in Electric Plant on a net basis with an amount equivalent to the income tax effect on the borrowed funds portion of the AFC charged to deferred taxes under operating expenses and credited to AFC.

The Company defers and amortizes the investment tax credit over the life of the applicable property in accordance with an order of the Kansas Commission.

Revenues - Operating revenues and accounts receivable include amounts actually billed for services rendered and fuel adjustment clause variances. The Company does not accrue an estimate for unbilled revenue.

Fuel Adjustment Clause Revenue - The Company's rate schedules include a fuel adjustment clause which permits current recoveries of fuel costs on an estimated basis. The variances between actual and estimated are cleared two months after they are recorded as an adjustment through the fuel adjustment clause.

Accounts Payable - Accounts payable includes checks written in amounts exceeding the balance of funds held in certain bank accounts pursuant to an agreement between the Company and the bank.

2. Rate Matters:

State:

On December 31, 1981, the Kansas Commission granted a 19.61% electric service rate increase to the Company. The increase became effective on January 15, 1982.

On August 13, 1982 the Company filed with the Kansas Commission a request to increase retail revenues by $48.0 million on an annualized basis. This represents an increase of approximately 14% in annual retail revenues. The hearing is scheduled to begin February 7, 1983, and an order is anticipated in early April 1983.

Federal:

On January 28, 1982 the Company filed initial rate schedules with FERC to provide service to Kansas Electric Power Cooperative, Inc. (KEPCo). These rates were permitted to be placed into effect, subject to refund, on February 1, 1982. No procedural dates have been set at this time.

On March 30, 1982 the Company filed with FERC for an increase in rates to KEPCo and certain municipalities. This request represents a $2.1 million annual increase in wholesale revenues. These rates were permitted to be placed into effect, subject to refund, on certain customers effective October 31, 1982. No hearing date has been set at this time.

For the year ended December 31, 1982, approximately $3.1 million of revenues were collected subject to refund under the two FERC rate filings described above.

3. Short-Term Borrowings:

At December 31, 1982, the Company had eliminated all compensating balance requirements on bank credit lines and had received authorization by FERC to borrow up to $100 million on a short-term basis. The Company has bank credit arrangements for this amount.

At December 31, 1981, the Company had established lines-of-credit with various banks totaling $75 million for which the banks were compensated with either a fee or compensating balance. These compensating balances were not legally restricted. The Company draws upon these sources to obtain short-term construction funds. Average interest costs are based upon daily average outstanding loan balances. The maximum amount outstanding during 1982 and 1981 was $79,200,000 on August 31, 1982 and $54,100,000 on February 26, 1981, respectively. The weighted average interest rate, including fees, was 14.1% for 1982 and 19.9% for 1981.

4. Common Stock and Other Paid-in Capital:

Changes in Common Stock were as follows

	Shares		Amount
	Authorized	Outstanding	[illegible]
Balance January 1, 1980	20,000,000	13,240,27[illegible]	$184,39[illegible]
Additional shares sold		3,250,000	48,2[illegible]
Employee Stock Purchase Plan and Dividend Reinvestment Plan		399,780	5,774
Balance December 31, 1980	20,000,000	16,890,057	238,403
Additional shares sold		2,000,000	27,440
Employee Stock Purchase Plan, Employee Stock Ownership Plan and Dividend Reinvestment Plan		617,029	8,568
Additional shares authorized	15,000,000		
Balance December 31, 1981	35,000,000	19,507,086	274,41[illegible]
Additional shares sold		6,000,000	95,335
Employee Stock Purchase Plan and Dividend Reinvestment Plan		905,503	14,035
Balance December 31, 1982	35,000,000	26,412,589	$383,781

The Other Paid-in Capital represents the cumulative gain on the reacquired preferred stock and premium on initial sale of preferred stock.

On January 21, 1983, the Company filed an application with the Securities and Exchange Commission to issue 2,000,000 shares of common stock.

5. Cumulative Preferred Stock:

	December 31		
	1982	1981	Call Price
	(Thousands of Dollars)		[illegible]
Redemption not required except at the Company's option:			
4[illegible]% $100 par value, authorized and outstanding 82,011 shares	$ 8,201	8,201	$110.00
Serial, $100 par value, authorized 255,000 shares:			
4.28% series outstanding 45,000 shares	4,500	4,500	101.00
4.32% series outstanding 60,000 shares	6,000	6,000	101.64
4.4[illegible]% series outstanding 150,000 shares	15,000	15,000	104.95
Serial, without par value (Note):			
$8.66 series outstanding 300,000 shares	30,000	30,000	106.50
Total	$63,701	$6[illegible]	
Redemption required:			
Serial, without par value (Note):			
$2.42 series outstanding 634,219 and 680,000 shares, respectively	$15,855	$17,000	$ [illegible]
$8.125 series outstanding 100,000 shares	10,000	10,000	10[illegible].29
$8.00 series outstanding 150,000 shares	15,000	15,000	none
$8.25 series outstanding 100,000 shares	10,000	10,000	105.50
$15.50 series outstanding 300,000 shares	30,000	30,000	113.56
$13.25 series outstanding 150,000 shares	15,000		none
Total	$95,855	$82,000	

Note: Serial Preferred Stock without par value: 6,000,000 shares authorized.

The Company issued Serial Preferred Stock, cumulative, without par value, in the amount of 150,000 shares of the $13.25 Series in September 1982, which may be redeemed on and after October 1, 1987 at $100 plus unpaid accumulated dividends. The dividend rate on the $13.25 Series will be $13.25 through September 30, 1987. From October 1, 1987 through September 30, 1992, the rate will be determined by a formula which is based on an average prime interest rate in the year ended September 30, 1987. The Company issued Serial Preferred Stock, cumulative, without par value, in the amount of 300,000 shares of the $15.50 Series in March 1981.

The following preferred stock may not be redeemed

prior to the date shown through the use, directly or indirectly, of the proceeds of indebtedness or of the issuance of stock of equal or prior rank, at an effective cost to the Company of less than the amount shown (except in the case of the $2.42 and $8.25 Serial Preferred Stock for mandatory or optional sinking fund purposes).

Series	Date	Effective Cost
$ 2.42	March 1, 1985	9.68 %
$15.50	March 1, 1986	15.50 %
$ 8.125	April 1, 1988	8.125%
$ 8.25	July 1, 1989	8.25 %

The Company is obligated to redeem all 150,000 shares of the $8.00 Series on March 28, 1985.

The mandatory sinking fund obligation for the $2.42 Series is designed to retire that series by April 1, 1999, and provides for the redemption of a minimum of 40,000 shares per year and a maximum of 80,000 shares per year, commencing April 1, 1980. Stock has been purchased and recorded in the accounts for the 1983 sinking fund requirement.

The mandatory sinking fund obligation for the $8.125 Series is designed to retire that series by April 1, 2018, and provides for the redemption of a minimum of 3,333 shares per year and a maximum of 6,666 shares per year, commencing April 1, 1989.

The mandatory sinking fund obligation for the $8.25 Series, is designed to retire that series by July 1, 1989, and provides for redemption of 20,000 shares on July 1, 1986, 50,000 shares on July 1, 1987, 15,000 shares on July 1, 1988, and 15,000 shares on July 1, 1989.

The mandatory sinking fund obligation for the $15.50 Series, is designed to retire that series by April 1, 1991, and provides for redemption of 60,000 shares per year commencing April 1, 1987.

The mandatory sinking fund obligation for the $13.25 Series, is designed to retire that series by October 1, 1992, and provides for redemption of 30,000 shares per year commencing October 1, 1988.

All of these redemptions will be made at stated value plus unpaid accumulated dividends.

6. Long-Term Debt:

	December 31 1982	December 31 1981
	(Thousands of Dollars)	
First Mortgage Bonds:		
3-3/8% series, due 1982	$ —	$ 12,000
3-5/8% series, due 1983	10,000	10,000
6-1/2% series, due 1983	15,000	15,000
7-1/4% series, due 1983	25,500	25,500
3-3/8% series, due 1985	10,000	10,000
3-3/8% series, due 1986	7,000	7,000
16-1/4% series, due 1987	30,000	30,000
4-5/8% series, due 1991	7,000	7,000
14-7/8% series, due 1987-1991	30,000	30,000
5-5/8% series, due 1996	16,000	16,000
16% series, due 1996	25,000	25,000
8-1/2% series, due 2000	35,000	35,000
8-1/8% series, due 2001	35,000	35,000
7-3/8% series, due 2002	25,000	25,000
6.8% series, due 2004	14,500	14,500
9-5/8% series, due 2005	40,000	40,000
8-3/8% series, due 2006	25,000	25,000
8-1/2% series, due 2007	25,000	25,000
6% series, due 2007	10,000	10,000
5-7/8% series, due 2007	21,940	21,940
8-7/8% series, due 2008	30,000	30,000
Less: certain securities held by Trustee	(374)	(3,069)
Total	436,566	445,871
Guarantee of pollution control revenue bonds: 5-3/4% series, due 2003	15,000	15,000
16-3/4% promissory note, due 1989	39,400	—
Term bank loan, due 1986	—	100,000
Credit agreement	50,000	28,000
Bankers acceptance agreements	23,000	20,000
Revolving bank loan, due 1990	100,000	—
Promissory note - 18%, due 1986	—	10,000
Other	316	373
Unamortized premium and discount - net	(1)	12
Subtotal	664,281	619,256
Less: securities due within one year	50,500	12,000
Total	$613,781	$607,256

Required redemptions for 1983 through 1987 amount to $50,500,000, none, $60,000,000, $32,300,000 and $38,300,000, respectively.

First Mortgage Bonds may be issued in additional amounts, limited only by property, earnings and other provisions of the Company's Mortgage dated as of April 1, 1940, as supplemented (Mortgage). Electric plant is subject to the lien of the Mortgage except for transportation equipment.

The Mortgage contains provisions which, under certain conditions, restrict distributions on or acquisitions of the Company's Common Stock. At December 31, 1982 and 1981, none of the retained earnings were restricted thereby.

The 6-1/2% and 7-1/4% Series due 1983, 6.8% Series due 2004, and 5-7/8% and 6% Series due 2007 are pledged as collateral for Pollution Control Revenue Bonds issued by Kansas municipalities. The proceeds of the Bonds, in excess of certified construction costs, are held by the Trustee and invested in interest-bearing securities pending application to the cost of pollution control projects being constructed at Jeffrey Energy Center and Wolf Creek.

The 16-3/4% promissory note due May 1, 1989, was issued to a wholly-owned offshore financial subsidiary,

Kansas Gas and Electric International Finance, N.V. The Company's first mortgage bonds 15-3/4% series due May 1, 1989, in the amount of $40 million, are pledged as collateral for guaranteed notes issued by the subsidiary for the same amount (see Note 7).

The term bank loan for up to $100 million is comprised of a revolving credit until December 31, 1983 followed by a three-year term loan with right of prepayment at any time without penalty. The weighted average interest rate, including fees, was 15.6% for 1982 and 21.2% for 1981. There was no balance outstanding at December 31, 1982.

The credit agreement which expires July 8, 1985, enables the Company to sell up to $50 million in promissory notes supported by a bank letter of credit and obtain certain revolving credit loans. The weighted average interest rate, including fees, was 13.1% for 1982 and 16.8% for 1981.

The bankers acceptance agreements, which expire February 28, 1986, enable the Company to borrow up to $25 million by collateralizing its coal and fuel oil inventories at rates based upon the banks' discount and acceptance charge. The weighted average interest rate, including fees, was 13.4% for 1982 and 16.7% for 1981.

The revolving bank loan, due 1990 for up to $100 million is comprised of a revolving credit loan until September 1, 1986 followed by a four-year term loan with right of repayment at any time without penalty. The weighted average interest rate, including fees, was 10.93% for 1982.

The promissory note for $10 million which contained an 18% fixed interest rate was redeemed at par on August 27, 1982.

7. Finance Subsidiary:

The company uses the equity method to account for the investment in its wholly-owned offshore finance subsidiary, Kansas Gas and Electric International Finance, N.V. This subsidiary was incorporated in April 1982 primarily to permit the Company to secure Eurodollar loans from foreign sources when economic and expedient to do so. The original capital investment in this subsidiary was $13,500,000 (see Note 6).

8. Retirement Plan:

The Company has a non-contributory retirement plan for all employees. The total cost for the years 1982, 1981 and 1980 was $2,399,000, $2,563,000 and $2,139,000, respectively, which includes amortization of prior service costs over a ten-year period. Of these amounts $1,178,000, $1,102,000 and $817,000, respectively, were included in plant construction costs. The Company's policy is to fund pension costs accrued currently. The actuarial present values, using an assumed 6-1/2% rate of return, of accumulated plan benefits for vested employees and non-vested employees at November 30, 1982 and 1981 were $35,642,000 and $963,000, and $34,003,000 and $719,000, respectively. Market value of net assets available for benefits at November 30, 1982 and 1981 was $40,860,000 and $30,710,000, respectively.

9. Income Taxes:

The effective Federal income tax rates differ from the amounts computed by applying the Federal statutory rates to income before income taxes. The reasons with related percentage effects are:

	1982	1981	1980
Statutory Federal income tax rate	46%	46%	46%
Add (Deduct) income tax effects of:			
Allowances for funds used during construction	(20)	(31)	(23)
Additional straight line depreciation	1	2	1
Taxes and pensions capitalized	(2)	(3)	(3)
Amortization of investment tax credit	(1)	(1)	(2)
Other items - net (no one item makes up more than 2%)	(1)	(2)	—
Effective Federal income tax rate	23%	11%	19%

Income taxes as recorded in the Statements of Income are:

	1982	1981	1980
	(Thousands of Dollars)		
Operating expenses:			
Currently payable -			
Federal	$ 948	$ 2,639	$ 3,642
State	416	300	1,062
Deferred - Federal	6,578	6,653	6,313
State	1,035	1,047	1,019
Deferred - tax effect of AFC - borrowed	18,899	—	—
Investment tax credit - net	571	(1,647)	2,062
Total	28,447	8,992	14,098
Other income and deductions:			
Currently payable -			
Federal	772	678	352
State	121	107	56
Total	893	785	408
Income tax expense - net	$29,340	$ 9,777	$14,506

At December 31, 1982, the Company has unused investment tax credits including those related to the employee stock ownership plan of approximately $79 million available for carryforward to future years. If not utilized, the remaining carryforward credit will expire in the years 1993 through 1997 in the amounts of $13 million, $20 million, $16 million, $13 million and $17 million, respectively.

10. Commitments and Contingent Liabilities:

The construction budget (exclusive of nuclear fuel) for 1983 is approximately $250 million. The Company has

substantial purchase commitments in connection with its construction program.

On January 27, 1983, three Kansas municipalities filed a suit in the Federal District Court for the District of Kansas seeking $21 million in damages for alleged violations by the Company of Federal and Kansas antitrust laws. The complaint alleges that the Company unlawfully has refused to wheel wholesale power for these municipalities. While the outcome of pending litigation cannot be determined, the Company is of the opinion that these allegations are without foundation.

11. Quarterly Financial Statistics (Unaudited):

(Thousands except per share)

1982	4th Qtr.	3rd Qtr.	2nd Qtr.	1st Qtr.
Operating Revenues	$79,513	$107,823	$77,537	$86,064
Operating Income	14,625	24,539	12,240	14,506
Net Income	21,950	29,282	15,645	17,786
Earnings Applicable to Common Stock	18,050	25,869	12,233	14,369
Average Shares Outstanding	26,219	23,784	22,866	21,144
Earnings Per Share	$ 0.69	$ 1.09	$ 0.54	$ 0.68

1981	4th Qtr.	3rd Qtr.	2nd Qtr.	1st Qtr.
Operating Revenues	$73,286	$96,455	$74,894	$68,458
Operating Income	14,429	21,505	12,333	14,207
Net Income	17,066	22,316	13,174	13,419
Earnings Applicable to Common Stock	13,647	18,891	9,743	10,779
Average Shares Outstanding	19,480	19,256	18,791	16,998
Earnings Per Share	$ 0.70	$ 0.98	$ 0.52	$ 0.63

These quarterly amounts are unaudited, but in the opinion of the Company, include all adjustments, consisting only of normal recurring accruals, necessary to a fair presentation thereof.

Market Prices and Dividend Rates of Common Stock:

	High/Low Market Price				Dividends	
Common-NYSE	1982		1981		1982	1981
First Quarter	16 3/8	14 5/8	15 7/8	13 7/8	$.53	$.51
Second Quarter	16 5/8	15 1/8	15 1/4	14	.53	.51
Third Quarter	17 1/2	15 3/8	15 3/4	13 1/4	.53	.51
Fourth Quarter	18 1/2	16 1/2	16 1/2	13 7/8	.56	.53

The Company had 56,129 common stockholders as of December 31, 1982.

12. Joint Ownership of Utility Plants (Unaudited):

Company's Ownership at December 31, 1982

	In-Service Dates (a)	Investment in Millions	Costs Through 1982	Accum. Provision for Depr.	(MW)	Percent
La Cygne # 1 (b)	June 1973	$ 108		$41	370	50
La Cygne #2 (b)	May 1977	117		25	315	50
Jeffrey #1 (c)	July 1978	68		10	138	20
Jeffrey #2 (c)	May 1980	54		5	136	20
Jeffrey #3 (c)	1983	83 (e)	$ 75		136	20
Wolf Creek #1 (d)	1985	1,166 (e)	706		541	47

(a) The Company's needs are monitored and its forecasts revised as needed to minimize construction. Completion dates are changed to meet changing needs. Amounts are estimated for in-service dates after 1982.

(b) Jointly owned with Kansas City Power & Light Company.

(c) Jointly owned with The Kansas Power and Light Company, Central Telephone and Utilities Corp. and Missouri Public Service Company.

(d) Jointly owned with Kansas City Power & Light Company and Kansas Electric Power Cooperative, Inc.

(e) Estimated construction costs.

Amounts and capacity represent the Company's share and are financed by the Company. Operating expenses of plants in service are included in the operating expenses on the Statements of Income.

13. Supplementary Information to Disclose the Effects of Changing Prices - (Unaudited):

The estimates of the effect of inflation on the operation of the Company, as set forth below, were prepared on bases prescribed by the Financial Accounting Standards Board's (FASB) Statement No. 33, "Financial Reporting and Changing Prices". This statement requires adjustments to historical costs to estimate the effects that general inflation (Constant Dollar) and changes in specific prices (Current Cost) have had on the Company's results of operations. This data is not intended to serve as substitute for earnings reported on a historical cost basis. They do offer some perspective of the approximate effects of inflation rather than a precise measurement of these effects.

Estimated property, plant and equipment (plant), primarily consisting of plant in service and construction work in progress, was determined for constant dollars by applying the Consumer Price Index for all Urban Consumers (CPI-U) to the historical cost of plant. The current cost estimates were measured by applying the Handy-Whitman Index of Public Utility Construction Costs to each major class of plant. Current cost is an estimate of the cost of currently replacing existing plant. The resulting adjusted

Supplemental Statement of Income Adjusted for Changing Prices

For the Year Ended December 31, 1982

	Conventional Historical Cost	Constant Dollar Average 1982 Dollars	Current Cost Average 1982 Dollars
		(Thousands of Dollars)	
Operating revenues	$350,937	$350,937	$350,937
Fuel	128,043	128,043	128,043
Purchased power	19,587	19,587	19,587
Depreciation expense	27,288	58,701	64,661
Other operating and maintenance expenses	81,662	81,662	81,662
Income tax expense - net	29,340	29,340	29,340
Interest expense -net	29,006	29,006	29,006
Other income and deductions - net	(48,652)	(48,652)	(48,652)
Subtotal	266,274	297,687	303,647
Income from operations (excluding reduction to net recoverable cost)	$ 84,663	$ 53,250	$ 47,290
Increase in specific prices (current cost) of property, plant and equipment held during the year			$ 90,367
Reduction to net recoverable cost			(18,748)
Effect of increase in general price level		$(18,822)	(84,481)
Excess of increase in general price level over increase in specific prices after reduction to net recoverable cost			(12,862)
Gain from decline in purchasing power of net amounts owed		32,643	32,643
Net		$ 13,821	$ 19,781
Net assets at year-end at net recoverable cost		$513,323	$513,323

At December 31, 1982, current cost of utility plant net of accumulated depreciation was $2,362,879,000, while historical cost or net cost recoverable through depreciation was $1,423,043,000.

data for plant under either of the above methods is not indicative of the Company's future capital requirements because the actual replacement of existing plant will take place over many years and is not likely to be a reproduction of presently existing plant.

The difference between current cost and the constant dollar data results from specific prices of plant increasing at a rate different than the rate of general inflation.

The accumulated provision for depreciation for constant dollars and current cost was developed by applying, for each major class of plant, the same percentage relationship that existed between gross plant and accumulated provision for depreciation on a historical basis to the respective adjusted plant data.

Depreciation expense for both methods was determined by applying the Company's depreciation rates to the respective indexed plant amounts.

The regulatory process limits the Company to the recovery of the historical cost of service in its rates. Therefore, any excess of the value of plant under constant dollars or current cost must be reduced to the net recoverable cost, which is historical cost. The amount of this excess that accrued as a result of inflation in the current year must be reduced to net recoverable cost.

The Company, by holding assets such as receivables, prepayments, and inventory, suffers a loss of purchasing power during periods of inflation because the amount of cash received in the future for these items will purchase less. Conversely, by holding monetary liabilities, primarily long-term debt, the Company benefits because the payment in the future will be made with nominal dollars having less purchasing power. The Company has significant amounts of long-term debt outstanding which will be paid back in dollars having less purchasing power and, therefore, for purposes of these calculations, has a net gain from holding monetary liabilities in excess of monetary assets.

As allowed by FASB Statement No. 33, items in the Income Statement, other than depreciation expense, were not adjusted. The cost of fuel used in electric production was not adjusted because the effect on earnings was not material due to the relatively short turnover period between the incurrence of these costs and their recovery through the fuel adjustment clause.

Five-Year Comparison of Selected Supplementary Financial Data Adjusted for Effects of Changing Prices

For the Years Ended December 31

	1982	1981	1980	1979	1978
	(In Thousands of Average 1982 Dollars)				
Constant dollar information:					
Operating revenues	$350,937	$332,288	$344,165	$325,763	$352,809
Income from operations (excluding reduction to net recoverable cost)	$ 53,250	$ 39,779	$ 35,389	$ 15,724	
Income per common share (after dividend requirements on preferred and preference stock & excluding reduction to net recoverable cost)	$ 1.66	$ 1.40	$ 1.69	$ 0.43	
Net assets at year-end at net recoverable cost	$513,323	$402,226	$382,139	$344,677	
Current cost information:					
Income from operations (excluding reduction to net recoverable cost)	$ 47,290	$ 33,344	$ 28,042	$ 4,310	
Income per common share (after dividend requirements on preferred and preference stock)	$ 1.41	$ 1.05	$ 1.18	$ (0.59)	
Excess of increase in general price level over increase in specific prices after reduction to net recoverable cost	$ (12,862)	$ (68,885)	$(102,090)	$(104,093)	
Net assets at year-end at net recoverable cost	$513,323	$402,226	$ 382,139	$ 344,677	
General information:					
Gain from decline in purchasing power of net amounts owed	$ 32,643	$ 70,186	$ 94,216	$ 94,882	
Cash dividends declared per common share	$ 2.15	$ 2.19	$ 2.30	$ 2.54	$ 2.70
Market price per common share at year-end	$ 18.375	$ 15.79	$ 17.13	$ 20.28	$ 26.82
Average consumer price index	289.1	272.4	246.8	217.4	195.4

The regulatory process limits the amount of depreciation expense included in the Company's revenue allowance and limits utility plant in rate base to original cost. Such amounts produce cash flows which are inadequate to replace such property in the future or preserve the purchasing power of common equity capital previously invested. While this effect is partially mitigated by the benefit derived from holding long-term debt, the Company has a net purchasing power loss which is experienced by the common shareholder and can only be overcome as a result of adequate rate relief. However, the Company believes that it will be able to establish rates which will cover the increased costs of new plant when such costs are incurred.

Auditors' Opinion

To the Stockholders and the
Board of Directors of
Kansas Gas and Electric Company

We have examined the balance sheets of Kansas Gas and Electric Company as of December 31, 1982 and 1981 and the related statements of income, retained earnings, and of sources of funds for construction for each of the three years in the period ended December 31, 1982. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such financial statements present fairly the financial position of the Company at December 31, 1982 and 1981 and the results of its operations and the sources of its funds for construction for each of the three years in the period ended December 31, 1982, in conformity with generally accepted accounting principles applied on a consistent basis.

Kansas City, Missouri
January 28, 1983

Deloitte Haskins & Sells

Comparative Electric Statements

	1982	1981	1980	Annual Compound Growth Rates 5 Year	Annual Compound Growth Rates 10 Year
Sales in Kilowatthours (Thousands):					
Residential	1,999,091	1,954,501	2,171,529	2.4%	4.3%
Commercial	1,500,601	1,473,425	1,476,589	2.4	3.9
Industrial	2,595,651	2,858,071	2,815,921	1.0	3.2
Public street and highway lighting	65,426	64,656	64,217	1.1	2.2
Retail rates	6,160,769	6,350,653	6,528,256	1.8	3.7
Wholesale rates	1,077,695	1,117,706	1,310,994	(7.4)	0.7
Total kilowatthours sold	7,238,464	7,468,359	7,839,250	0.1	3.2
Customers at End of Year:					
Residential	210,698	209,343	205,265	2.1	2.2
Commercial	19,151	19,244	19,217	0.7	0.4
Industrial	4,469	4,149	3,923	6.2	6.7
Public street and highway lighting	612	580	485	9.1	13.2
Retail rates	234,930	233,316	228,890	2.0	2.1
Wholesale rates	42	105	102	(15.9)	(7.2)
Total electric customers	234,972	233,421	228,992	2.0	2.1
Residential:					
Average kilowatthour per customer	9,529	9,433	10,708	0.2	2.0
Average revenue per customer	$576.70	$475.48	$489.34	12.3	14.2
Average revenue per kilowatthour	6.05¢	5.04¢	4.57¢	12.0	11.9
Kilowatthours Generated & Purchased (Thousands):					
Generated (net after station use)	6,894,437	7,489,687	7,958,094	0.5	2.4
Purchased	919,055	536,735	522,948	(0.6)	9.8
Total available	7,813,492	8,026,422	8,481,042	0.3	3.1
Company use, line loss, etc	575,028	558,063	641,792	4.3	1.3
Total kilowatthours sold	7,238,464	7,468,359	7,839,250	0.1	3.2
Average BTU per Net Kilowatthour Generated	11,063	11,152	10,912	0.0	0.3
Average Fuel Cost per Million BTU	$1.68	$1.53	$1.33	11.2	21.5
Power Resources (Kilowatts)					
Available capacity	1,944,000	2,026,000	2,023,000	(0.8)	4.0
System peak	1,547,900	1,681,100	1,727,100	1.7	3.1
Reserve	396,100	344,900	295,900	(8.1)	8.2
Utility Plant at Original Cost (Thousands):					
Beginning of year	$1,444,080	$1,265,056	$1,091,562	16.4	15.3
Capital expenditures	228,311	187,150	177,421	16.5	16.0
Retirements	3,462	8,126	3,927	3.3	5.8
End of year	1,668,929	1,444,080	1,265,056	16.4	15.4
Accumulated provision for depreciation	245,886	221,708	200,570	11.8	11.4
Net utility plant	$1,423,043	$1,222,372	$1,064,486	17.4	16.3
Employees at Year-end	1,856	1,721	1,561	6.7	4.1

Comparative Financial Statistics
(Thousands)

	1982		1981		1980		Annual Compound Growth Rates 5 Year	10 Year
Electric Operating Revenues:								
Residential	$ 120.980		$ 98,520		$ 99,235		14.7%	16.8%
Commercial	79.282		72,992		66,642		11.5	14.8
Industrial	109.628		105,622		93,498		12.8	18.8
Public street and highway lighting	3.523		2,836		2,501		15.9	14.6
Retail rates	313.413		279,970		261,876		13.2	16.9
Wholesale rates	36.388		32,020		30,890		6.3	17.4
Total sales of electricity	349.801		311,990		292,766		12.4	16.9
Other	1.136		1,103		1,042		1.5	6.9
Total electric operating revenues	350.937		313,093		293,808		12.3	16.8
Operating Expenses:								
Fuel	128.043		127,748		115,221		12.4	24.6
Purchased power	19.587		11,860		9,233		6.2	21.8
Other operation	39.179		35,658		31,383		12.0	12.9
Maintenance	29.064		27,173		24,583		21.4	22.8
Depreciation	27.288		26,578		25,368		9.0	13.1
Taxes other than income taxes	13.419		12,610		12,019		4.0	4.9
Income taxes	28.447		8,992		14,098		13.0	13.6
Total operating expenses	285.027		250,619		231,905		11.8	17.6
Operating Income	65.910		62,474		61,903		15.0	14.2
Other Income and Deductions:								
AFC - other	46.948		28,574		20,353		43.8	—
Income taxes - net	(893)		(785)		(408)		80.2	—
Miscellaneous - net	1.704		1,527		772		79.7	35.8
Income Before Interest Charges	113.669		91,790		82,620		12.9	16.7
Interest Charges:								
Interest on long-term debt	61.650		42,942		39,582		24.4	19.9
Other interest	4.508		13,697		8,749		36.2	34.8
Amortization of debt premium, discount and expense - net	916		703		412		48.7	47.3
AFC - borrowed	(38.068)		(31,527)		(18,518)		45.2	—
Net Income	84.663		65,975		52,395		28.0	19.7
Preferred Stock Dividends	14.142		12,915		9,187		16.9	23.7
Earnings Applicable to Common Stock	$ 70.521		$ 53,060		$ 43,208		31.1	19.1
Shares of Common Stock Outstanding (Average)	23.503		18,631		14,563		24.1	17.4
Earnings per Share of Common Stock	$3.00		$2.85		$2.97		5.6	1.4
Cash Dividends Paid per Share on Common Stock	$2.15		$2.06		$1.965		4.0	3.7
Capitalization: (Amount & Percent)								
Long-term debt (less current maturities)	$ 613.781	45.7%	$ 607,256	52.3%	$451,608	48.3%	15.8	14.0
Short-term debt (including current maturities)	50.500	3.8	16,775	1.4	25,650	2.7	13.6	27.9
Total debt	664.281	49.5	624,031	53.7	477,258	51.0	15.6	14.6
Preferred stock	159.556	11.9	145,701	12.6	116,701	12.5	13.8	16.8
Common equity:								
Common stock	383.781		274,411		238,403		25.8	28.3
Retained earnings and other paid-in capital	135.401		117,241		103,156		9.1	7.4
Total common equity	519.182	38.6	391,652	33.7	341,559	36.5	19.9	18.1
Total capitalization	$1.343.019	100.0	$1,161,384	100.0	$935,518	100.0	16.9	16.1
Embedded Cost of Long-Term Debt	9.66%		10.52%		9.62%			
Embedded Cost of Preferred Stock	9.86%		9.51%		7.91%			















1. **Frank J. Becker (1981)** (4)
   El Dorado, Chairman of the Board, Becker Corporation; President, First National Bank & Trust Co., El Dorado; and Chairman of the Board, Augusta Bank and Trust Co.
2. **Robert A. Brown (1953)** (3)
   Arkansas City, Chairman of the Board, The Home National Bank of Arkansas City
3. **A. Dwight Button (1976)** (1) (2) (4)
   Wichita, Chairman of the Board, Fourth Financial Corp., Wichita
4. **Wilson K. Cadman (1978)** (1)
   Wichita, Chairman of the Board and President of the Company
5. **C.T. Carter (1968)** (1) (3)
   Independence, Retired Vice President Pipeline Transportation, Atlantic Richfield Company
6. **C.Q. Chandler (1974)** (1) (4) (5)
   Wichita, Chairman of the Board and President, First National Bank in Wichita
7. **Robert T. Crain (1981)** (5)
   Fort Scott, Partner in Crain Realty Company
8. **Ralph P. Fiebach (1967)** (1)
   Wichita, Retired Chairman of the Board of the Company
9. **Ralph Foster (1970)** (4)
   Wichita, Vice President - General Counsel of the Company
10. **Donald A. Johnston (1980)** (2) (5)
    Pittsburg, Executive Vice President, Vinylplex, Inc.
11. **Russell W. Meyer, Jr. (1982)** (5)
    Wichita, President and Chairman of the Board, Cessna Aircraft Company
12. **Terence J. Scanlon (1980)** (3) (4)
    Wichita, Investor and Developer
13. **Marjorie I. Setter (1980)**
    Wichita, President, Setter and Associates, Inc. Advertising and Public Relations
14. **Robert L. Williams (1968)** (2)
    Wichita, Owner of Imperial Oil Company
15. **Lyle E. Yost (1969)**
    Hesston, Chairman of the Board, Hesston Corporation

Key to Committee Assignments:

(1) Executive Committee
(2) Compensation Committee
(3) Audit Committee
(4) Shareholders Relations Committee
(5) Nominating Committee

Officers (including their ages and titles)

Wilson K. Cadman, 55
Chairman of the Board and President

Kent R. Brown, 38
Group Vice President - Technical Services

Howard J. Hansen, 61
Group Vice President - Finance

Glen L. Montague, 63
Group Vice President - Administration

Robert L. Rives, 49
Group Vice President - Corporate Relations

Dennis L. Evans, 48
Vice President - Administrative Services

Ralph Foster, 54
Vice President - General Counsel

Richard M. Haden, 43
Vice President - Corporate Planning and Systems

Glenn L. Koester, 57
Vice President - Nuclear

Bernard Ruddick, 59
Vice President - Engineering

W.B. Walker, 62
Vice President - Accounting and Secretary

W.R. Whitmer, 49
Treasurer

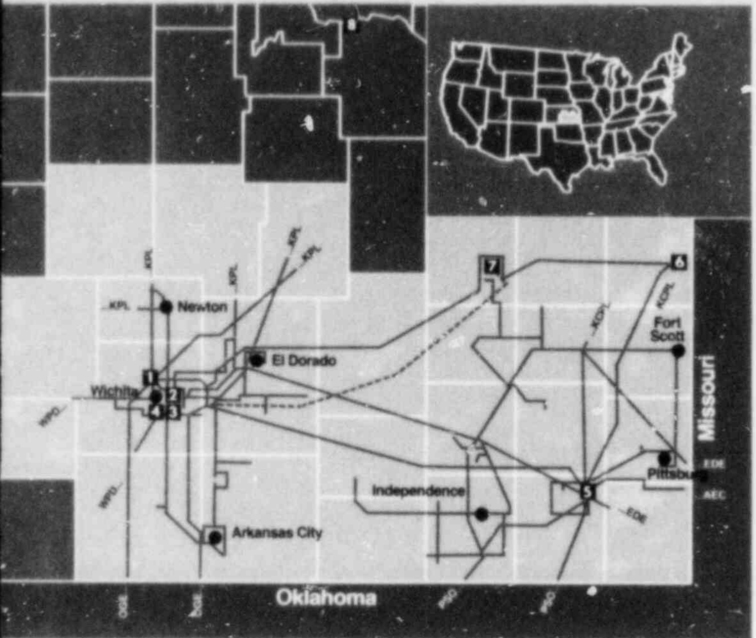
E.D. Prothro, 50
Controller and Assistant Secretary

Jack Skelton, 52
Assistant Secretary

J.F. Klassen, 53
Assistant Treasurer

William B. Moore, 30
Manager of Finance and Assistant Treasurer

Verna L. Ridgeway, 55
Assistant Vice President



Service Area Map

Map Legend
Division Headquarters Cities ●
Transmission Lines —
Transmission Lines ---
Authorized

Interconnected Utilities
- Associated Electric Cooperative, Inc—AEC
- The Empire District Electric Company—EDE
- Kansas City Power & Light Company—KCPL
- The Kansas Power and Light Company—KPL
- Oklahoma Gas and Electric Company—OGE
- Public Service Company of Oklahoma—PSO
- Western Power Division of Central Telephone & Utilities Corporation—WPD

Generating Stations and Capability
1 Gordon Evans Steam Electric Station, 506.6 MW
2 Ripley Steam Electric Station, 88.3 MW
3 Wichita Steam Electric Station, 22.8 MW
4 Murray Gill Steam Electric Station, 330.6 MW
5 Neosho Steam Electric Station, 68.2 MW
6 La Cygne Steam Electric Station,* 685 MW
7 Wolf Creek Generating Station,* 540.5 MW (under construction)
8 Jeffrey Energy Center,* 274 MW

***Jointly owned with other utilities. Capability stated is KG&E allocation.**

Service Area

KG&E provides electric service to approximately 234,900 retail customers in southeast and south central Kansas including the Wichita metropolitan area.

Wholesale service is provided to 31 communities and 11 other electric utilities. The company owns no gas properties and has no gas operations.

The company has all appropriate franchises and certificates which are needed to permit it to provide service throughout the area.

Annual Meeting

The annual stockholders' meeting will be held May 25, 1983, at the Century II Civic Center in Wichita. Proxies for this meeting will be solicited by the management. A proxy statement will be mailed to stockholders about April 22, 1983.

This report is prepared primarily for the information of stockholders of the company and is not transmitted in connection with the sale of any securities or offer to buy any securities.

Fiscal Agents

Preferred Stock: Transfer Agent, First National Bank in Wichita; Registrar, The Fourth National Bank and Trust Company, Wichita.

Common Stock: Transfer Agents, First National Bank in Wichita and First National Bank of Chicago; Registrars, The Fourth National Bank and Trust Company, Wichita, and First National Bank of Chicago. Listed N.Y.S.E., ticker symbol, KGE.

Bonds: Trustee, Registrar and Paying Agent, Morgan Guaranty Trust Company of New York.

Form 10-K

The Company's Form 10-K is filed with the Securities and Exchange Commission and is available from that agency or from the Secretary of the Company, Box 208, Wichita, Kansas 67201.

Investor and Analyst Contact

For additional information on the Company, please call or write: Gary A. Farha, Investor Relations, Kansas Gas and Electric Company, Box 208, Wichita, KS 67201 (316) 261-6380.

Kansas Gas and Electric Company
P.O. Box 208
Wichita, Kansas 67201

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Our Company Mission:

Service

The corporate objective of Kansas Gas and Electric Company is to furnish its customers with reliable electric service at the lowest practicable rate consistent with the cost of providing the service. This obligation to serve the public interest includes taking steps to ensure future as well as present availability of service, while earning a fair return for people whose savings have been invested to make the electric service possible.

KG&E continually strives to improve its operating efficiency, to develop rate structures based on sound economic principles and to carefully prepare to meet future customer service needs in order to achieve these ends.

Citizenship

People rightfully expect a high degree of good citizenship from corporate as well as private citizens. Utilities, in addition, are greatly dependent on the well-being of their service areas. Thus, the Company assumes certain responsibilities beyond its corporate goal of providing electrical power in a reliable and non-discriminatory manner.

Chief among these responsibilities is an active role of citizenship in the communities the Company serves. Support of and involvement in community affairs and institutions by KG&E and KG&E employees is encouraged throughout the Company's service area.

Good citizenship can build a strong bond of trust between the Company and its customers, a trust that requires continued excellence both in electrical services and community relationships.

The Company, its investors and employees, and the customers and communities it serves, all benefit from this continued participation.

Employees

Efficient, businesslike Company operations are dependent upon well-trained, dedicated employees. Employees and the Company have a common interest in the electric utility industry. Employees may expect the Company to provide good and safe working conditions, opportunities for advancement based upon qualifications and training, proper tools and equipment along with competitive salaries and benefits.

Employees will not be discriminated against because of race, religion, color, sex, age, national origin or handicap.

Energy Sources

KG&E supports research into the development of alternate energy sources. This support is consistent with the goal of an energy-independent nation. At the same time, the Company recognizes the urgency of present and imminent needs—needs that presently can be met best through the use of available fuel sources, including fossil fuels and nuclear fission.

Environment

KG&E is committed to the principle that sound business practices and reliable electric service are in harmony with a clean, safe environment. The Company's operations are designed for minimal environmental impact. This principle will continue to influence the Company's operations.