KANSAS CITY POWER & LIGHT COMPANY

1982 ANNUAL REPORT

Corporate Offices:
1330 Baltimore Avenue
Kansas City, Missouri 64141
(816) 556-2200

On the Cover

An embossed reproduction of the Edison Award received by the Company in May 1982 is presented on the cover. This award is presented annually by the Edison Electric Institute to recognize an outstanding contribution by an investor-owned electric utility. Kansas City Power & Light Company received the award in recognition of its planning efforts resulting in the KCPLAN, developed with the aid of a 17-member citizens advisory planning group.

The Edison Award citation reads: "For development of a publicly accepted and practical plan, through the cooperative efforts of in-house planners and a Citizens Advisory Planning Group composed of recognized community leaders, to continue to meet the electrical requirements of its customers in a reliable manner on a least-cost basis through the year 2000, while at the same time providing facts enabling the citizens group, regulators, and the public to understand as never before the need for electric energy, the necessity of adequate return on the company's investment, the advantages of short-term 'over capacity,' the desirability of marketing and load management status required to build load factor, and the importance of advertising to an effective customer awareness program, all to the benefit of the company's customers in assuring the lowest practical price of electricity, Kansas City Power & Light Company is declared the recipient of the Edison Award for 1981."

A report covering the status of the KCPLAN implementation process beginning on page 4.

1982 at a Glance

- Implementation of KCPLAN starts
- Recession, milder weather depress kwh sales
- Earnings decline 65 cents to $4.18 per share
- Electric and steam rates increase in Missouri
- Rate increases sought in Missouri and Kansas
- Wolf Creek operation targeted for 1985; total cost projected at $2.4 billion
- Five-year construction budgeted at $539.1 million
- 1983 construction and operating budgets cut $33 million
- Management changes consolidate corporate structure

Financial Highlights

	1982	1981	Percent Increase (Decrease)
Total operating revenue (000s)	$ 485,629	$ 471,711	3.0
Earnings available for common (000s)	$ 62,748	$ 65,397	(4.1)
Average number of shares	15,006,912	13,535,149	10.9
Per common share:			
Earnings	$ 4.18	$ 4.83	(13.5)
Dividends	$ 3.01	$ 2.825	6.5
Book value	$ 32.94	$ 33.37	(1.3)
Net AFDC*	$ 3.75	$ 3.10	21.0
Dividend payout (%)	72	58	24.1
Construction expenditures (000s)	153,160	133,980	14.3
Total utility plant in service (000s)	$ 1,321,085	$ 1,308,202	1.0
Construction work in progress (000s)	$ 709,963	$ 536,608	32.3
Return on year-end common equity (%)	11.7	14.2	(17.6)
Capitalization (% total)			
Long-term debt	49.3	51.4	(4.1)
Common equity	36.0	35.7	.8
Preferred and preference stock	14.7	12.9	14.0
Selected Statistics			
Kilowatt hour sales (000s)	8,072,030	8,318,509	(3.0)
Peak load - summer (kw)	2,167,000	2,123,000	2.1
Peak load - winter (kw)	1,315,000	1,304,000	.8
Fuel mix (%)			
Coal	96.0	96.1	(.1)
Oil	.7	.5	40.0
Natural gas	3.3	3.4	(2.9)
Average fuel cost (cents/million Btu)	138.9	123.9	12.1
Number of employees	2,957	2,928	1.0
Number of stockholders	50,048	46,614	7.4

*Allowance for funds used during construction net of associated deferred income taxes

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Annual Report on Form 10-K

Copies of the Company's annual report to the Securities and Exchange Commission on Form 10-K will be provided without charge to any shareholder or beneficial owner of shares of the Company's stock upon written request to Samuel P. Cowley, Secretary, P.O. Box 679, Kansas City, Missouri 64141.

To the Shareholders:

In May 1982, as the Company commenced its 100th year of electric service to the public, we were honored by receiving from the Edison Electric Institute its most prestigious recognition: THE 1981 EDISON AWARD. Its citation is reprinted on the inside front cover of this Report.

The Award recognizes the Company's development, in 1981, of our long-range flexible strategy "to continue to meet the electric requirements of our customers in a reliable manner and on a least-cost basis through the year 2000." It specifically notes that this strategy was developed by Company planners in concert with a 17-member Citizens Advisory Group.

Our multi-facet strategy, called the KCPLAN, focuses on two basic objectives: (a) to minimize summer-peak electric load growth and thereby defer as long as possible the construction of costly new generating additions; and (b) to promote the off-peak use of electric energy and thus improve year round economic utilization of the Company's system facilities.

During 1982, we began to implement the KCPLAN and much has been accomplished:

- Pilot testing began on a two-way electronic communications system designed to cycle customer air cooling compressors, read customer meters, detect service tampering, effect service connections and disconnections and assess system storm damage.
- An understanding was reached with other participants in the MANDAN Project which will provide to the Company during summer months 100 Mw of seasonal electric power from the winter-peaking Manitoba Hydro Electric system in Canada for a 20-year period commencing in the late 1980s.
- Under a new long-term arrangement effective later this year, Associated Electric Cooperative, a regional winter-peaking system, will provide to the Company during summer months some 40 Mw of hydro-peaking capacity.
- Since 1980, natural gas rates in the Kansas City area doubled and both the electric heat pump and its add-on retro version became cost-effective alternatives to natural gas furnaces for space heating. The Company has now launched a significant educational and marketing program to encourage and promote the use of electric space heating and has applied to both the Kansas and Missouri regulatory commissions for authority to reduce our effective residential electric space heating rates from 3.74¢ and 3.22¢ per kwh, respectively, to 3¢ per kwh.

There were other noteworthy 1982 accomplishments in our customer relations efforts. A positive change in customer attitudes toward the Company and our electric service rates, as confirmed by professional surveys, was achieved through a straightforward communications program. It demonstrated factually there has been no appreciable increase in the *real* price of KCPL's residential electric service since its low point in 1969, compared to significantly higher increases in Social Security and wage rates and dramatically higher increases in gasoline and natural gas.

A Dollar-AIDE Program was developed and established by the Company to assist the truly needy in paying delinquent energy bills to avoid cut-off of energy supplies, regardless of fuel source. Our Program triggered implementation of several other local programs with the same objective. With the help of moderate winter temperatures these programs, in the aggregate, have been highly successful.

In the system power operations arena, we were pleased with the outstanding performances of our newest generating units. La Cygne 2, a 630-Mw coal-fired unit completed in 1977, operated 172 consecutive days at 100% availability and Iatan, a 670-Mw coal-fired unit completed in 1980, concluded on January 14 of this year a continuous run of 230 days at 100% availability.

One small but important segment of our business is our steam service which the Company makes available in the heart of the central business district in downtown Kansas City. In late 1982, we entered into a contract with CPC International under which KCPL will provide interruptible steam service at its Grand Avenue Station property line to Corn Products which will transmit the steam across the Missouri River to its industrial plant in North Kansas City. This arrangement will triple the Company's steam heat sales from Grand Avenue Station and provide an opportunity for continued operation of our steam service on a profitable basis and at competitive costs in our major downtown service area.

Arthur J. Doyle

General economic conditions and milder than normal summer weather during 1982 were mainly responsible for a 3% decline in kwh sales. Gains of 1.4% in residential and 2.7% in commercial kwh sales were offset by a 15.8% decline in kwh sales to industrial customers, which decline was principally related to a 33% reduction in electric steelmaking operations at Armco, our largest customer, and, to a lesser extent, the closing of Amoco Oil Company's Sugar Creek refinery. Excluding these two industrial loads, the Company's total kwh sales for 1982 would have shown approximately a 1% increase over 1981.

Because of continuing economic recession and inadequate rate relief, commencing in August 1982, we replaced our ongoing Cost Awareness Program with a more severe Austerity Program, including immediate cuts in travel and overtime expenses and a hiring freeze. Also, planned construction expenditures for 1983 were reduced \$23.5 million and budgeted operating expenses were cut \$3 million, both in areas which will not impair service reliability. Other key actions taken in 1982 will result in additional operating cost reductions, including: limiting operations of Grand Avenue Station and the older Hawthorn units 1 through 4 to summer peaking duty, saving \$6.5 million annually; and, revision of coal contracts which will reduce coal inventories at Hawthorn and Montrose Stations, saving an estimated \$700,000 initially and \$75 million over the contract period through 1996.

Such cash conservation efforts are essential to accommodate the Company's overall construction program (excluding nuclear fuel) now estimated at \$539 million for the five years through 1987 (two-thirds of which is targeted for the next two years). About 40% of this cash requirement will be needed for completion of Wolf Creek Nuclear Station. The commercial operation date of that project has been delayed approximately one year to the spring of 1985. This delay will increase the cost of the Company's 47% share of the 1,150-Mw unit to \$1.1 billion, which includes about \$750 million in cash construction costs and \$330 million in net AFDC. Upon commercial operation of the Wolf Creek unit, the Company will face the need for significant electric service rate increases to cover the capital and operating costs of this major plant addition.

Per share earnings for 1982, based on 1.5 million average additional shares outstanding, were \$4.18 compared to \$4.83 in 1981, with respective contributions from net AFDC of \$3.75 and \$3.10.

The Board of Directors on November 2 increased the quarterly common stock dividend by five cents a share from 74 cents to 79 cents, or \$3.16 annually. It was the 23rd increase in 25 years.

To accommodate future organizational needs, four corporate groups were established effective January 1, 1983, each headed by a senior vice president, including: System Power Operations, Donald T. McPhee; Finance and Commerce, Louis C. Rasmussen; Transmission and Distribution System Operations, J. Robert Miller; and Corporate Affairs, Samuel P. Cowley. In addition, three new vice presidents were appointed by the Board: A. Drue Jennings, who is also General Counsel; J. Michael Evans — System Power Operations; and Ronald G. Wasson — Purchasing.

Many of these matters, together with additional comments on the year and the Company's future direction, are discussed to a greater extent in the following pages of this Report.

March 1, 1983
For the Board of Directors

Arthur J. Doyle

Chairman of the Board
and President

KCPLAN: A Status Report

In 1982, the Company began early phases of the KCPLAN, its new strategy for meeting customers' electric requirements in a reliable manner and on a least-cost basis through the year 2000. The plan was developed by Company system planners working with a 17-member citizens advisory planning group, which continues to function in a consulting capacity.

The targets of this strategy are to manage and restrain peak load growth in order to defer as long as possible construction of new generating capacity, the largest single component of increased rates; and to promote off-peak electricity usage to improve utilization of existing capacity and minimize KCPL's average cost per kilowatt hour (kwh) and electric rates.

Present System Conditions

The Company is a summer-peaking electric system with a 1982 peak load of 2,167 megawatts (Mw) and winter peak of 1,315 Mw. With an accredited installed summer capacity of 2,774 Mw, our 1982 reserve was 607 Mw, or 28 percent. About 75 percent of that capacity, or 2,064 Mw, is base-load, coal-fired generation with an average age of 10 years; 12 percent, or 340 Mw, is summer peaking coal and/or gas-fired older generation; and the remaining 370 Mw is oil-fired combustion turbine peaking capacity installed in the 1970s. The annual fuel mix is about 96 percent coal, three percent natural gas and less than one percent oil. With commercial operation of Wolf Creek targeted for 1985, the annual coal requirement will then drop to 75 percent of the fuel mix with nuclear providing 22 percent.

After a dozen years — 1969 to 1980 — of having multiple generating units simultaneously under construction, KCPL's only major construction project is the Wolf Creek nuclear generating unit. With no further generating additions planned for completion prior to 1994, KCPL's construction budget will drop off after 1984 and continue at relatively low levels for several years thereafter.

Load Characteristics

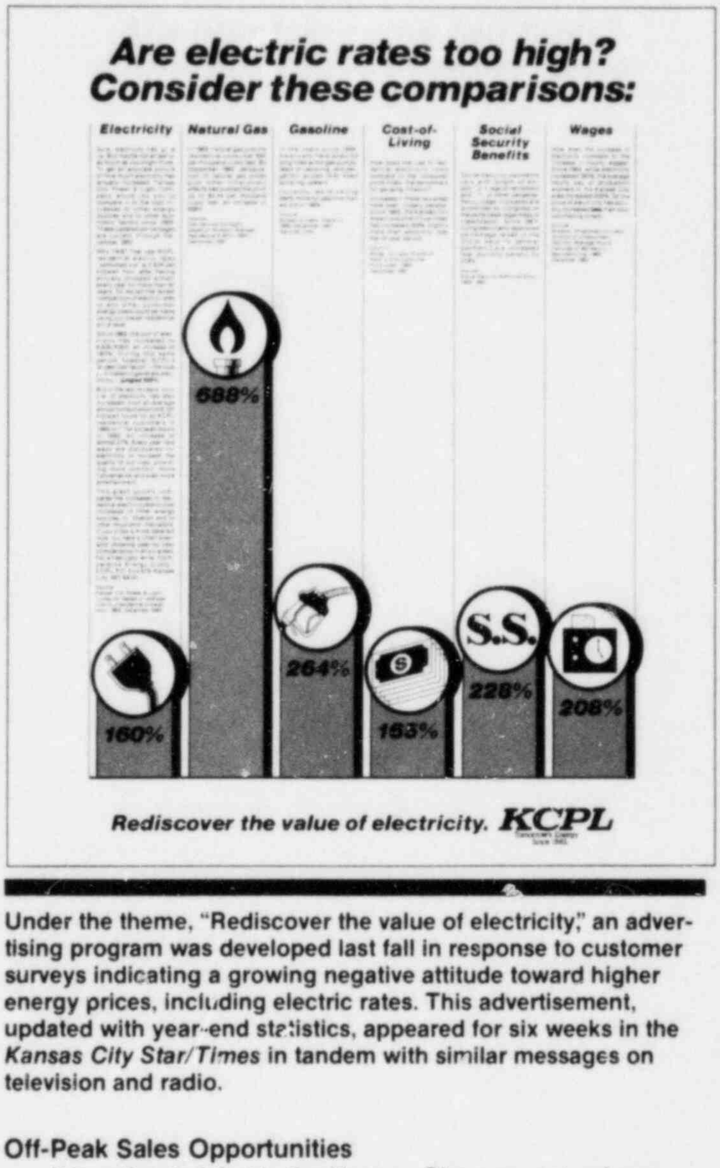
As a regional commercial center, our customer kwh mix includes high residential (29 percent), and commercial (41 percent) and low industrial use (24 percent). KCPL's system today has very little electric space heating load; the historical availability and low cost of natural gas have encouraged its widespread use for space heating.

While the amount of electricity to serve fan motors on gas-fired furnaces is significant, it is small in comparison to the summer electric demands for air cooling during heat storms prevalent in the midwest.

For these reasons, the annual electric load characteristics of our customers are such that KCPL's system is impacted by high needle peaks during summer heat storms and relatively low winter usage resulting in an annual system load factor of less than 46 percent compared to a 1981 national average of about 61 percent.

Our studies indicate that by increasing the use of our installed generating capacity, thus spreading fixed charges over a greater number of annual kwh sales, we can reduce our average cost of service about one percent for each one percentage point increase in annual load factor.

In the last 13 years, while KCPL's coal costs per million Btu have increased some 505 percent and we have completed construction of some 1,600 Mw of installed base-load coal-fired generating capacity, our residential rates have increased only 160 percent. This compares favorably to the 165 percent increase in the Kansas City Consumer Price Index. As shown in this recent advertisement published in Kansas City news media, other comparative increases during the same period were 264 percent gasoline; 688 percent residential natural gas; 228 percent Social Security benefits; and 208 percent in Kansas City area production worker wages.



Under the theme, "Rediscover the value of electricity," an advertising program was developed last fall in response to customer surveys indicating a growing negative attitude toward higher energy prices, including electric rates. This advertisement, updated with year-end statistics, appeared for six weeks in the *Kansas City Star/Times* in tandem with similar messages on television and radio.

Off-Peak Sales Opportunities

It is estimated that in the Kansas City area, natural gas rates will double by 1986 and triple by 1990 as compared to its 1981 costs. Now, the electric heat pump is fully competitive with natural gas for space heating in the Kansas City area.

These factors — adequate and relatively new base-load generating capacity, ample reserve margins, a low system load factor, high summer and low winter peaks, historically stable electric rates in *real* terms, and projected soaring gas rates — present significant opportunities for the Company in the future. When combined with our favorable fuel mix and low cost long-term coal supplies and nuclear generation availability, the opportunity exists to develop major off-peak loads requiring no generating capacity additions and to make substantial improvements in KCPL's annual system load and equivalent capacity factors.

Basic Elements

Under the basic elements of KCPLAN strategy summarized below, the Company's next generating capacity addition, a 325-Mw share of a larger coal-fired unit, will be deferred until 1994. Based on normal conditions, which include the projected average annual peak load growth of 2.8 percent through the year 2000 on an unmanaged basis, this postponement will be accomplished through:

— Load management programs reducing the estimated annual peak load growth to 2.2 percent by
  - Remote control cycling of customer central air cooling compressor units;
  - Educational programs and rate design techniques to give customers appropriate pricing signals; and

— Adoption of alternatives to new capacity additions, including
  - Diversity power exchange arrangements with winter peaking electric systems; and
  - Refurbishment of existing older coal-fired generating units to postpone retirements and recapture derated capacity.

These actions, together with the active promotion of electric energy for off-peak usages, constitute the preferred strategy of the KCPLAN.

Air Conditioner Cycling

The system-wide remote control of residental central air cooling compressor units, beginning in the mid-1980s and increasing gradually through the year 2000, will result in a permanent avoidance of 186 Mw of new generating capacity. The technical feasibility of this element of KCPLAN was demonstrated during the record-breaking heat storms in the summer of 1980 by a test conducted on the KCPL system.

After a comprehensive evaluation of available equipment, by this summer we will have installed a 500-unit test of a remote control system called the Two-Way Automatic Control System, or TWACS. This system will link our central office computer with each customer location by using KCPL's own electric distribution conductors for the transmission of electronic signals. In a single electronics package, the TWACS system will provide KCPL with the capability of performing several cost-effective remote control functions including the cycling of air cooling compressor units, automatic reading of existing customer meters for both demand and kwh, automatic service connections and disconnections, surveillance for meter tampering, computerized assessment of storm damage and a related program of service restoration, and other functions which can be facilitated by direct communication with customer facilities.

Educational Programs and Rate Designs

The KCPLAN projects the gradual implementation of new electric rate designs now under development, and educational programs between the mid-1980s and 2000 to reduce KCPL's system peak demand and thereby, its future capacity requirements by 311 Mw. Use of demand rates to provide the appropriate price signal to the residential customer will be implemented using existing customer meters as demand meters by computerized automatic hourly readings through the TWACS system.

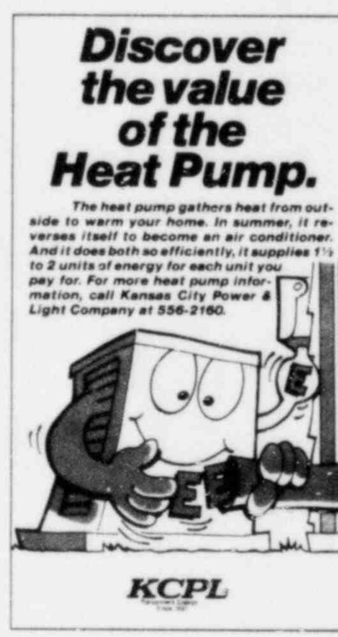
Educational programs to restrain customer peak load demand through use of high efficiency appliances and equipment, and passive solar applications to promote the off-peak use of electric service were implemented in 1982. An aggressive marketing program to promote the installation of heat pumps, including add-on heat pumps, to increase winter kwh sales, began in late 1982.

In August, the Company filed with both the Missouri and Kansas commissions to reduce the separately metered electric heating rate to a flat rate of three cents per kwh.

This integration of educational programs, marketing promotions, rate design changes and other load management techniques, including the system-wide control of residential central air cooling compressors, will restrain our annual peak load growth to an estimated 2.2 percent, while improving annual kwh sales growth to 3.6 percent, thus boosting our annual system load factor to nearly 59 percent by the year 2000.

Pilot testing involving 500 Two Way Automatic Control units has begun on Kansas residences. This typical installation being made by Terry V. Allen, journeyman meterman, shows the meter and the equipment which receives and transmits signals over the Company's distribution lines.

This newspaper advertisement and animated television commercials were part of a program which launched the consumer education effort for the heat pump and add-on heat pump during 1982.



Seasonal Diversity Exchange

As a summer peaking system, the Company continued to negotiate seasonal diversity agreements with winter peaking utilities. Under such an arrangement, each participant delivers to the other an agreed amount of its system capacity during its off-peak season in exchange for an equivalent amount during the other's off-peak season. Thus, each system is able to avoid construction of an equal amount of new generating capacity and make effective off-peak use of idle installed capacity. The KCPLAN projects that seasonal diversity exchanges will provide KCPL with 200 Mw of peak load capacity by the late 1980s.

These arrangements also permit each system to operate at an annual capacity factor greater than the annual load factor imposed by its customer load profile. As a result, KCPL's equivalent system load factor is estimated to increase further to about 63 percent, slightly above the present industry average.

The MANDAN agreement is now in the drafting stage with full participation by the Company. The project involves construction of a 500 kv transmission line by Nebraska Public Power District to interconnect the winter-peak system of Manitoba Hydro in Canada with midwest United States summer peaking systems. To participate, the Company would construct its own line to the Nebraska border interconnecting with the Nebraska utility which has tentatively allocated 100 Mw of MANDAN seasonal diversity to the Company.

The Company has also entered into an agreement in principle with Associated Electric Cooperative, Inc. for a similar type seasonal exchange arrangement which is expected to provide the Company with up to 40 Mw of summer peaking capacity beginning in 1983.

Rehabilitation

By the 1990s, based on normal wear and tear of units, particularly those burning highly corrosive and abrasive local coals, we expect significant capacity deratings in the future. Based on preliminary engineering studies in 1982 confirming the feasibility and cost-effectiveness of this program, several older generating units are targeted for rehabilitation, thereby eliminating the need for 686 Mw of new capacity. Actual rehabilitation will not begin until the late 1980s and is subject to more definitive engineering and economic evaluations prior to initiating work on each specific unit.

Summary

These basic elements of KCPLAN will eliminate or postpone the need for 1,400 Mw of new generating capacity by the year 2000 and will permit deferral of any additional new generating capacity until 1994. With a 325-Mw share of new capacity planned for 1994 and another in 1998, KCPL will be able to meet its customer load requirements in a reliable manner, with ample reserve margins and at least cost through the year 2000.

Since the price of natural gas is expected to rise at a significantly greater rate than the price of electricity, the cost advantage of electric space heating will improve in the years to come. In KCPL's system, electric space heating substitutes abundant coal and nuclear resources for diminishing and more expensive natural gas and fuel oil and provides more and efficient use of KCPL's installed generating capacity throughout the year.

The KCPLAN projects an annual kwh sales growth through the year 2000 of 3.6 percent, down from our 1979 projection of four percent, but significantly higher than our KCPLAN projection of a 2.2 percent in annual peak load growth. Greater use of electricity off-peak, especially for space heating, will spread KCPL's total annual fixed charges incurred to meet its annual summer peak demand over a greater number of annual kwh sales. This basic element of the KCPLAN will minimize KCPL's average kwh cost to the public.

For stockholders, the absence of major new construction will minimize KCPL's financing requirements, avoid equity dilutions, enable internally generated funds to reduce outstanding debt and permit KCPL to achieve its capitalization goal of not less than 40 percent common equity. Additionally, with the projected annual system load and capacity factor improvements, KCPL will have the opportunity to stabilize and improve its earnings and coverages essential to regain credit ratings and earn a fair and adequate rate of return for stockholders.

Manitoba Hydro's Kettle Generating Station on the Nelson River is the province's largest hydroelectric facility with a capacity of about 1,720 megawatts. The unit is part of the Canadian utility's system for harnessing electric power from several rivers in Manitoba. Under the MANDAN (Manitoba, Dakotas and Nebraska) project's seasonal diversity arrangement, the Company would receive Canadian hydropower during our summer peak months through a planned new transmission line connecting to the Nebraska Public Power system. In return, the Company would provide an equal amount of generation to the Canadian system during its winter peak months.

Corporate and Operating Review

Earnings Decline on Lower Sales

Kilowatt hour sales in 1982 were off three percent as compared to 1981. Industrial usage fell some 16 percent due in large part to reduced steelmaking activity by Armco and shutdown of the Amoco Oil Company Sugar Creek refinery. Residential sales improved more than one percent and commercial sales by nearly three percent.

Higher electric and steam rates increased revenue by three percent to $485.6 million, but after an eight percent rise in operating expenses to $407.7 million, operating income fell to $77.9 million from $94.5 million in 1981.

Fuel expense totaled $149.9 million, some $6.9 million less than in 1981. While the average price of fuel increased to $1.389 per million Btu from $1.239 in 1981, total fuel requirements dropped reflecting lower retail and interchange sales. Net interchange sales of $20.9 million were $27.3 million less than in 1981, mainly due to expiration of a capacity sale agreement with another utility. Increases of $7.1 million, or 10 percent, were recorded for operation expense other than fuel and interchange, and $8.2 million, or 15 percent for maintenance. Income tax expense declined $5.6 million to $39.9 million, mainly because of a decline in taxable income, while general taxes of $52.1 million remained level as compared to 1981.

Interest expense amounted to $72.7 million, an increase of four percent. Dividend requirements on two new stock issues boosted total preferred and preference dividends to $18.2 million in 1982 from $13.7 million for 1981.

Net income increased to $80.9 million from $79.1 million in 1981 because of the impact of net AFDC which totaled $56.3 million. Earnings available for common stock in 1982 were $62.7 million, down $2.6 million. Per share earnings amounted to $4.18 based on 15 million shares, 65 cents less than the $4.83 recorded for 1981 on 1.5 million fewer shares. Net AFDC represented $3.75 or 90 percent of 1982 earnings per share as compared to $3.10 or 64 percent in 1981.

At year-end, long-term debt represented 49.3 percent of the $1.5 billion in total capitalization, common stock 36 percent, and preferred and preference stock 14.7 percent. Book value of the common stock was $32.94 per share as compared to $33.37 for 1981. At the end of 1982, the Company's common stock was selling at about 84 percent of book value, well above the 66 percent at this time last year.

The Company declared $45 million or 72 percent of earnings in common stock dividends.

Financing New Construction

Construction expenditures totaled $153.2 million for 1982, excluding AFDC. Funds from operations contributed $21.9 million with external sources providing the balance.

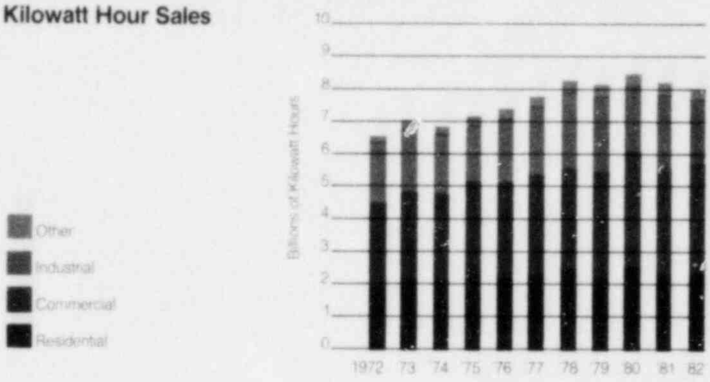
The Company issued 228,000 shares of $17.05 cumulative no par preferred stock at $110 per share in February 1982, and 300,000 shares of cumulative preference stock at $100 per share with a dividend rate of $13.25 in September. Two million shares of common stock were sold in June at $23.625 per share. During the year, an additional 482,516 new common shares were issued to participants in the Dividend Reinvestment and Stock Purchase Plan who provided $11.6 million in reinvestment funds, including $3.6 million in the fourth quarter. In January 1983, the Company issued $60 million of First Mortgage Bonds, 13% Series, due 2013.

Three actions were taken in 1982 to enhance financing flexibility. The Company's line-of-credit under its Eurodollar agreement was increased to $100 million from $50 million. In April, the Company entered into a lease for the financing of the costs of up to $80 million of nuclear fuel. And in July, the Company organized Kansas City Power & Light Finance, N.V., a Netherlands Antilles subsidiary formed to facilitate the sale of Eurobonds should that type of financing prove advantageous.

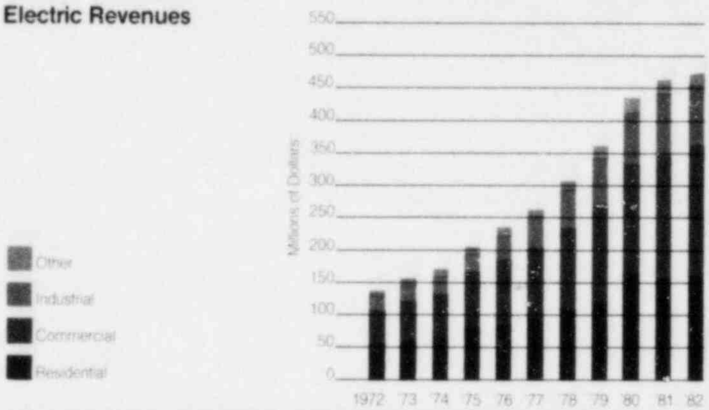
Rate Increases

Effective July 24, 1982, the Missouri Public Service Commission approved a 4.6 percent increase in Missouri retail electric rates designed to generate $14.5 million in additional annual revenue. The order culminated a proceeding which started in August 1981, in which the Company requested an increase of about $62.3 million in annual revenue, or 19.9 percent. The order authorized an 11.91 percent rate of return on rate base and a 15.76 percent return on equity.

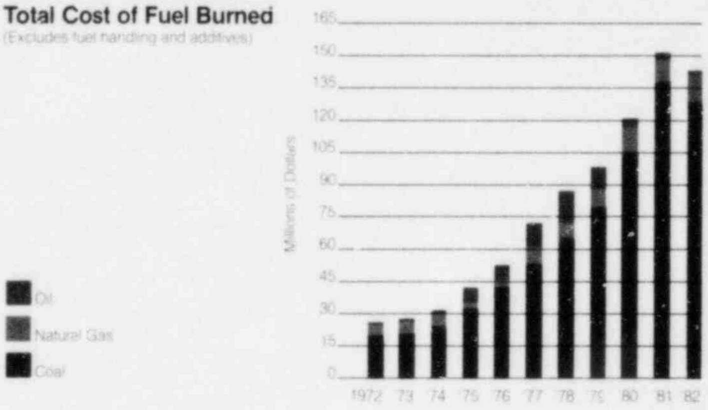
Kilowatt Hour Sales



Electric Revenues



Total Cost of Fuel Burned
(Excludes fuel handling and additives)



A 19.3 percent increase in rates went into effect for 204 downtown Kansas City steam heat customers on June 4. The increase is equivalent to about $936,000 in annual revenues.

On October 12, an administrative law judge of the Federal Energy Regulatory Commission made permanent $2.3 million of a $4.7 million increase in effect since January 1981, resulting in refunds to the Company's wholesale customers. The initial decision is subject to FERC approval. On February 17, 1983, FERC approved an additional $1.6 million increase which had been placed into effect on November 21, 1982, as a result of a compromise agreement among the wholesale customers, FERC and the Company.

New Rate Filings

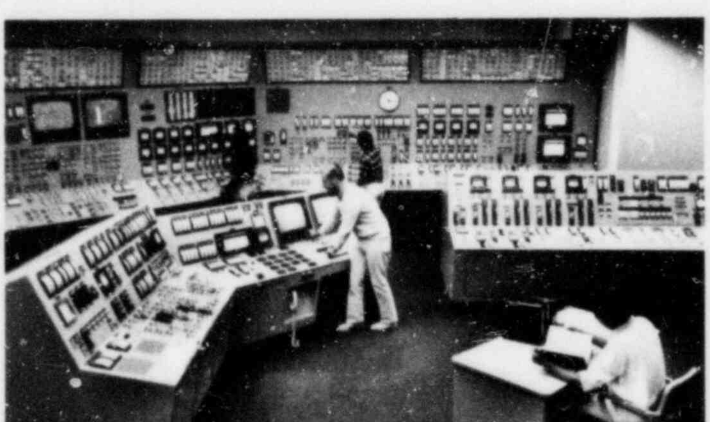
Responding to the Company's declining financial condition, new rate schedules were filed during the year for consideration by both the Kansas and Missouri commissions. The request filed with the Kansas Corporation Commission in April, represents an increase of 19.8 percent or $26.3 million in additional annual revenue. An order is expected in April 1983.

The Missouri request was filed in August and called for an 18.7 percent increase in rates or $57.9 million in revenue. An order in this case is expected in late July. The Company also filed with the MPSC in January 1983 for a 17.8 percent increase in steam rates designed to generate $965,000 in revenue.

Wolf Creek Over 80 Percent Complete

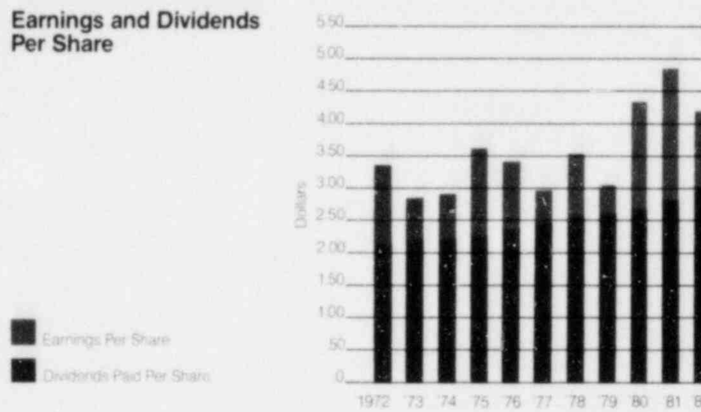
The Wolf Creek nuclear generating unit under construction near Burlington, Kansas, surpassed 80 percent completion during the year. The Company and Kansas Gas and Electric Company, the plant's lead constructor and operator, each own

The Wolf Creek nuclear generating plant is under construction on a 10,500-acre site 90 miles southwest of Kansas City. By the end of 1982, more than half of the 267 systems in the start-up schedule had been completed for testing and the 5,500-acre cooling lake was filled. Other significant activities were delivery of the on-site training simulator, and completion of the turbine generator.

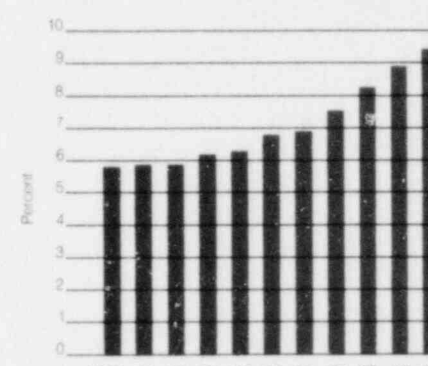


Engineers perform final computer software checks in the newly completed Wolf Creek control room simulator. The $5.7 million training simulator is a nearly exact duplicate of the plant's actual controls and will be used for continuous hands-on operator training.

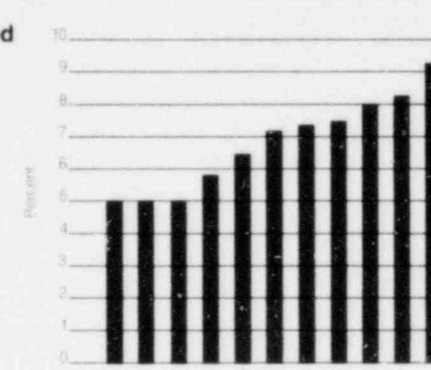
Earnings and Dividends Per Share



Average Cost of Long-Term Debt



Average Cost of Preferred and Preference Stock



47 percent of the 1,150-Mw unit targeted for commercial operation in mid-1985. Kansas Electric Power Cooperative, Inc., owns the remaining six percent.

When operational, the Company's 541-Mw share will represent about 16 percent of total generating capacity.

Based on the present schedule as revised in 1982, the plant's cost estimate is $2.4 billion. The Company's share of the budgeted cost is approximately $1.1 billion, including $334 million of net AFDC and $21 million of capitalized property taxes. At the end of 1982, cumulative Wolf Creek expenditures totaled $541.5 million, excluding AFDC.

In the licensing process, the Nuclear Regulatory Commission has issued its final environmental statement and hearings before the Atomic Safety and Licensing Board are scheduled for mid-1983.

The initial core and part of the first reload for the nuclear unit will be supplied from uranium received from Westinghouse Electric Corporation and the Company's nuclear fuel subsidiary and spot purchases. The remainder of the first reload and about 40 percent of additional requirements will be supplied under a long-term contract signed in December with the Saskatchewan Mining Development Corporation.

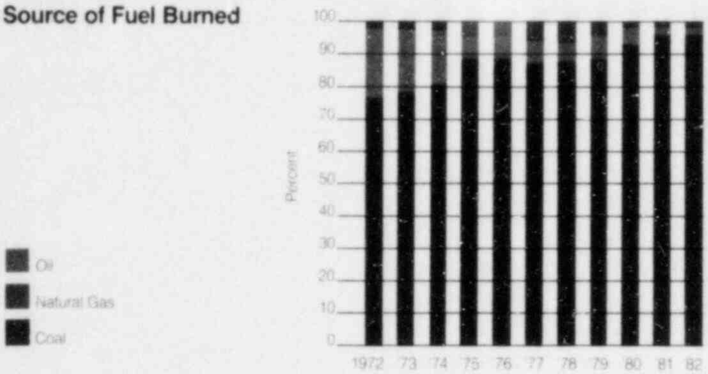
Generating Units Set Production Records

The Company's newest generating units, LaCygne 2 and Iatan, turned in outstanding operating performances with the Iatan unit operating continuously for 230 days, surpassing the 172-day record set in 1982 by LaCygne 2. Operational changes affecting several older generating units were made with corresponding restructuring of coal deliveries and inventory levels. During the year, the Company retired the 80-Mw of system generating capacity at Northeast Station, installed between 1917 and 1950. The four older Hawthorn station units (with total capacity of 300 Mw and constructed between 1951 and 1955) were assigned to summer peaking operation as was the 40 Mw of capacity from Grand Avenue Station. The unit will continue to supply year-round steam to steam heat customers. The eight oil-fired combustion turbines installed at the Northeast site in the 1970s will continue to serve as summer peaking units.

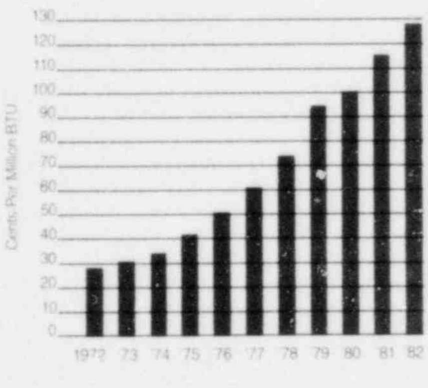
A new agreement reached with Peabody Coal Company will enable the Company to reduce significantly fuel inventories at Montrose and Hawthorn stations. Under the contract, annual minimum deliveries will drop from 2,025,000 to 1,250,000 tons. Revisions in the agreements are expected to result in significant cost savings over the contract life.

During the year, the Company began scheduling oil delivered by barge to its Northeast Station Missouri River dock facility, saving an estimated $128,000. Historically oil has been shipped by pipeline and trucked to storage. The dock was built to provide flexibility in purchases of oil.

Source of Fuel Burned



Average Coal Cost



Average Coal Price Rises

Coal fueled some 96 percent of total generation at an average price of $1.284 per million Btu, up 10 percent from the 1981 average of $1.167. Natural gas supplied about three percent of total fuel and oil accounted for the balance of less than one percent. The average price of natural gas rose 35 percent to $3.631 per million Btu while the average price of oil rose one percent to $5.402 per million Btu.

The Company has favorable contracts for a major part of its coal requirements through 1996, except for Iatan Station. The Company formed WYMO Fuels Inc., a wholly owned subsidiary to meet Iatan's long-term coal requirements. To date, WYMO has acquired a state coal lease on a 640-acre tract containing some 45 million tons of recoverable low-sulfur coal and fee ownership of 4,360 acres of adjoining ranch lands which contain an estimated 200 million tons of federally owned coal reserves, all in the Powder River Basin in Wyoming.

In November, WYMO received a mine permit from the State of Wyoming which authorized construction of planned mine facilities and a four-million ton per year mining operation on the state coal lease section. Issuance of the permit has been appealed by certain neighboring ranchers. The Company has not finalized its plans for WYMO's future operations and may elect to sell the subsidiary.

New Labor Agreements in Effect

On July 1, 1982, a two-year labor agreement went into effect for members of the International Brotherhood of Electrical Workers Local 412. Under the contract, power plant workers received a total increase of 7.786 percent, including a 6.93 percent wage raise with the balance applied to the health and welfare trust. A wage increase of six percent was negotiated for the second year.

A two-year pact with Local 1613 called for a first-year total increase of 7.286 percent. Of that, 6.183 percent went toward wages and the balance to the health and welfare trust. The office and clerical employees represented by Local 1613 will receive a 5.5 percent wage increase in the second year.

On October 25, the Company without reaching an agreement provided a wage increase of 6.904 percent for members of Local 1464 and started implementing new work rules designed to improve productivity. This step was taken after months of negotiations failed to produce a new agreement with Local 1464, which represents transmission and distribution workers.

Approximately 2,100 of the Company's 2,900 employees are members of the bargaining units.

Research and Development

Through contributions to The Electric Power Research Institute, most of the Company's research dollars are pooled with those of more than 600 other utilities nationwide. Participating in EPRI enables us to avoid costly duplication of research efforts and to participate in projects far beyond the financial capability of any one utility.

During 1982, we contributed $1.6 million to EPRI research and development efforts. Overall, about 1,400 active research projects are currently under EPRI's management, representing a five-year funding authorization in excess of $1.6 billion.

This year's contribution was allocated to the following major research categories:

- generation studies to improve existing fossil-fuel and nuclear power generation systems and to develop advanced generating equipment and technologies;
- environmental and health effects of electricity generation and transmission;
- development of new or improved processes, systems and equipment to expand the use of clean gaseous, liquid and solid fuels, including nuclear fuel;
- energy management and conservation, and development of improved information and forecasting methods to aid in energy decision making.

The Company participates with five other utilities in the Kansas Electric Utility Research Program which conducts local research projects of special interest to the participating utilities, and with four other utilities in the Great Plains Utility Group which conducts solar research.

Management Changes Consolidate Corporate Structure

Several changes in senior management effective January 1, 1983, resulted in consolidation of several Company divisions into four corporate groups. Promoted to the office of senior vice president were Donald T. McPhee, system power operations; Louis C. Rasmussen, finance and commerce; J. Robert Miller, transmission and distribution operations; and Samuel P. Cowley, corporate affairs. Newly elected vice presidents include A. Drue Jennings, law and related areas; J. Michael Evans, system power operations, and Ronald G. Wasson, purchasing division.

The system power operations group includes power plant operations, power supply, system planning and the nuclear power department. The transmission and distribution operations group is responsible for engineering, delivery of electricity and steam from power plants to customers and internal services activities. All financial and commercial operations fall under the finance and commerce group. The corporate affairs group encompasses the legal, corporate secretary, legislative affairs, auditing, purchasing and communications functions.

Donald T. McPhee came to the Company in 1956 as a project engineer from Ebasco Services, Inc. He was promoted to administrative assistant to the production manager in 1958, manager of production in 1960, and was elected vice president of system power operations in 1969. J. Robert Miller began his career with the Company as an electrical engineer in 1948, became manager of engineering in 1968 and was promoted to vice president of engineering in 1971. He served as vice president of administration prior to being named vice president of transmission and distribution systems in 1981. Louis C. Rasmussen joined the Company in 1960 as assistant manager of rates from Ebasco International Corporation. He was promoted to rate department manager in 1965 and elected vice president of corporate planning and economic controls in 1974. He has served as chief financial officer since 1980 and member of the board of directors since 1981. Samuel P. Cowley joined KCPL in 1974 after working for Nevada Power Company as vice

The Company's distribution system sustained the worst damage of its history during the week of June 7 when a series of unusually destructive storms swept the Kansas City area. Some customers were without power for as long as eight days and electric service was off to more than 130,000 customers — about one-third of the Company's customers — at some point during the week. KCPL's restoration force totaled more than 500 and was supplemented by electric crews from as far away as St. Louis. The extensive damage and lengthy outage time for customers prompted the Company to develop a comprehensive storm management system in order to handle future severe storms.

president and general counsel. His career with KCPL began as assistant general counsel; he served later as general counsel, was promoted to vice president in 1979, and became the company's corporate secretary and chief legal officer in 1980.

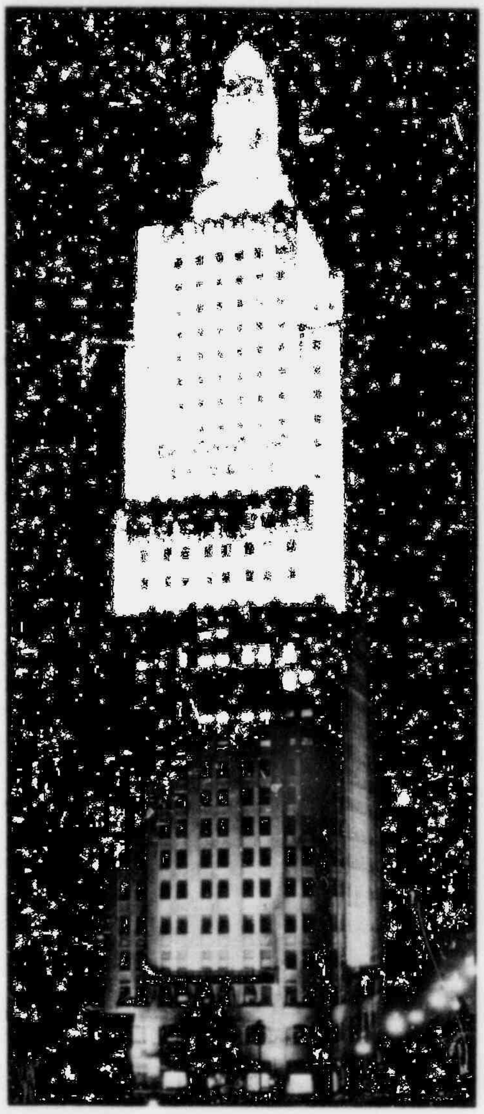
A. Drue Jennings came to the Company from private practice in 1974 and served as staff attorney until 1978 when he was appointed assistant general counsel. He became general counsel in 1979 and assumed the additional duties of assistant secretary in 1980.

J. Michael Evans was an engineer for Combustion Engineering, Inc. before joining the Company in 1974. He has held various engineering and management positions associated with the Wolf Creek generating station and the start-up of La Cygne 2. Most recently, as Director of System Planning, he coordinated the Company's Long Range System Expansion Alternatives Study which developed the KCPLAN.

Ronald G. Wasson joined KCPL as a sales engineer in 1966 while completing an electrical engineering degree at the University of Missouri. He has held various positions in the areas of system planning, corporate planning and economic controls and most recently was a manager of fossil fuels.

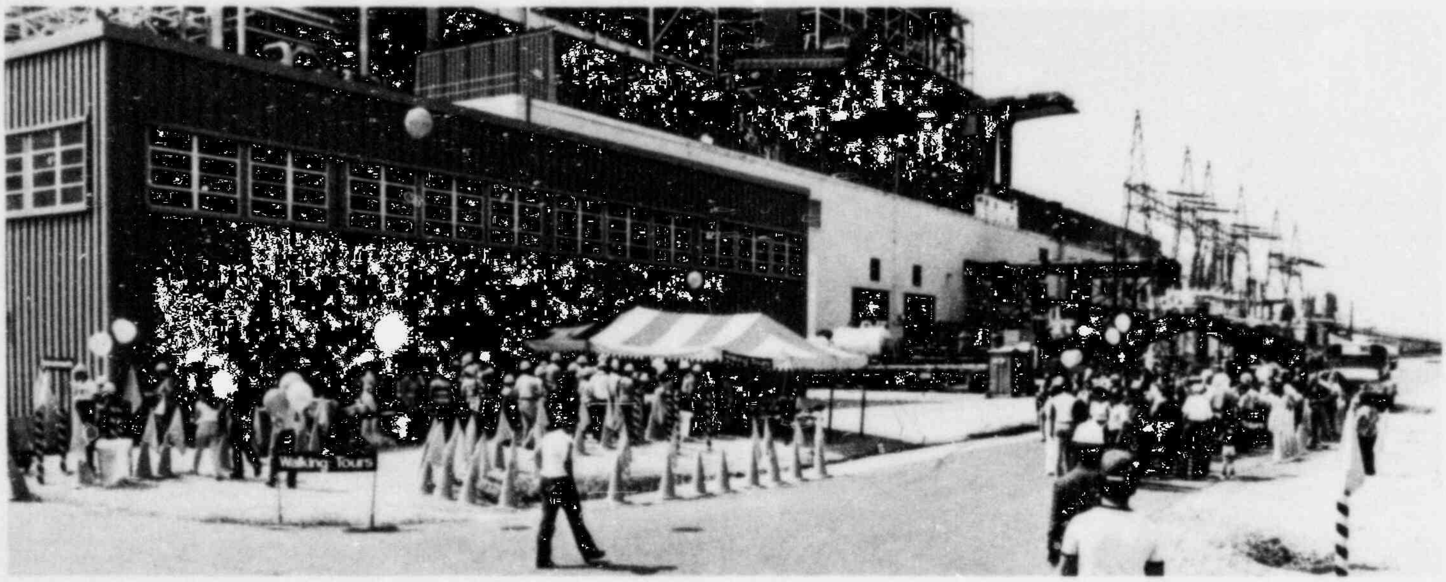
Annual Meeting

The Company's 1982 Annual Meeting of Shareholders was held April 27, 1982. During the meeting, shareholders reelected nine directors and ratified the appointment of Arthur Andersen & Co. as the Company's independent accountants for 1982. Of 13,763,217 shares eligible to vote, 11,401,022 or 82.8 percent were represented either in person or by proxy.



To commemorate its Centennial year of service, the Company restored the decorative lighting of the 97-foot tower of the Power & Light Building to its original appearance as shown in this 1930s view. The nightly display of changing lights of the tower's lantern established the building as a downtown landmark for over four decades. The new system re-established changing colors — amber, green and white — five times a minute.

To celebrate the Centennial, open houses were held last spring at various work locations for employees, their families and the general public. Employee committees organized and conducted the activities, including displays, exhibits, guided tours and bucket-truck rides. Nearly 10,000 people attended the open houses, such as this one at La Cygne Station.



Statements of Income

		Year Ended December 31 1982	1981 (thousands)	1980
Operating Revenues	Electric	**$ 475,802**	$ 465,825	$ 440,182
	Steam heat	**9,827**	5,886	5,783
	Total	**485,629**	471,711	445,965
Operating Expenses	Operation			
	Fuel	**149,868**	156,761	125,297
	Interchange power (net)	**(20,906)**	(48,179)	(21,528)
	Other	**79,012**	71,892	70,892
	Maintenance	**62,496**	54,305	52,680
	Depreciation	**45,215**	44,962	41,733
	Taxes (See statements)			
	Income	**39,946**	45,577	42,088
	General	**52,075**	51,908	47,956
	Total	**407,706**	377,226	359,118
Operating Income		**77,923**	94,485	86,847
Other Income and Deductions	Allowance for equity funds used during construction	**36,089**	29,073	19,775
	Miscellaneous—net of income taxes	**(63)**	327	(122)
	Total	**36,026**	29,400	19,653
Income Before Interest Charges		**113,949**	123,085	106,500
Interest Charges	Long-term debt	**65,260**	55,232	48,864
	Short-term notes	**6,021**	3,896	4,781
	Allowance for borrowed funds used during construction—credit	**(39,670)**	(24,878)	(22,997)
	Miscellaneous	**1,397**	10,489	7,151
	Total	**33,008**	44,739	37,799
Yearly Results	Net income	**80,941**	79,146	68,701
	Preferred and preference stock dividend requirements	**18,193**	13,749	12,418
	Earnings available for common stock	**$ 62,748**	$ 65,397	$ 56,283
	Average number of common shares outstanding	**15,006,912**	13,535,149	12,915,770
	Earnings per common share	**$ 4.18**	$ 4.83	$ 4.36
	Cash dividends per common share	**$ 3.01**	$ 2.825	$ 2.69

The accompanying Notes to Financial Statements are an integral part of these statements.

Balance Sheets

		December 31 1982	1981
		(thousands)	
Assets			
Utility Plant, at original cost (Notes 5 and 6)	Electric	**$ 1,315,105**	$ 1,302,999
	Steam heat	**5,980**	5,203
	Total	**1,321,085**	1,308,202
	Less — Reserves for depreciation	**417,779**	392,060
	Net utility plant in service	**903,306**	916,142
	Construction work in progress	**709,963**	536,608
	Total	**1,613,269**	1,452,750
Investments and Nonutility Property		**16,610**	14,796
Current Assets	Cash (Note 2)	**1,916**	7,181
	Special deposits	**162**	182
	Receivables		
	Customer accounts receivable, less reserves of $911,000 and $927,000	**31,745**	31,848
	Accrued unbilled revenues	**19,422**	16,396
	Other receivables	**17,205**	11,704
	Fuel inventories, at average cost	**54,118**	48,748
	Materials and supplies, at average cost	**22,846**	22,769
	Prepayments	**803**	1,244
	Total	**148,217**	140,072
Deferred Charges		**14,131**	10,163
	Total	**$ 1,792,227**	$ 1,617,781
Liabilities			
Capitalization (See statements)	Common stock — authorized 30,000,000 shares without par value — 16,245,733 and 13,763,217 shares outstanding—stated value	**$ 319,920**	$ 262,359
	Retained earnings (Note 3)	**210,402**	193,956
	Capital surplus	**4,670**	2,998
	Total	**535,192**	459,313
	Cumulative preferred stock	**112,000**	112,000
	Cumulative preferred stock (redeemable)	**56,316**	3,676
	Cumulative preference stock (redeemable)	**50,000**	50,000
	Long-term debt	**732,610**	662,050
	Total	**1,486,118**	1,287,039
Current Liabilities	Notes payable to banks (Note 2)	—	70,600
	Commercial paper (Note 2)	—	18,500
	Current maturities of long-term debt	**35,006**	—
	Accounts payable	**45,280**	32,487
	Dividends declared	**5,401**	3,437
	Accrued taxes	**5,449**	6,875
	Accrued deferred income taxes	**9,624**	8,008
	Accrued interest	**7,906**	7,860
	Accrued payroll and vacations	**8,606**	7,823
	Other	**3,405**	5,056
	Total	**120,677**	160,646
Deferred Credits	Deferred income taxes	**115,300**	104,837
	Deferred investment tax credits	**68,096**	63,054
	Other	**2,036**	2,205
	Total	**185,432**	170,096
Commitments and Contingencies (Note 6)			
	Total	**$ 1,792,227**	$ 1,617,781

Statements of Taxes

	Year Ended December 31 1982	1981 (thousands)	1980

Total income tax expense was less than the amount computed by applying the statutory federal income tax rate of 46% to income before income taxes. The reasons for these differences are as follows:

	1982	1981	1980
Taxes computed at statutory rate on income before income taxes	**$ 55,491**	$ 57,335	$ 50,826
Increase (decrease) in taxes resulting from:			
Allowance for equity funds used during construction	**(16,601)**	(13,374)	(9,097)
Differences between book and tax depreciation not normalized	**1,142**	1,032	1,198
Removal costs	**(1,080)**	(797)	(726)
Amortization of investment tax credit	**(2,181)**	(1,754)	(1,544)
State income taxes	**2,088**	2,773	1,969
Other	**832**	281	(836)
Total income tax expense	**$ 39,691**	$ 45,496	$ 41,790

Components of Income Tax Expense

		1982	1981	1980
Currently Payable	Federal	**$ 921**	$ 4,704	$ 3,154
	State	**1,135**	2,634	872
	Total	**2,056**	7,338	4,026
Deferred	Federal (net)	**28,862**	22,198	28,281
	State (net)	**2,731**	2,500	2,773
	Total	**31,593**	24,698	31,054
Investment Tax Credit	Provision	**8,223**	15,214	8,254
	Amortization	**(2,181)**	(1,754)	(1,544)
	Total	**6,042**	13,460	6,710
	Total income tax expense	**39,691**	45,496	41,790
Less:	Income taxes applicable to other income	**(255)**	(81)	(298)
	Income tax expense applicable to operating income	**$ 39,946**	$ 45,577	$ 42,088

Deferred Income Tax Expense

	1982	1981	1980
Depreciation differences	**$ 8,468**	$ 11,409	$ 12,687
Debt component of AFDC	**19,503**	12,039	10,921
Repair allowance	**(810)**	(549)	659
Unbilled revenues	**1,559**	1,093	898
Tax loss carryforward	**—**	—	5,751
Taxes and pension costs capitalized	**2,165**	1,465	1,093
Other	**708**	(759)	(955)
Total	**$ 31,593**	$ 24,698	$ 31,054

General Tax Expense

	1982	1981	1980
Property and real estate	**$ 20,924**	$ 22,526	$ 20,089
Gross receipts	**26,479**	25,243	24,233
Other	**4,672**	4,139	3,634
Total	**$ 52,075**	$ 51,908	$ 47,956

The accompanying Notes to Financial Statements are an integral part of these statements.

Kansas City Power & Light Company

Statements of Sources of Funds for Gross Property Additions

		Year Ended December 31 1982	1981 (thousands)	1980
Funds Provided From Operations	Net income	**$ 80,941**	$ 79,146	$ 68,701
	Less dividends declared	**64,495**	51,966	47,625
	Total	**16,446**	27,180	21,076
	Items not requiring current use of funds			
	Depreciation	**45,215**	44,962	41,733
	Deferred income taxes (net) — non-current portion	**29,977**	23,665	30,426
	Investment tax credit (net)	**6,042**	13,460	6,710
	Allowance for funds used during construction	**(75,759)**	(53,951)	(42,772)
	Total	**21,921**	55,316	57,173
Funds Provided From Outside Sources	Issuance of long-term debt	**47,003**	75,000	35,500
	Issuance of cumulative preferred stock	**55,080**	—	—
	Issuance of cumulative preference stock	**—**	—	25,000
	Issuance of common stock (2,482,516; 353,554 and 1,727,314 shares, respectively)	**57,561**	7,231	30,686
	Net payment received on sale of a portion of Wolf Creek	**—**	(39,128)	25,656
	Retirement of long-term debt	**—**	(25,000)	(11,972)
	Increase (decrease) in short-term borrowings (including portion to be refinanced)	**(30,600)**	51,100	(1,300)
	Total	**129,044**	69,203	103,570
Decrease (Increase) In Working Capital	(Exclusive of short-term borrowings and current maturities)	**5,980**	7,603	(35,960)
Other		**(3,785)**	1,858	233
Total Funds Used for Gross Property Additions		**153,160**	133,980	125,016
	Allowance for funds used during construction (included in utility plant)	**73,381**	51,477	42,772
	Deduction of deferred income taxes related to interest component of AFDC	**(19,503)**	(12,039)	(10,921)
Gross Property Additions		**$ 207,038**	$ 173,418	$ 156,867
Decrease (Increase) In Working Capital	Cash	**$ 5,265**	$ 1,096	$ 921
	Special deposits	**20**	663	734
	Receivables	**(8,424)**	(1,337)	(12,782)
	Fuel inventories	**(5,370)**	18,130	(20,070)
	Materials and supplies	**(77)**	(2,262)	(3,485)
	Accounts payable	**12,793**	(10,036)	(7,389)
	Accrued and current deferred income taxes	**190**	(1,116)	5,624
	Accrued interest	**46**	(57)	(42)
	Other	**1,537**	2,522	529
	Total	**$ 5,980**	$ 7,603	$ (35,960)

Statements of Cumulative Preferred and Preference Stock and Long-Term Debt

		December 31	
		1982	1981
		(thousands)	

Cumulative Preferred Stock (Note 4)

		1982	1981
$100 Par Value	3.80% — 100,000 shares	**$ 10,000**	$ 10,000
	4.50% — 100,000 shares	**10,000**	10,000
	4.20% — 70,000 shares	**7,000**	7,000
	4.35% — 120,000 shares	**12,000**	12,000
	7.72% — 130,000 shares	**13,000**	13,000
No Par	$10.70 — 200,000 shares	**20,000**	20,000
	$ 2.33 — 800,000 shares	**20,000**	20,000
	$ 2.20 — 800,000 shares	**20,000**	20,000
	Total	**$ 112,000**	$ 112,000

Cumulative Preferred Stock (Redeemable) (Note 4)

		1982	1981
$100 Par Value	4% — 35,157 and 36,757 shares	**$ 3,516**	$ 3,676
No Par	$17.05 — 228,000 shares	**22,800**	—
	$13.25 — 300,000 shares	**30,000**	—
	Total	**$ 56,316**	$ 3,676

Cumulative Preference Stock (Redeemable) (Note 4)

		1982	1981
No Par	$ 8.00 — 250,000 shares	**$ 25,000**	$ 25,000
	$12.75 — 250,000 shares	**25,000**	25,000
	Total	**$ 50,000**	$ 50,000

Long-Term Debt (Note 5)

		1982	1981
First Mortgage Bonds	Regular issues		
	3¼% series due 1983	**$ 9,506**	$ 9,506
	3¼% series due 1985	**16,000**	16,000
	5% series due 1990	**20,000**	20,000
	4¾% series due 1995	**15,000**	15,000
	5¾% series due 1997	**30,000**	30,000
	6¾% series due 1998	**25,000**	25,000
	7⅛% series due 1999	**26,000**	26,000
	9⅛% series due 2000	**35,000**	35,000
	7¾% series due 2001	**27,000**	27,000
	7⅝% series due 2002	**30,000**	30,000
	8⅞% series due 2006	**40,000**	40,000
	8⅛% series due 2006	**30,000**	30,000
	8½% series due 2007	**30,000**	30,000
	9¼% series due 2008	**25,000**	25,000
	12% series due 2009	**50,000**	50,000
	16½% series due 2011	**50,000**	50,000
	Pledged in support of pollution control bonds		
	8.20% series due 1983	**25,500**	25,500
	5⅞% series due 2007	**21,940**	21,940
	5⅞% series due 2007	**20,000**	20,000
	6⅞% series "A" due 2008	**9,200**	9,200
	6⅞% series "B" due 2008	**21,800**	21,800
Guaranty of Pollution Control Bonds	5¾% series due 2003	**15,000**	15,000
Loan Agreements		**94,000**	92,000
Nuclear Fuel Lease		**45,003**	—
Short-Term Debt to be Refinanced		**58,500**	—
Unamortized Premium and Discount (net)		**(1,833)**	(1,896)
	Total	**767,616**	662,050
Less Current Maturities of Long-Term Debt		**35,006**	—
	Total	**$ 732,610**	$ 662,050

The accompanying Notes to Financial Statements are an integral part of these statements.

Statements of Retained Earnings

		Year Ended December 31 1982	1981 (thousands)	1980
Beginning Balance		**$ 193,956**	$ 166,776	$ 145,700
Net Income		**80,941**	79,146	68,701
		274,897	245,922	214,401
Dividends Declared	Preferred and preference stock (at required annual rates)	**19,502**	13,748	12,949
	Common stock—			
	$2.69 per share			34,676
	$2.825 per share		38,218	
	$3.01 per share	**44,993**		
		64,495	51,966	47,625
Ending Balance (Note 3)		**$ 210,402**	$ 193,956	$ 166,776

Notes to Financial Statements

1. Summary of Significant Accounting Policies

System of Accounts: The accounting records of the Company are maintained in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC) and generally accepted accounting principles.

Utility Plant: Utility plant is stated at historical costs of construction. These costs include taxes, payroll related costs including pensions and other fringe benefits, and an allowance for funds used during construction.

Allowance for Funds Used During Construction (AFDC): AFDC includes the net cost of borrowed funds used for construction purposes and a reasonable rate upon other (equity) funds. The allowance for borrowed funds represents an allocation of interest costs to construction, while the allowance for equity funds is a non-cash item of income. AFDC is charged to construction work in progress during the period of construction. When a construction project is placed in service, the related AFDC becomes a part of the original cost of the completed plant which is used to establish rates for utility charges under established regulatory rate practices. The rates used to compute AFDC, before associated deferred income taxes, are compounded semi-annually and averaged 12.1% for 1982, 11.0% for 1981 and 10.4% for 1980.

Depreciation and Maintenance: Provisions for depreciation are computed on a straight-line basis pursuant to rates ordered by the Missouri Public Service Commission (MPSC). Approximate annual composite rates were 3.61% in 1982, 3.63% in 1981 and 3.66% in 1980.

The Company charges to maintenance expense the repairs of property and replacement and renewals of items determined to be less than units of property, except for such costs which are charged to clearing accounts and redistributed to various operating, construction and other accounts. The costs of renewals and betterments of units of property are charged to the utility plant accounts. Property units retired or otherwise disposed of in the normal course of business are charged to the reserves for depreciation, along with removal costs, net of salvage.

The amounts of maintenance and depreciation expense other than those set forth in the Statements of Income are not significant. Rents and lease payments for railroad cars, computer equipment, buildings and similiar items are also not significant.

Retirement Plans: The Company has group annuity plans for all its regular employees, including officers, providing for benefits upon retirement, normally at age 65. Under the requirements of the Employee Retirement Income Security Act of 1974 (ERISA) the Company is obligated to fund the benefits of the plan. The Company's policy is to fund pension costs accrued. Liability for past service costs is not significant. The annual costs of the plans were $9.3 million in 1982, $8.1 million in 1981 and $7.3 million in 1980.

At the annual valuation date of October 1, the actuarial present value of accumulated plan benefits was approximately $118 million for 1982 and $116 million for 1981, including $3 million of non-vested benefits in both years. Plan net assets were approximately $129 million for 1982 and $112 million for 1981. Rates of return of 6 to 7% were assumed in determining benefits.

Revenue Recognition: The Company utilizes cycle billing and accrues the amount of revenue for sales unbilled at the end of each reporting period.

Income Taxes: The Company generally normalizes the effects of the use of accelerated tax depreciation methods. Deferred income taxes have been provided for the differences between book and tax depreciation except for the effect of accelerated depreciation on Missouri property acquired prior to 1972. Accelerated depreciation methods include the use of the Asset Depreciation Range System and Accelerated Cost Recovery System which permit shorter lives. Taxes deferred on property additions for certain prior years are now being restored to income as the timing differences reverse.

The tax effect of the interest component of AFDC is normalized and the related accumulated deferred income taxes are credited to construction work in progress rather than deferred income taxes on the balance sheet.

The Company normalizes for all jurisdictional purposes, including Kansas after December 1, 1981, the tax effects of pension costs, payroll taxes and property taxes which are capitalized on the books but deducted currently for income tax purposes. The effects of the current deduction of removal costs are flowed through.

Investment tax credits have been deferred when utilized and are being amortized to income over the service lives of the related properties. At December 31, 1982, the Company had unused and unrecorded investment tax credits of approximately $35 million, which will be available to reduce Federal income taxes payable through 1997.

Subsidiary: The Company has a wholly-owned subsidiary, WYMO Fuels Inc., organized for the acquisition and development of coal properties. The Company has accounted for its investment in WYMO Fuels Inc., under the equity method and has not prepared consolidated financial statements because the effect of consolidation upon the accompanying financial statements would not be significant.

Storm Damage: In June 1982, the Company's electric distribution facilities were damaged by severe storms. The approximately $1.9 million of operating expenses incurred to restore service have been deferred by the Company, and are being amortized to expense over a five-year period in anticipation that such costs will be recovered in rates.

2. Short-Term Borrowings

The Company borrows short-term funds from banks and through the sale of commercial paper as needed between financings. Bank lines-of-credit of $100 million, back-up for commercial paper and certain services rendered by the banks for the Company, were supported by compensating balances of approximately $6.9 million and minimal fee arrangements through August 31, 1982 and only by minimal fee arrangements thereafter.

3. Dividend Restrictions

Retained earnings at December 31, 1982, included $11.5 million which was not available for cash dividends under the provisions of the Indenture of Mortgage.

4. Preferred and Redeemable Preferred and Preference Stock

The outstanding preferred stock of $112 million may be redeemed at the option of the Company at prices which in the aggregate total $122 million except that the $10.70 series may not be redeemed at the current redemption price of $110.70 prior to June 1, 1985, through a refunding, directly or indirectly, by or in anticipation of the incurring of any debt or the issuance of preferred stock which has interest or dividend costs to the Company lower than 10.84%.

The Company's Cumulative Preferred and Preference Stock (Redeemable) may be redeemed in whole or in part, ratably from each of the holders of the outstanding shares, at times and prices specified in the purchase agreement for the individual issue. Redemption and sinking fund dates and amounts are as follows:

		Optional Redemption		Annual Sinking Fund		
Series	Date Issued	Initial Date	Current Price	Initial Date	Price	Shares
Cumulative Preferred						
4%	1948	Currently	$102.25	Currently	$100(a)	1,600
$17.05	1982(b)	1987	127.05	1988	110	11,400
$13.25	1982	Currently(d)	113.25	1988	100(a)	60,000(c)
Cumulative Preference						
$ 8.00	1978	Currently	100.00	1983	100	41,667
$12.75	1980	1983(d)	106.375	1985	100	41,667

(a) May be satisfied by open market purchases in lieu of sinking fund redemption.

(b) Premium at time of issue of $2,280,000 was recorded in capital surplus.

(c) Company has an option to purchase each year an additional 60,000 shares beginning in 1988 up to a maximum of 150,000 of such additional shares.

(d) The $13.25 and $12.75 series may not be refunded prior to August 31, 1987, and June 1, 1985, respectively, through refunding at an interest cost or dividend rate which is less than the dividend rate of such series.

At December 31, 1982, the Company was authorized to issue 555,157 shares of Cumulative Preferred Stock at a par value of $100 per share, 4,000,000 shares of Cumulative No Par Preferred Stock and 4,000,000 shares of Cumulative Preference Stock without par value.

Scheduled redemption and sinking fund requirements for outstanding redeemable preferred and preference stock for the next five years are as follows: 1983 and 1984, $4,327,000 each and for 1985 through 1987, $8,493,000 each year.

If any dividends on its preferred or preference stock are not declared and paid when scheduled, the Company could not declare or pay dividends on its common stock or acquire any shares thereof for consideration. If the amount of any such unpaid dividends equals four or more full quarterly dividends, the holders of preferred or preference stock, as the case may be, voting by the classes prescribed for this purpose, could elect representatives on the Company's Board of Directors.

5. Long-Term Debt

First Mortgage Bonds: The amount of First Mortgage Bonds authorized by the Indenture of Mortgage and Deed of Trust dated as of December 1, 1946, as supplemented, is unlimited. The amount of additional bonds which may be issued is subject to certain restrictive provisions of the Indenture. Substantially all of the Company's utility plant is pledged under the terms of the Indenture. The 3¼% series due 1985 has an annual sinking fund requirement of $160,000 which will be met by pledging property additions taken at 60% of cost or fair value to the Company, whichever is less.

In January 1983 the Company issued $60 million of 13% First Mortgage Bonds due in 2013. The proceeds of the issuance were used primarily to refinance $58.5 million of short-term borrowings.

Loan Agreements: The Company has a $100 million line-of-credit, expiring June 30, 1985, with a group of international banks which provides for the use of unsecured funds at interest rates adjusted quarterly based on the three-month London Inter-Bank Offered Rate. At December 31, 1982, $50 million at 9.8125% was outstanding.

The Company has a financing arrangement with a bank, expiring January 16, 1984, which enables the Company to borrow up to $50 million by collateralizing its coal and fuel oil inventories at rates based upon the current bankers' acceptance discount rate plus an acceptance charge. At December 31, 1982, $44 million at 9.35% was outstanding.

Nuclear Fuel Lease: The Company entered into a lease in 1982 which provides for the financing of the costs of up to $80 million of the Company's nuclear fuel. The lessor will obtain, through the issuance of commercial paper backed by letters of credit from commercial banks, or from revolving credit loans, the necessary funds to purchase the fuel and make interest payments when due. The Company is obligated to reimburse the lessor for all expenditures for nuclear fuel, interest and related costs as the fuel is consumed in the plant. The Company is capitalizing the cost, including related interest costs, of the leased nuclear fuel.

Scheduled Maturities: The aggregate amounts of maturities during the next five years of long-term debt outstanding at December 31, 1982, (exclusive of the loan agreements, which the Company expects will be extended, and the nuclear fuel lease) are $35 million in 1983 and $16 million in 1985.

6. Jointly Owned Electric Utility Plants

The Company has, under joint ownership agreements with other utilities, undivided interests at December 31, 1982, in generating units as follows:

	Wolf Creek Unit	La Cygne Units	Iatan Unit
Company's share	47.0%	50.0%	70.0%
		(thousands)	
Utility plant in service	—	$226,030	$234,933
Utility plant under construction	$685,102	$ 9,768	$ 190
Accumulated depreciation (Production plant only)	—	$ 67,778	$ 22,591
Company's accredited capacity—MW	541	685	469

Each participant must provide its own financing. The Company's share of direct expenses is included in the corresponding operating expenses on the Statements of Income.

At December 31, 1982, the Company's shares of Wolf Creek's total construction and nuclear fuel commitments were approximately $60 million and $190 million, respectively. Nuclear fuel commitments include approximately $90 million for uranium concentrates, enrichment and conversion through 1997 and $100 million for fabrication through 2010.

An application is pending before the Nuclear Regulatory Commission for an operating license for the Wolf Creek Unit. Without such a license, the Company assumes a risk of loss in proceeding with the construction of the Wolf Creek Unit.

Auditors' Report

To the Stockholders and the Board of Directors of Kansas City Power & Light Company

We have examined the balance sheets and statements of cumulative preferred and preference stock and long-term debt of Kansas City Power & Light Company (a Missouri corporation) as of December 31, 1982 and 1981, and the related statements of income, taxes, retained earnings and sources of funds for gross property additions 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, the financial statements referred to above present fairly the financial position of Kansas City Power & Light Company as of December 31, 1982 and 1981, and the results of its operations and the sources of its funds for gross property additions 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.

ARTHUR ANDERSEN & CO.

Kansas City, Missouri,
January 28, 1983.

Management's Discussion and Analysis of Financial Condition and Results of Operations

KWH Sales and Operating Revenues

Kwh sales decreased 3% in 1982 and 3.2% in 1981 compared with the prior years. The declines reflect mainly the effect of the recession on the local economy, especially in the steel industry in 1982, and the milder summers of 1982 and 1981 compared with the record-breaking 1980 summer heat.

Sales data for the years:

	Increase (Decrease) Over Prior Year	
	1982	1981
KWH Sales		
Residential	1.4%	(12.8)%
Commercial	2.7	(2.6)
Industrial (exclusive of a steel manufacturer)	(4.7)	6.3
Other	(.2)	(6.9)
Total	.7	(4.9)
Steel manufacturer	(32.7)	12.4
Total sales	(3.0)	(3.2)

The components of changes in operating revenues:

	Increase (Decrease) Over Prior Year	
	1982	1981
	(Millions)	
Revenues (exclusive of a steel manufacturer)		
Kwh sales and steam usage	$ 4	$(17)
Increases in base rates	33	34
Fuel cost recovery through fuel adjustment clauses	(16)	4
Total	21	21
Steel manufacturer	(7)	5
Total	$ 14	$ 26

Fuel Costs

Average fuel cost per million Btu increased to $1.389 in 1982 from $1.239 in 1981 and $1.094 in 1980 because of the higher prices for coal, freight and natural gas. Approximately 30% of the fuel cost increases have been recovered through the fuel adjustment clauses applicable to the Company's Kansas and wholesale sales. The July 1982 Missouri rate increase included $2 million to cover a portion of the anticipated price increases for coal and natural gas expected to be used during the succeeding twelve months.

The components of change in fuel costs:

	Increase (Decrease) Over Prior Year	
	1982	1981
	(Millions)	
Generation for customers and interchange sales	$(24)	$ 16
Average fuel cost	17	15
Totals	$ (7)	$ 31

Interchange Power (Net)

Interchange power (net) decreased $27.3 million in 1982 compared with 1981 and increased $26.7 million in 1981 compared with 1980 primarily because of a capacity sale agreement with another utility which commenced June 1, 1980, and expired May 31, 1982. The level of interchange sales in the future will depend on the Company's system requirements and other factors such as fuel costs, maintenance requirements and the availability of generating units to the Company and potential purchasing utilities.

Maintenance

Maintenance expense increased 15.1% in 1982 compared to 1981 reflecting increased maintenance required at several generating stations and increased transmission and distribution maintenance.

Interest Expense

Interest expense continues to increase because of increased amounts of outstanding debt and higher interest rates. Miscellaneous interest expense in 1982 was less than 1981 and 1980 because of interest expense incurred in the two prior years for advance payments received prior to the December 1981 sale of an interest in Wolf Creek.

Net AFDC

The Company's method of capitalizing allowance for funds used during construction (AFDC) is on a net AFDC basis since the tax effect of the interest component of AFDC is being normalized and the related accumulated deferred income taxes are credited to construction work in progress.

The continuing increases in the amount of construction work in progress at Wolf Creek and higher AFDC rates caused net AFDC to increase 34% in 1982 and 32% in 1981.

Earnings Per Share

Earnings per common share were significantly impacted by net AFDC as follows:

	1982	1981	1980
Net AFDC (Millions)	$56.4	$41.9	$31.9
Net AFDC Per Share	$3.75	$3.10	$2.47
Earnings Per Share (EPS)	$4.18	$4.83	$4.36
Net AFDC Per Share as a Percent of EPS	90%	64%	57%
EPS excluding net AFDC	$ .43	$1.73	$1.89

The significant decrease from 1981 to 1982 in earnings per share, excluding net AFDC, is a result of inadequate rate relief and the effect of the recession on the local economy.

Projected Construction Expenditures

Projected five-year construction expenditures are:

	Construction Expenditures					
	1983	1984	1985	1986	1987	Total
			(Millions)			
Generating facilities	$145.4	$111.7	$ 26.9	$ 8.0	$ 10.5	$302.5
Nuclear fuel	2.7	13.8	18.2	8.9	7.1	50.7
Transmission facilities	7.3	21.0	11.8	27.7	6.2	74.0
Distribution and general facilities	24.3	31.4	36.9	34.7	35.3	162.6
Totals	$179.7	$177.9	$ 93.8	$ 79.3	$ 59.1	$589.8

Of the five-year total for generating facilities, $233 million is budgeted for Wolf Creek. After completion of Wolf Creek, which is currently scheduled for commercial operation in 1985, construction expenditures are expected to drop to relatively low levels.

The timing of construction and cost estimates are subject to continuing review and adjustments, and actual construction expenditures may vary from such estimates.

Financing Requirements

In addition to financing construction expenditures, the Company will require cash during the five years ending December 31, 1987, to retire $51 million of maturing long-term debt, exclusive of payments on the nuclear fuel lease, and to redeem $34.1 million of preferred and preference stock pursuant to sinking fund obligations.

It is expected that financing requirements will be met through sales of debt and equity securities and various other financing arrangements. The amounts, timing and methods of financing will be dependent upon market conditions prevailing at the time the financings are required. Short-term borrowings will be utilized between financings. It is anticipated that funds for the remaining capital needs will be provided from operations.

Uncertainties which affect the degree to which financing requirements will be met by funds provided from operations include other such items as the impact of inflation on operating expenses, the level of kwh sales, the demand from other utilities for interchange power and the Company's ability to receive adequate rate increases.

See Supplementary Financial Information for Financial Data Adjusted for Changing Prices.

Supplementary Financial Information

Quarterly Operating Results

	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	1982	1981	1982	1981	1982	1981	1982	1981
				(thousands)				
Operating revenues	$115.347	$106.106	$111.416	$113.252	$140.683	$139.265	$118.183	$113.088
Operating income	19.273	22.065	14.360	20.278	26.071	29.750	18.219	22.392
Net income	16.930	16.080	12.643	14.570	29.195	28.090	22.173	20.406
Earnings per common share	$ 94	$ 94	$ 58	$ 83	$ 1.55	$ 1.82	$ 1.04	$ 1.24

The business of the Company is subject to seasonal fluctuations with peak periods occurring during summer months.

Financial Data Adjusted for Changing Prices

(Thousands)

	Year Ended December 31, 1982	
	Constant Dollar Average 1982 Dollars	Current Cost Average 1982 Dollars
Net income before book depreciation of $45,215	$ 126,156	$ 126,156
Adjusted depreciation	102,958	111,881
Income*	$ 23,198 (a)	$ 14,275
Increase in specific prices (current cost) of property, plant and equipment held during the year		$ 27,405
Increase to net recoverable cost	$ 219	95,267
Effect of increase in general price level		(113,530)
Total	219	9,142(b)
Gain from decline in purchasing power of net amounts owed	37,104	37,104
Net	$ 37,323	$ 46,246

(a) Including the increase to net recoverable cost, the gain on a constant dollar basis would have been $23,417 for 1982.

(b) At December 31, 1982, current cost of utility plant net of accumulated depreciation was $3,051,000 while historical cost or net cost recoverable through depreciation was $1,615,000.

Certain Financial Data Adjusted for Changing Prices

(In Thousands of Average 1982 Dollars)

	Year Ended December 31				
	1982	1981	1980	1979	1978
Average consumer price index (national)	**289.1**	272.4	246.8	217.4	195.4
General information					
Operating revenues	**$485,629**	$500,630	$522,401	$493,192	$471,471
Gain from decline in purchasing power of net amounts owed	**$ 37,104**	$ 85,707	$119,715	$132,688	—
Cash dividends declared per common share	**$ 3.01**	$ 3.00	$ 3.15	$ 3.50	$ 3.79
Market price per common share at year-end	**$ 27.44**	$ 22.59	$ 22.66	$ 27.82	$ 34.37
Historical cost information adjusted for—					
General inflation					
Income*	**$ 23,198**	$ 26,779	$ 27,505	$ 4,418	—
Income (loss)* per common share	**$ 0.33**	$ 0.90	$ 1.01	$ (0.88)	—
Net assets at year-end at net recoverable cost	**$529,152**	$471,714	$475,328	$469,331	—
Current cost information					
Income*	**$ 14,275**	$ 15,919	$ 14,347	$(12,289)	—
Income (loss)* per common share	**$ (0.26)**	$ 0.10	$ (0.02)	$ (2.39)	—
Excess of increase in general price level over increase in specific prices after reduction to net recoverable cost	**$ (9,142)**	$ 62,876	$113,390	$139,449	—
Net assets at year-end at net recoverable cost	**$529,152**	$471,714	$475,328	$469,331	—

*Excluding adjustment to net recoverable cost. The year 1979 is before cumulative effect of change in revenue recognition.

Notes to the Financial Data Adjusted for Changing Prices

The information presented above is supplied in accordance with the requirements of FASB Statement No. 33, "Financial Reporting and Changing Prices," for the purpose of providing certain information about the effects of changing prices. It should be viewed as an estimate of the approximate effect of inflation, rather than as a precise measure.

Constant dollar amounts represent historical costs stated in terms of dollars of equal purchasing power, as measured by the Consumer Price Index for All Urban Consumers (CPI-U). Current cost amounts reflect the changes in specific prices of plant from the date the plant was acquired to the present, and differ from constant dollar amounts to the extent that specific prices have increased more or less rapidly than prices in general. The current cost of plant was determined by indexing the surviving plant by the Handy-Whitman Index of Public Utility Construction Costs. Since utility plant is not expected to be replaced precisely in kind, current cost does not necessarily represent the replacement cost of the Company's productive capacity. The current year's provision for depreciation on the constant dollar and current cost amounts of depreciable plant was determined by applying the Company's composite depreciation rate to the average depreciable plant amount calculated on a constant dollar and current cost basis.

Since regulation limits a recovery of fuel costs in base rate schedules to actual costs, fuel inventories are effectively monetary assets and have, therefore, not been restated from their historical cost in nominal dollars. Also, preferred stock has been treated as a monetary item.

Since only historical costs are deductible for income tax purposes, income tax expense has not been adjusted.

Under the ratemaking prescribed by the regulatory commissions to which the Company is subject, only the historical cost of plant is recoverable in revenues as depreciation. Therefore, the excess of the cost of plant stated in terms of constant dollars or current costs that exceed the historical cost of plant is not presently recoverable in rates as depreciation, and is reflected as a reduction to net recoverable cost. To properly reflect the economics of rate regulation in the determination of income, the reduction of net plant to net recoverable cost has been offset by the gain from the decline in purchasing power of net amounts owed.

Dividends and Stock Prices

Common Stock Price Range

	1982		1981	
Quarter	**High**	**Low**	**High**	**Low**
First	\$24	\$21¾	\$22⅜	\$19½
Second	25¾	23⅛	22	19⅞
Third	26	22¾	22⅞	19¾
Fourth	28⅛	24¾	24¾	19⅝

Common stock is listed on the New York Stock Exchange and the Midwest Stock Exchange.

Common Stock Dividends

Common stock dividends were declared as follows:

Quarter	1983	1982	1981
First	\$0.79	\$0.74	\$0.695
Second		0.74	0.695
Third		0.74	0.695
Fourth		0.79	0.74

Preferred and Preference Stock Dividends

Quarterly dividends on Preferred and Preference Stock were declared in each quarter of 1982 and 1981 as follows:

Cumulative Preferred Stock

Series	Amount
3.80%	\$ 0.95
4.00%	1.00
4.20%	1.05
4.35%	1.0875
4.50%	1.125
7.72%	1.93

Cumulative No Par Preferred Stock

Series	Amount
\$10.70	\$2.675
\$ 2.33	0.5825
\$ 2.20	0.55

Cumulative Preference Stock

Series	Amount
\$ 8.00	\$2.00
\$12.75	3.1875

Quarterly dividends on Cumulative Preference Stock issued in 1982 were declared as follows:

		Quarter			
Series	**Issued**	**1st**	**2nd**	**3rd**	**4th**
\$17.05	Feb. 1982	\$5.0676	\$4.2625	\$4.2625	\$4.2625
\$13.25	Sept. 1982	—	—	2.3188	3.3125

All dividends paid by the Company in 1982 were determined to be dividend income and no portion was considered to be return of capital.

Transfer Agents and Registrars

Common Stock

Manufacturers Hanover Trust Company
New York, New York 10015

Harris Trust and Savings Bank
Chicago, Illinois 60690

United Missouri Bank of Kansas City, N.A.
Kansas City, Missouri 64141

Preferred Stock

Manufacturers Hanover Trust Company
New York, New York 10015

United Missouri Bank of Kansas City, N.A.
Kansas City, Missouri 64141

Preference Stock

Kansas City Power & Light Company
Kansas City, Missouri 64141

The Company

Kansas City Power & Light Company is a medium-sized electric utility and the corporate successor to one of the world's first electric companies, founded in 1881. Headquartered in downtown Kansas City, Missouri, the Company generates and distributes electricity to about 350,000 customers in a 4,700-square-mile area located in all or portions of 23 counties in western Missouri and eastern Kansas. Population of the service area is about 825,000. Customers include 308,000 residences, 40,000 commercial firms, and 2,800 industries, municipalities and other electric utilities. About 73 percent of total Kwh sales and revenue is derived from customers in Missouri and the remainder from Kansas.

Steam is generated and distributed to about 200 businesses in downtown Kansas City and accounts for about two percent of total revenue.

Generating Capacity and the MOKAN Pool

Most of the electricity supplied to customers is generated from six power stations with a total capacity of 2,774 megawatts. KCPL is one of 11 members of the MOKAN Pool, formed in 1962 to share reserve capacity, coordinate planning for additional generating units and expand transmission lines. Transmission interties with numerous utilities in Missouri, Kansas, Nebraska, Iowa and Minnesota enhance our system reliability and have made Kansas City a key center in the national power grid which enables bulk power transactions among the interconnected utility systems.

Economy of the Service Territory

Most of the Company's business is derived from Metropolitan Kansas City, which is considered to be the world's agribusiness capital, centered around the Kansas City Board of Trade. Kansas City leads the nation in farm equipment distribution and hard winter wheat marketing; ranks second in wheat flour production and grain elevator storage capacity and is the nation's third largest feeder cattle market.

The metro area has developed into a major retail market, ranking sixth among the thirty largest metropolitan areas in per capita retail sales. The city is the nation's largest producer of greeting cards and envelopes, and is a major center for automobile and truck assembly, rail and truck transportation, storage and distribution and for regional wholesale and service companies. Kansas City is also a rapidly growing convention and entertainment center, ranking among the top ten cities in number of conventions and dollars spent.

Location of several foreign trade zones in the area has established Kansas City as an international trade center.

The area's location midway between the geographic and population centers of the country will continue to play an important role in the area's economic development. A review of Fortune's 500 largest firms shows that 200 have operations in Metropolitan Kansas City.

Eleven-Year Summaries and Selected Financial Data

Summary of Earnings	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972
Operating Revenues (000's)											
Electric	**$ 475,802**	$ 465,825	$ 440,182	$ 365,084	$ 313,787	$ 266,053	$ 234,297	$ 207,813	$ 170,249	$ 155,403	$ 137,781
Steam heat	**9,827**	5,886	5,783	5,791	4,876	4,609	2,867	2,505	1,799	1,736	1,829
Total	**485,629**	471,711	445,965	370,875	318,663	270,662	237,164	210,318	172,048	157,139	139,610
Operating Expenses (000's)											
Operation	**207,974**	180,474	174,661	186,134	135,450	110,510	92,945	83,555	58,837	55,950	50,538
Maintenance	**62,496**	54,305	52,680	54,315	30,359	29,496	22,275	19,194	14,550	13,890	10,659
Depreciation	**45,215**	44,962	41,733	34,868	33,174	30,356	24,629	21,867	20,648	18,560	14,301
Taxes											
Income	**39,946**	45,577	42,088	9,569	26,137	18,455	19,841	16,495	15,204	10,633	9,349
General	**52,075**	51,908	47,956	41,914	38,511	35,519	31,822	28,537	25,207	22,959	21,375
Total	**407,706**	377,226	359,118	326,800	263,631	224,336	191,512	169,648	134,446	121,992	106,222
Operating Income (000's)	**77,923**	94,485	86,847	44,075	55,032	46,326	45,652	40,670	37,602	35,147	33,388
Other Income and Deductions (000's)											
Allowance for equity funds used during construction	**36,089**	29,073	19,775	19,467	12,543	7,592	3,983	2,119	511	1,006	1,893
Miscellaneous (net)	**(63)**	327	(122)	304	(874)	(39)	185	1,715	642	214	498
Total	**36,026**	29,400	19,653	19,771	11,669	7,553	4,168	3,834	1,153	1,220	2,391
Income before Interest Charges (000's)	**113,949**	123,885	106,500	63,846	66,701	53,879	49,820	44,504	38,755	36,367	35,779
Interest Charges (000's)											
Long-term debt	**65,260**	55,232	48,864	40,612	32,217	26,856	23,553	19,968	17,884	17,473	15,978
Short-term notes	**6,021**	3,896	4,781	3,408	1,969	1,066	412	1,085	1,592	343	650
Allowance for borrowed funds used during construction—credit	**(39,670)**	(24,878)	(22,997)	(19,211)	(10,750)	(5,904)	(4,022)	(3,356)	(1,062)	(1,554)	(3,102)
Miscellaneous	**1,397**	10,489	7,151	2,486	341	268	255	203	128	147	87
Total	**33,008**	44,739	37,799	27,295	23,777	22,286	20,198	17,900	18,542	16,409	13,613
Income before Cumulative Effect (000's)	**80,941**	79,146	68,701	36,551	42,924	31,593	29,622	26,604	20,213	19,958	22,166
Cumulative Effect of Change in Revenue Recognition (000's)	**—**	—	—	7,202	—	—	—	—	—	—	—
Net Income (000's)	**80,941**	79,146	68,701	43,753	42,924	31,593	29,622	26,604	20,213	19,958	22,166
Preferred and Preference Stock Dividend Requirements (000's)	**18,193**	13,749	12,418	10,573	8,719	7,545	5,124	4,019	2,842	2,848	2,854
Applicable to Common Stock (000's)	**$ 62,748**	$ 65,397	$ 56,283	$ 33,180	$ 34,205	$ 24,048	$ 24,498	$ 22,585	$ 17,371	$ 17,110	$ 19,312
Earnings Per Common Share	**$ 4.18**	$ 4.83	$ 4.36	$ 3.01	$ 3.55	$ 2.93	$ 3.40	$ 3.62	$ 2.92	$ 2.88	$ 3.37
Ratio of Earnings to Fixed Charges	**2.62**	2.75	2.80	1.99	3.01	2.78	3.04	3.09	2.82	2.68	2.88

Capitalization Data

Common Stock Equity (000's)	**$ 535,192**	$ 459,313	$ 424,852	$ 373,224	$ 327,260	$ 282,106	$ 244,938	$ 215,512	$ 188,336	$ 183,934	$ 179,802
Average shares outstanding	**15,006,912**	13,535,149	12,915,770	11,009,407	9,644,321	8,216,133	7,211,536	6,247,092	5,947,092	5,947,032	5,738,759
Cash dividends per share	**$ 3.01**	$ 2.825	$ 2.69	$ 2.635	$ 2.56	$ 2.46	$ 2.34	$ 2.26	$ 2.20	$ 2.20	$ 2.12
Preferred Stock (000's)	**$ 112,000**	$ 112,000	$ 112,000	$ 112,000	$ 112,000	$ 112,000	$ 92,000	$ 72,000	$ 52,000	$ 52,000	$ 52,000
Dividend requirements (000's)	**$ 8,414**	$ 8,414	$ 8,414	$ 8,414	$ 8,414	$ 7,372	$ 4,945	$ 3,834	$ 2,650	$ 2,650	$ 2,650
Average dividend rate	**7.5%**	7.5%	7.5%	7.5%	7.5%	7.4%	6.7%	6.0%	5.1%	5.1%	5.1%
Preferred Stock (Redeemable) (000's)	**$ 56,316**	$ 3,676	$ 3,836	$ 3,996	$ 4,156	$ 4,316	$ 4,476	$ 4,636	$ 4,796	$ 4,956	$ 5,116
Dividend requirements (000's)	**$ 4,592**	$ 148	$ 153	$ 159	$ 166	$ 173	$ 179	$ 185	$ 192	$ 198	$ 204
Average dividend rate	**14.7%**	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Preference Stock (Redeemable) (000's)	**$ 50,000**	$ 50,000	$ 50,000	$ 25,000	$ 25,000	—	—	—	—	—	—
Dividend requirements (000's)	**$ 5,187**	$ 5,187	$ 3,851	$ 2,000	$ 139	—	—	—	—	—	—
Average dividend rate	**10.38%**	10.38%	9.73%	8.00%	8.00%	—	—	—	—	—	—
Long-term Debt (including current maturities) (000's)	**$ 767,616**	$ 662,050	$ 612,477	$ 588,876	$ 503,044	$ 436,372	$ 384,118	$ 343,738	$ 324,541	$ 299,767	$ 285,673
Interest on debt (000's)	**$ 65,260**	$ 55,232	$ 48,864	$ 40,612	$ 32,217	$ 26,856	$ 23,553	$ 19,968	$ 17,884	$ 17,473	$ 15,978
Average interest rate	**9.40%**	8.88%	8.27%	7.58%	6.98%	6.78%	6.35%	6.12%	5.88%	5.86%	5.78%

Other Data

Utility Plant—Gross additions (000's)	**$ 207,038**	$ 173,418	$ 156,867	$ 234,818	$ 188,721	$ 168,285	$ 126,014	$ 89,818	$ 63,179	$ 38,355	$ 70,170
Total Assets (000's)	**1,792,227**	1,617,781	1,538,978	1,391,038	1,166,760	1,008,814	841,502	736,530	662,592	604,930	575,505

Electric Sales Statistics	**1982**	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972
Revenues (000's)											
Residential	**$ 160,364**	$ 154,916	$ 161,973	$ 121,170	$ 111,972	$ 93,343	$ 84,202	$ 79,507	$ 62,314	$ 58,280	$ 51,533
Commercial	**203,904**	192,526	176,505	148,120	124,083	107,738	94,306	83,416	68,273	62,043	54,830
Industrial	**86,953**	94,168	80,821	76,956	61,489	50,914	43,105	34,478	30,927	27,570	24,530
Public street and highway lighting	**9,616**	9,332	8,325	7,043	6,221	6,398	5,888	5,205	4,506	3,949	3,683
Public authorities—power and lighting	**86**	82	75	69	74	65	60	56	55	49	45
Other electric utilities	**12,631**	12,648	10,638	9,994	8,369	6,186	5,315	3,765	2,968	2,355	2,123
Total	**473,554**	463,672	438,337	363,352	312,208	264,644	232,876	206,427	169,043	154,246	136,744
Other electric revenues	**2,248**	2,153	1,845	1,732	1,579	1,409	1,421	1,386	1,206	1,157	1,037
Total	**$ 475,802**	$ 465,825	$ 440,182	$ 365,084	$ 313,787	$ 266,053	$ 234,297	$ 207,813	$ 170,249	$ 155,403	$ 137,781
Sales in Kilowatt Hours (000's)											
Residential	**2,378,647**	2,345,646	2,689,467	2,254,962	2,465,782	2,264,029	2,193,859	2,300,432	2,070,855	2,113,326	1,956,111
Commercial	**3,339,673**	3,251,235	3,338,185	3,183,710	3,182,675	3,080,589	2,889,888	2,846,031	2,651,817	2,677,697	2,493,428
Industrial	**1,959,431**	2,326,664	2,141,924	2,383,204	2,302,619	2,147,363	1,980,230	1,768,308	1,952,711	1,985,799	1,881,876
Public street and highway lighting	**66,625**	66,308	67,172	66,561	68,248	68,286	66,814	65,260	65,276	64,158	62,331
Public authorities—power and lighting	**1,657**	1,634	1,693	1,876	2,710	2,702	2,657	2,914	3,513	3,599	3,596
Other electric utilities	**325,997**	327,022	355,154	328,072	336,916	317,516	302,842	264,497	235,488	236,309	216,280
Total	**8,072,030**	8,318,509	8,593,595	8,218,385	8,358,950	7,900,485	7,436,290	7,247,442	6,979,660	7,080,888	6,613,622
Average Number of Customers											
Residential	**306,756**	304,613	301,417	298,413	293,402	288,376	284,296	281,708	278,973	273,532	267,320
Commercial	**40,065**	39,758	38,984	38,372	38,713	38,343	38,024	37,709	37,575	37,401	36,670
Industrial	**2,476**	2,359	2,215	2,142	2,121	2,084	2,065	2,049	2,063	2,112	2,133
Public street and highway lighting	**120**	122	123	123	123	122	125	126	128	128	129
Public authorities—power and lighting	**11**	11	11	11	12	11	11	11	12	12	12
Other electric utilities	**13**	13	14	14	16	16	15	13	13	13	12
Total	**349,441**	346,876	342,764	339,075	334,387	328,952	324,536	321,616	318,764	313,198	306,276
Residential Sales											
Average kwh per customer	**7,754**	7,700	8,923	7,556	8,404	7,920	7,717	8,166	7,423	7,726	7,317
Average revenue per kwh—cents	**6.742**	6.604	6.023	5.373	4.541	4.087	3.838	3.456	3.009	2.758	2.634
Load Statistics											
Generated (net)—kwh (000's)	**9,138,284**	10,762,030	10,095,801	7,535,591	8,581,224	8,446,189	7,667,221	7,203,748	7,225,580	7,212,592	7,225,430
Purchased—kwh (000's)	**11,146**	11,051	11,761	79,993	211,991	188,082	194,250	190,198	161,600	141,759	185,822
Interchanged (net)—kwh (000's)	**(539,933)**	(1,908,379)	(902,501)	1,196,104	218,421	(182,695)	164,936	463,542	169,272	243,921	(237,235)
Total—kwh (000's)	**8,609,497**	8,864,702	9,205,061	8,811,688	9,011,636	8,451,576	8,026,407	7,857,488	7,556,452	7,598,272	7,174,017
Maximum net hourly demand in kilowatts (winter)	**1,315,000**	1,304,000	1,299,000	1,317,000	1,286,000	1,255,000	1,165,000	1,161,000	1,106,300	1,090,900	1,116,800
Maximum net hourly demand in kilowatts (summer)	**2,167,000**	2,123,000	2,198,000	1,964,000	2,097,000	1,980,000	1,920,000	1,902,700	1,907,200	1,757,300	1,675,700
Net generating capability in kilowatts (summer)	**2,774,000**	2,884,000	2,838,000	2,560,000	2,560,000	2,641,000	2,361,000	2,334,000	2,218,000	2,224,000	1,813,000
Net capacity in kilowatts (sold) purchased (summer)	**—**	(200,000)	(150,000)	—	95,000	(101,000)	118,000	100,000	148,000	(25,000)	163,000
Btu per net kwh generated	**11,138**	11,119	11,158	11,633	11,266	11,518	11,331	11,585	11,364	11,521	11,001

Employee Data

	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972
Salaries and wages (000's)	**$ 87,907**	$ 80,239	$ 73,602	$ 68,465	$ 54,693	$ 56,380	$ 49,644	$ 45,305	$ 38,614	$ 40,068	$ 33,867
Pensions and benefits (000's)	**14,473**	12,759	11,670	9,947	6,861	7,878	7,132	6,487	5,358	5,870	4,285
	$ 102,380	$ 92,998	$ 85,272	$ 78,412	$ 61,554	$ 64,258	$ 56,776	$ 51,792	$ 43,972	$ 45,938	$ 38,152
Number of employees, December 31	**2,957**	2,928	2,856	2,868	2,726	2,572	2,522	2,484	2,477	2,556	2,473

Employee Data—Adjusted*

	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972
Salaries and wages (000's)	**$ 80,194**	$ 72,627	$ 66,469	$ 62,569	$ 49,755	$ 51,716	$ 46,491	$ 42,748	$ 36,272	$ 39,130	$ 33,264
Pensions and benefits (000's)	**13,281**	11,610	10,751	9,282	6,287	7,359	6,754	6,174	5,087	5,729	4,209
	$ 93,475	$ 84,237	$ 77,220	$ 71,851	$ 56,042	$ 59,075	$ 53,245	$ 48,922	$ 41,359	$ 44,859	$ 37,473
Number of employees, December 31	**2,720**	2,694	2,628	2,659	2,577	2,414	2,382	2,379	2,375	2,473	2,429

*Excludes data related to employees allocated to other participants in jointly-owned units operated by KCPL.

Board of Directors

Arthur J. Doyle*
Chairman of the Board, President and Chief Executive Officer

Cyrus S. Eaton, Jr.
Chairman of the Board
Cyrus Eaton World Trade
Cleveland, Ohio
—mining, investments and international trade

William D. Grant*
Chairman of the Board and Chief Executive Officer
Business Men's Assurance Company of America
—insurance

George E. Nettels, Jr.
President and Chief Executive Officer
McNally Pittsburg, Inc.
President
Midwest Minerals, Inc.
Pittsburg, Kansas
—engineering, manufacturing, construction mineral processing and quarry operations

Louis C. Rasmussen
Senior Vice President-Finance and Commerce and Chief Financial Officer

Eugene M. Strauss
Chief Executive
The Strauss Companies
—insurance and related insurance corporations

*Member Executive Committee

Willis C. Theis*
Chairman of the Board
Simonds-Shields-Theis Grain Company
—grain merchants and warehousemen

Robert H. West*
President and Chief Operating Officer
Butler Manufacturing Company
—manufacturer and marketer of pre-engineered buildings systems, agricultural equipment and energy management systems

Robert K. Zimmerman*
Honorary Chairman of the Board

Advisory Director
Robert A. Olson
Retired Chairman of the Board

Company Officers**

Arthur J. Doyle, 59
Chairman of the Board, President and Chief Executive Officer, 1973

Samuel P. Cowley, 48
Senior Vice President-Corporate Affairs, Secretary and Chief Legal Officer, 1979

Donald T. McPhee, 63
Senior Vice President-System Power Operations, 1969

J. Robert Miller, 58
Senior Vice President-Transmission and Distribution Operations, 1971

Louis C. Rasmussen, 54
Senior Vice President-Finance and Commerce and Chief Financial Officer, 1974

J. Michael Evans, 37
Vice President-System Power Operations, 1983

A. Drue Jennings, 36
Vice President and General Counsel, 1980

Donald M. Landes, 51
Vice President-Communications, 1975

John A. Mayberry, 55
Vice President-Commercial Operations, 1971

William H. Miller, 48
Vice President-Administration, 1980

Ronald G. Wasson, 37
Vice President-Purchasing, 1983

Lee F. Miller, 61
Treasurer, 1975

Neil A. Roadman, 37
Controller, 1980

**Listing includes age, title and year promoted to officer.

Annual Meeting of Stockholders

The 1983 Annual Meeting of Stockholders is scheduled for Tuesday, April 26, 1983, at 10:00 a.m., in the 4th floor auditorium of the Company's offices at 1330 Baltimore Avenue, Kansas City, Missouri. A notice of the meeting, proxy statement and form of proxy will be mailed to all shareholders of record as of the close of business March 7, 1983, who will be the shareholders eligible to vote at the meeting.

Dividend Reinvestment and Stock Purchase Plan

The Company's Dividend Reinvestment and Stock Purchase Plan offers all KCPL shareholders the opportunity to reinvest dividends in new common stock purchased at 95 percent of market price and/or invest up to $1,000 quarterly in new common stock at market price. Stock purchased under the plan is free of brokerage commissions. A prospectus is available by writing to the Secretary of the Company.

Under the Economic Recovery Tax Act of 1981, shareholders may defer federal income taxes on reinvested dividends of up to $750 annually ($1,500 for joint returns) until the stock is sold. The tax benefit is available through 1985.

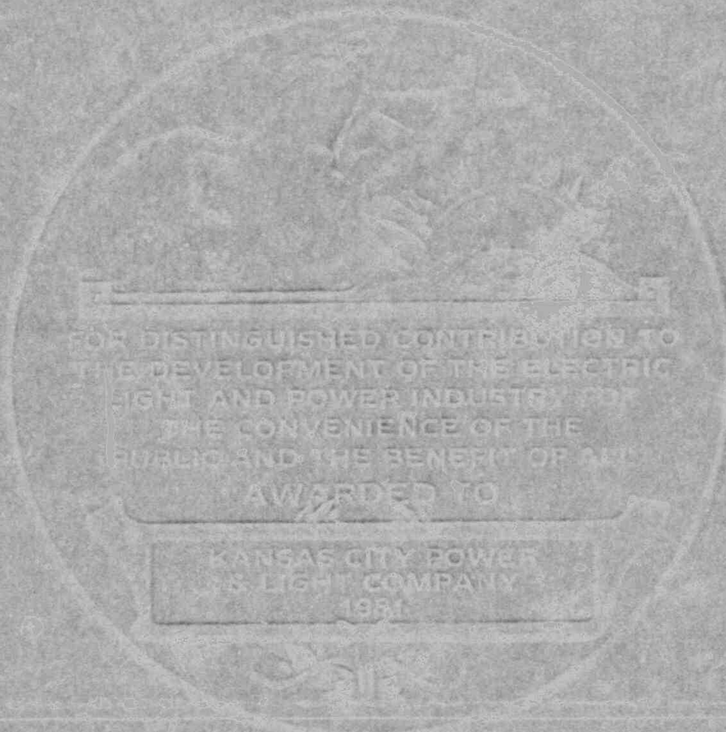
New Law Mandates Dividend Withholding

The Tax Equity and Fiscal Responsibility Act of 1982 requires KCPL to withhold 10 percent of all dividends paid after June 30, 1983, except for individuals who qualify for an exemption or reinvest dividends through a qualified utility dividend reinvestment plan. A 15 percent withholding is required for shareholders who do not have their social security number on file with the Company.

Generally exempt from withholding are those individuals whose previous year's federal income tax liability did not exceed [illegible] ($1,000 for joint returns) and, for those [illegible], if their previous year's income tax liability did not exceed [illegible] ([illegible] for joint returns).

[illegible] ordering procedures for [illegible] and [illegible] will be sent to shareholders during [illegible].

KANSAS CITY POWER & LIGHT COMPANY
1330 Baltimore Avenue
Kansas City, Missouri 64141



Audited Financial Statements

Kansas Electric Power Cooperative, Inc.

December 31, 1982

Ernst & Whinney

Audited Financial Statements

KANSAS ELECTRIC POWER COOPERATIVE, INC.

December 31, 1982

Ernst & Whinney

2000 City Center Square
1100 Main Street
Kansas City, Missouri 64105

816/474-8050

Board of Trustees
Kansas Electric Power Cooperative, Inc.
Topeka, Kansas

We have examined the balance sheet of Kansas Electric Power Cooperative, Inc. as of December 31, 1982 and the related statements of patronage capital (deficit) and other equities, revenue and expense, and changes in financial position for the year then ended. Our examination was 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, the financial statements referred to above present fairly the financial position of Kansas Electric Power Cooperative, Inc. at December 31, 1982 and the results of its operations and changes in its financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceeding year.

Ernst & Whinney

Kansas City, Missouri
February 2, 1983

BALANCE SHEET

KANSAS ELECTRIC POWER COOPERATIVE, INC.

ASSETS	December 31 1982
UTILITY PLANT	
Electric plant in service	$ 125,887
Construction work in progress--Note B	110,794,905
	110,920,792
Less allowances for depreciation	47,186
	110,873,606
INVESTMENTS IN ASSOCIATED ORGANIZATIONS	5,844,180
CURRENT ASSETS	
Cash and short-term investments (including amounts restricted for construction of $138,075)	1,073,264
Accounts receivable from members	2,061,870
Other	6,083
	3,141,217
DEFERRED DEBITS	254,076
	$120,113,079

	December 31 1982
LIABILITIES AND PATRONAGE CAPITAL	
PATRONAGE CAPITAL AND OTHER EQUITIES	
Memberships	$ 2,800
Patronage Capital (Deficit)	(948,266)
Other equities	30,433
	(915,033)
LONG TERM DEBT--Note C	114,868,281
CURRENT LIABILITIES	
Note payable to National Rural Utilities Cooperative Finance Corporation	2,670,000
Accounts payable	2,128,451
Accounts payable to members--Note D	1,082,578
Payroll and payroll related liabilities	21,904
Accrued property taxes	241,220
Accrued interest payable	1,719
Other	13,959
	6,159,831
COMMITMENTS AND LITIGATION--Notes B, C and D	
	$120,113,079

See notes to financial statements

STATEMENT OF PATRONAGE CAPITAL (DEFICIT) AND OTHER EQUITIES

KANSAS ELECTRIC POWER COOPER TIVE, INC.

Year Ended December 31, 1982

	Memberships	Patronage Capital (Deficit) Unallocated	Deficit Accumulated During Development Stage	Other Equities	Total
Balance at December 31, 1981	$2,800	$ (3,780)	$(3,514,473)	$ ---	$(3,515,453)
Reclassified to Construction in Progress--Note B	---	---	3,514,473	---	3,514,473
1982 Net Margin (loss)	---	(944,486)	---	30,433	(914,053)
Balance at December 31, 1982	$2,800	$(948,266)	$ ---	$30,433	$ (915,033)

See notes to financial statements

STATEMENT OF REVENUE AND EXPENSE

KANSAS ELECTRIC POWER COOPERATIVE, INC.

		Year Ended December 31, 1982
Operating Revenue		$18,012,089
Operating Expenses:		
Power purchased		17,988,089
Administrative and general		900,485
Depreciation		13,884
Interest		54,117
		$18,956,575
	NET LOSS FROM OPERATIONS	(944,486)
Interest Income		30,433
	NET LOSS	$ (914,053)

See notes to financial statements

STATEMENT OF CHANGES IN FINANCIAL POSITION

KANSAS ELECTRIC POWER COOPERATIVE, INC.

	Year Ended December 31, 1982
SOURCES OF WORKING CAPITAL	
Net loss	$ (914,053)
Charges to income not affecting working capital:	
Depreciation	18,496
TOTAL FROM OPERATIONS	(895,557)
Proceeds from long-term debt	18,311,000
Other	21,727
	17,437,170
APPLICATION OF WORKING CAPITAL	
Increase in investments in associated organizations	2,318,474
Additions to utility plant	25,740,128
Other	86,452
Reduction of long-term debt	13,959
	28,159,013
DECREASE IN WORKING CAPITAL	$10,721,843
CHANGES IN COMPONENTS OF WORKING CAPITAL	
Increase (decrease) in current assets:	
Cash and short-term investments	$(6,819,927)
Accounts receivable from members	1,780,589
Other	1,761
	(5,037,577)
Increase (decrease) in current liabilities:	
Note payable	2,670,000
Accounts payable	1,787,904
Accounts payable to members	1,016,578
Payroll and payroll related liabilities	7,069
Accrued property taxes	237,167
Accrued interest payable	(39,403)
Other	4,951
	5,684,266
DECREASE IN WORKING CAPITAL	$10,721,843

See notes to financial statements

NOTES TO FINANCIAL STATEMENTS

KANSAS ELECTRIC POWER COOPERATIVE, INC.

December 31, 1982

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Kansas Electric Power Cooperative, Inc. (KEPCo) maintains its accounting records in accordance with the Federal Energy Regulatory Commission's chart of accounts as adopted by the Rural Electrification Administration. The more significant accounting policies are described below.

Property, Plant and Equipment: Property, plant and equipment is stated at cost.

Provision for depreciation is computed on the straight-line method on the basis of the following estimated useful lives:

Transportation Equipment	3-4 years
Office Furniture & Fixtures	10 years
Leasehold Improvements	3 years

Depreciation for 1982 amounted to $18,496, of which $13,884 was charged to depreciation expense with the remaining amount being charged to various deferred debits, member clearing accounts and construction in progress.

Short-Term Investments: Short-term investments are stated at cost which is approximately equal to market.

Investments in Associated Organizations: Investments in associated organizations consist principally of patronage capital certificates of the National Rural Utilities Cooperative Finance Corporation.

Tax Status: KEPCo has been determined to be exempt from federal income taxes under Section 501(c)12 of the Internal Revenue Code.

NOTE B--WOLF CREEK NUCLEAR PLANT

On December 31, 1981, KEPCo acquired a six per-cent interest in the Wolf Creek Nuclear Plant (Wolf Creek), being constructed near Burlington, Kansas, from Kansas City Power and Light Company (KCPL) and Kansas Gas and Electric Company (KGE). The purchase price was approximately $73,922,000. Prior to December 31, 1981, KEPCo had advanced $151,500,000 to KCPL and KGE with the intention of acquiring a 17% interest in Wolf Creek. KEPCo had borrowed such amounts from the National Rural Utilities Cooperative Finance Corporation (NRUCFC) and had incurred interest charges of approximately $57,728,000 through December 31, 1981. On December 31, 1981, the advances were refunded together with interest of $49,531,000. The excess of interest incurred over interest refunded ($8,197,000) has been included in construction in progress as a cost of Wolf Creek.

NOTE B--WOLF CREEK NUCLEAR PLANT--CONT'D

Prior to January 1, 1982, KEPCo was considered to be a "development stage enterprise". In this regard, certain costs were recorded as a deficit accumulated during the development stage ($3,514,473). Additionally, $19,499,586 of costs related to Wolf Creek were classified as deferred debits at December 31, 1981, consisting principally of capitalized interest including the $8,197,000 referred to in the preceding paragraph. During 1982, management performed a comprehensive review of all prior years' costs classified as "deferred debits" and "deficit accumulated during development stage", and as a result of this review, management believes that these costs are directly related to KEPCo's participation in Wolf Creek and therefore are properly includable in utility plant. Accordingly, these costs were reclassified to construction in progress during 1982.

The expected completion date for Wolf Creek is April, 1985, as projected by KGE in its November, 1982 schedule and budget. KEPCo's management estimates KEPCo's total investment at completion, based on the November, 1982 schedule and budget, will be approximately $220,000,000 including interest and administrative costs during construction. At December 31, 1982, KEPCo has an approved Federal Financing Bank (FFB) loan guaranteed by the Rural Electrification Administration (REA) in the amount of $200,000,000. Management intends to apply to REA for an REA guaranteed FFB deficiency loan of approximately $20,000,000. KEPCo's investment in Wolf Creek at December 31, 1982, was $110,794,905, including approximately $1,082,000 that management expects to invoice to KCPL and KGE for reimbursable construction costs. Reimbursement will be credited to construction in progress when received.

NOTE C--LONG TERM DEBT

Long Term debts consists of:

	December 31 1982
Mortgage notes payable to the Federal Financing Bank (FFB) at rates varying from 10.61% to 14.724%. Interest is payable in quarterly installments through 1988. Starting in 1989, quarterly installments of interest and principal will commence and will continue through 2017	$114,311,000
Advances from member and non-member cooperatives	557,281
	$114,868,281

NOTE C--LONG TERM DEBT--CONT'D

KEPCo has the option on FFB promissory note advances to elect short-term maturity dates of not less than two years nor more than seven years after the date of the initial advance (subject to REA approval) or may elect a long term maturity date of 34 years after the end of the calendar year in which the initial advance was made. On the maturity of a short-term advance, KEPCo may refinance the advance with another short-term advance with a maturity date of not greater than seven years from the date of the original advance or may elect to refinance with a long term maturity date of 34 years after the end of the calendar year in which the initial advance was made. At December 31, 1982, KEPCo had $48,000,000 of advances with maturity dates of December 31, 1983. KEPCo intends to refinance these advances as described above. Accordingly these advances have been classified as long-term debt for financial statement purposes.

KEPCo has a loan commitment of $200,000,000 from FFB which is guaranteed by REA, and intends to apply for a $20,000,000 deficiency loan from FFB to be guaranteed by REA.

Advances of funds from member and non-member cooperatives resulted from the transfer of assets and liabilities from the Kansas Electric Cooperative Inc. to KEPCo during 1977. These funds were used to finance economic, engineering, legal and administrative investigations of projects that were being contemplated. The agreements with the cooperatives state that should an investigation result in the construction of a project or projects, amounts of investigation and development costs transfered to project utility plant accounts are to be reimbursable to the systems participating in the agreements on a pro rata basis.

During 1982, interest incurred totaled approximately $14,183,000, of which $54,117 was charged to interest expense and the remaining amount was capitalized as part of the cost of capital assets under construction.

NOTE D--CONTINGENCY

At December 31, 1982, KEPCo was a defendant in certain litigation concerning disputed power billings from Kansas Gas & Electric Company (KGE) totaling approximately $746,000. The dispute is over the effective date of a rate increase and related issues. Subsequent to December 31, 1982, the litigation was dismissed without prejudice, pending the issuance of an Order, after a formal hearing by the Federal Energy Regulatory Commission (FERC). In conjunction with the dismissal, KEPCo paid a portion of the disputed amount to KGE totalling $295,328, which is subject to refund with interest upon final resolution of this issue. Through December 31, 1982, KEPCo had retained funds from its members in the amount of $891,180 to be used for payments, if any, as may be required upon resolution of the dispute. The $891,180 is included in accounts payable to members in the accompanying balance sheet.

NOTE E--PENSION PLAN

KEPCo participates in the National Rural Electric Cooperative Association (NRECA) retirement and security program for its employees. KEPCo makes annual contributions to the plan equal to the amounts accrued for pension costs. KEPCo employees are also required to contribute a percentage of their salary to the plan. In the master multiple-employee plan, which is available to all members of NRECA, the accumulated benefits and plan assets are not determined or allocated by individual employees. KEPCo's pension cost for the plan for the year ended December 31, 1982 was $33,470.

Ernst & Whinney

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Kansas Electric Power Cooperative, Inc.
Topeka, Kansas

We would like to take this opportunity to express our appreciation to Mr. Charles Ross, Executive Vice President, and the members of his management team, particularly Rick Tyler, for the assistance and co-operation that we received during our audit of the financial statements of Kansas Electric Power Cooperative, Inc.

The cooperation and assistance that we received, combined with the overall quality of the accounting records, allowed us to complete the audit in an orderly fashion.

During our examination, we did not note any weaknesses or deficiencies in the accounting system that would require recommendations for improvement.

It is a pleasure to be associated with KEPCo, and we would be pleased to assist the board or management in any way that we can.

Ernst & Whinney

Kansas City, Missouri
February 2, 1983