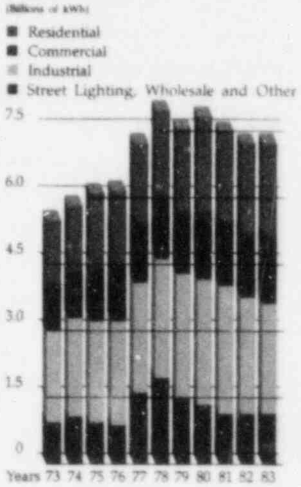
# Kansas Gas and Electric Company



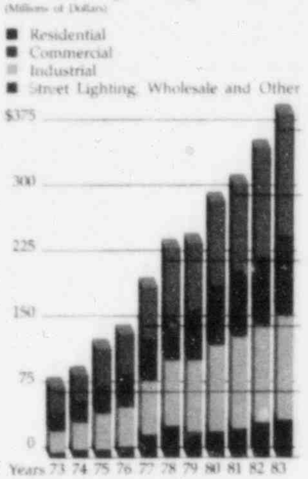
## Annual Report to Stockholders-1983

# Summary, Contents and Stockholder Information

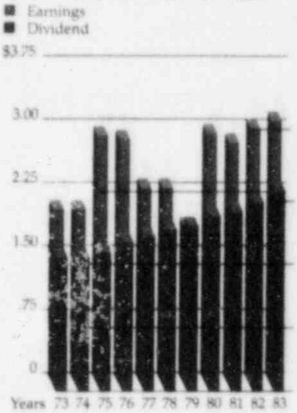
Sales




Electric Operating Revenues

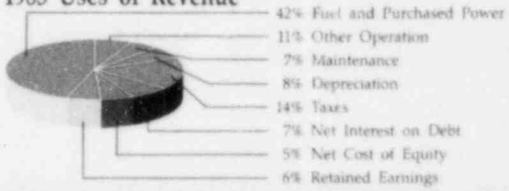



Annual Common Stock Earnings Per Share and Year-End Dividend Rate




1983 Sources of Revenue


1983 Uses of Revenue




## Contents



## Service Area

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

Wholesale service is provided to 29 communities and 11 other electric utilities. The company owns no gas properties and has no gas operations.

The company has all appropriate franchises and certificates which are needed to permit it to provide service. See map on Page 10.

## On The Cover

*Providing electrical service that customers can rely on is the objective of KG&E and is the theme of this report.*

*Illustrations are by Ted Watts of Oswego, Kansas, and a graduate of Pittsburg State University located in one of the communities we serve. Ted is nationally acclaimed as a "sports" artist especially because of his ability to show the athlete in action totally involved - - in mind and body.*

*We asked Ted to picture members of the KG&E employee "team" to illustrate the wide range of activities performed to ensure reliable service for customers.*

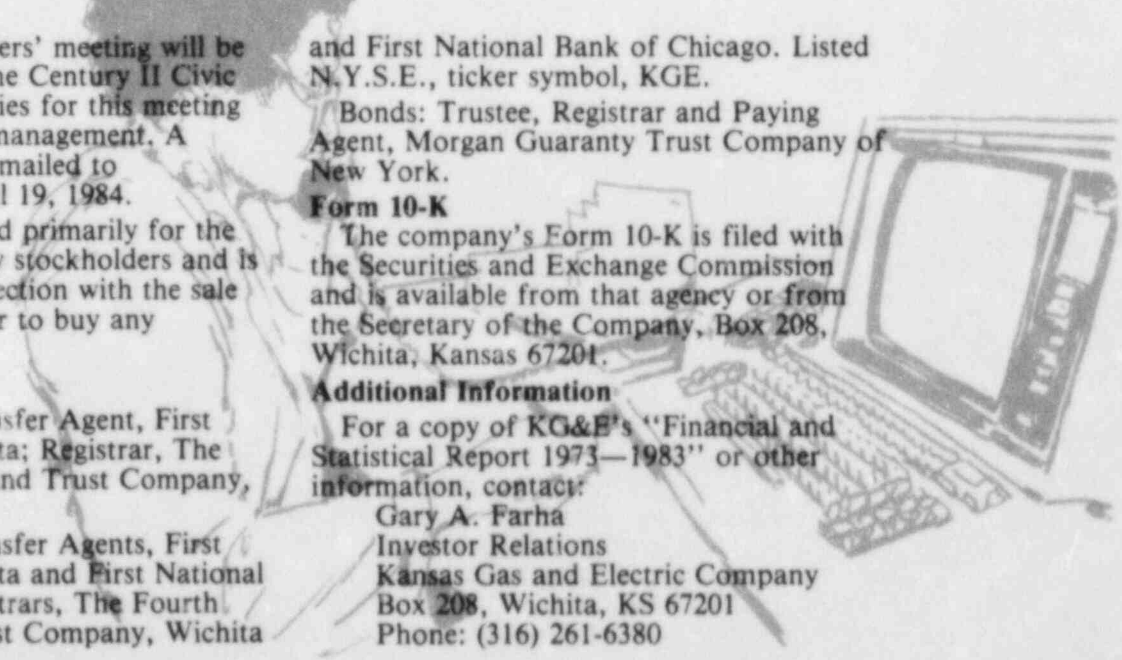
# Financial Highlights

## Financial Highlights, Five-Year Comparison

*(Dollars in thousands except per share data)*

| | 1983 | 1982 | 1981 | 1980 | 1979 |
|---|---|---|---|---|---|
| **Operating Revenues** | **$ 393,053** | $ 350,937 | $ 313,093 | $ 293,808 | $ 244,970 |
| **Net Income** | **$ 107,538** | $ 84,663 | $ 65,975 | $ 52,395 | $ 29,220 |
| **Earnings Applicable to Common Stock** | **$ 92,027** | $ 70,521 | $ 53,060 | $ 43,208 | $ 21,003 |
| **Average Shares of Common Stock Outstanding** | **29,912,327** | 23,503,302 | 18,631,479 | 14,562,746 | 11,400,916 |
| **Common Stock Per Share Data** | | | | | |
| Earnings | **$ 3.08** | $ 3.00 | $ 2.85 | $ 2.97 | $ 1.84 |
| Cash Dividends | **$ 2.27** | $ 2.15 | $ 2.06 | $ 1.965 | $ 1.91 |
| Indicated Year-End Dividend Rate | **$ 2.36** | $ 2.24 | $ 2.12 | $ 2.04 | $ 1.94 |
| Market Value Year-End | **$ 17.25** | $ 18.375 | $ 14.875 | $ 14.625 | $ 15.25 |
| Book Value (Moody's Net Tangible Assets) Year-End | **$ 20.31** | $ 19.66 | $ 20.08 | $ 20.22 | $ 20.70 |
| **Available Capacity (Megawatts)** | **2,160** | 2,029 | 2,064 | 2,065 | 1,998 |
| **System Peak Responsibility (Megawatts)** | **1,700** | 1,626 | 1,707 | 1,758 | 1,488 |
| **Reserve Capacity (Megawatts)** | **460** | 403 | 357 | 307 | 510 |
| **Average Use Per Residential Customer (Kilowatthours)** | **9,901** | 9,529 | 9,433 | 10,708 | 9,496 |
| **Average Price Per Residential Kilowatthour** | **6.77¢** | 6.05¢ | 5.04¢ | 4.57¢ | 3.97¢ |
| **Number of Customers at End of Year** | **238,591** | 234,972 | 233,421 | 228,992 | 223,413 |
| **Long-Term Debt** | **$ 753,242** | $ 613,781 | $ 607,256 | $ 451,608 | $ 386,519 |
| **Redemption Required Preferred Stock** | **$ 95,000** | $ 95,855 | $ 82,000 | $ 53,000 | $ 54,000 |
| **Net Plant in Service** | **$ 699,529** | $ 610,746 | $ 608,498 | $ 610,846 | $ 557,088 |
| **Construction Work in Progress** | **957,674** | 812,297 | 613,874 | 453,640 | 356,361 |
| **Total Utility Plant (Net)** | **$1,657,203** | $1,423,043 | $1,222,372 | $1,064,486 | $ 913,449 |
| **Total Assets** | **$1,778,232** | $1,515,517 | $1,300,495 | $1,137,883 | $ 983,637 |

## Stockholder Information



**Annual Meeting**

The annual stockholders' meeting will be held May 23, 1984, at the Century II Civic Center in Wichita. Proxies for this meeting will be solicited by the management. A proxy statement will be mailed to stockholders about April 19, 1984.

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

**Fiscal Agents**

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

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

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

**Form 10-K**

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

**Additional Information**

For a copy of KG&E's "Financial and Statistical Report 1973—1983" or other information, contact:

Gary A. Farha
Investor Relations
Kansas Gas and Electric Company
Box 208, Wichita, KS 67201
Phone: (316) 261-6380

# Letter To Stockholders

As the summary shows on the preceding pages, 1983 was a successful year for us.

Earnings, net income, revenues and kilowatthour sales all increased over 1982. Vigorous cost controls minimized operating expenses. Common stock dividends were increased for the 28th time in as many years.

The most notable progress of 1983 does not appear on our financial statements. That's the progress made toward completing Wolf Creek Generating Station and bringing to an end a decade-long program of building new coal and uranium-fueled power plants.

Upon completion of Wolf Creek, we do not anticipate additional generating capacity construction until well into the 1990s.

Shortly after the end of the year, Wolf Creek was more than 90% complete. Primary hydro tests were successfully completed early in 1984 on a schedule that should permit the plant to reach commercial operation in the spring of 1985 as we announced nearly two years ago. Scheduled public hearings before the Atomic Safety and Licensing Board also were completed, although the ASLB report is not expected until mid-April or later.

Last summer the Nuclear Regulatory Commission caseload forecast panel made public its estimate that fuel load would not be achieved until April 1985. The panel will visit the plant again this year and then will issue a new forecast. Any delay in reaching commercial operation would increase the plant's cost. As with any major construction project, there is always the possibility of delays resulting from unknown factors. We own 47% of Wolf Creek and are the lead utility responsible for its completion.

As the one remaining project in our long construction program — and the only one to use uranium as fuel — Wolf Creek is by far our most visible undertaking. In addition to costing less and being built on a faster schedule than average, there is another major difference between it and other nuclear plants under construction. Wolf Creek is part of the first group of standardized plants to be built in the U.S. It is almost identical to the Callaway plant of Union Electric Company in Missouri.

Since work on Callaway started about six months before Wolf Creek, we benefit from the experience there.

Further, two utilities which were experienced nuclear plant operators were original members of the standardized group and directed much of the design, engineering and procurement. Those utilities later dropped plans for building their proposed standardized plants upon the recommendation of their respective state commissions. But the two did contribute much in the way of experience and skill.

The need for Wolf Creek still exists. Although the growth rate of electric power usage has slowed, severe winter weather late in 1983 again proved the vulnerability of fossil-fueled plants to extreme cold. We and other area utilities were able to maintain service in that period of record low temperature and record high winter demand largely because many of the region's industries had reduced power use for the holiday season. Even then, only heroic efforts by many of our employees kept the power flowing. Frozen coal, frozen gas wells, and problems suffered by coal-carrying trains contributed to a near-disaster. None of these problems are inherent in nuclear facilities.

Frankly, all types of generating equipment are subject to potential interruption. Fortunately, the causes vary. To protect against interruption, one objective of our construction program has been to add diversity to our fuel-use capacity. After Wolf Creek is on line, about 40% of our capacity will be coal-fueled, 40% gas or oil-burning and 20% uranium-fueled.

Also contributing to the need for Wolf Creek is the fact that most of our gas-fueled plants not only require high priced fuel but are rapidly nearing the end of their useful economic life, normally considered to be about 30 years. Nine of our 12 gas-fueled units will be near or past that age when Wolf Creek begins operation.

One problem that goes with starting up any new power plant is securing proper rate relief in a timely way. Knowing that Wolf Creek represents a large investment and will warrant a significant rate increase, we are working with Kansas government leaders to devise a phase-in plan to protect the interests of customers as well as owners.

As economic conditions improved in 1983, so did our business. Although sales of

electricity to retail customers fell just short of the 1982 level, the decline centered almost entirely on one large industrial customer. Excluding this one customer, industrial sales actually increased in 1983 as did use by residential and commercial customers.

Most area industries suffered from the national recession and only late in the year were nearing recovery. One measure of the comeback comes from the area unemployment rate which fell from 9.6% in January 1983 to 4.5% at year's end. While this improvement is not fully reflected in 1983 sales, current industrial demand is an encouraging sign for the future.

The effect of an improving economy on the nation's electric utilities' ability to continue to serve their customers has caused concern among some forecasters. The U.S. Department of Energy in 1982 warned that shortages of capacity could become apparent by 1990. The central states were those believed to be most vulnerable to that possible shortage.

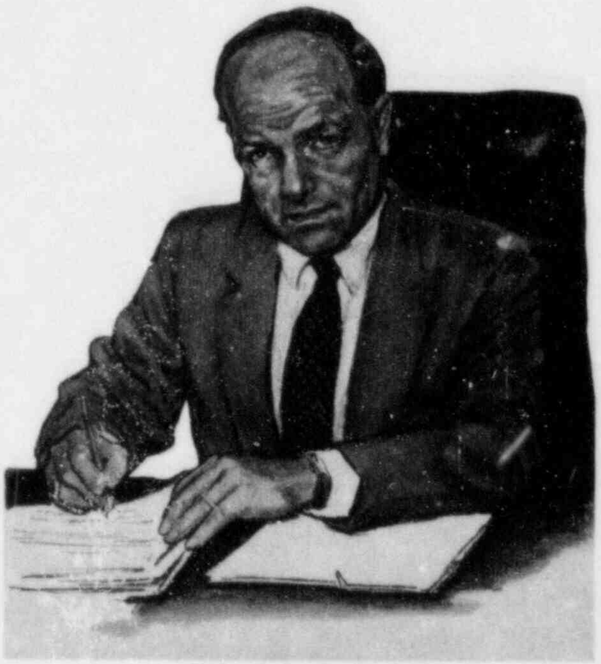
However, the capacity of our new generating plants — all products of the 1970s and 1980s — greatly reduce the chance of restricted power supplies being an impediment to the return of a robust economy in our service area.

Among the notable events of 1983 was an invitation to appear at a White House Conference on Private Sector Initiatives to discuss Project DESERVE. We originated that program nearly two years ago to help provide funds to pay energy related expenses for the elderly and handicapped who did not have access to government funds.

Vice President Bush, Secretary of Health and Human Services Margaret Heckler and other White House staff members took part in the program.

Working with the Edison Electric Institute and other trade associations, the White House arranged the program to recognize KG&E and four other utilities with private initiative aid programs and to urge other utilities to undertake similar programs to help meet their own social responsibilities.

Employees' commitment to excellence was evident in 1983 when severe weather struck much of the area at three different times, forcing employees to work long hours under adverse conditions. The fact we met people's needs with few interruptions is testimony to employee skill and dedication and to past planning.



*Wilson K. Cadman*

We recognize in many ways our obligations to the area we serve, the people we serve and to the people who own the company. We remain committed to providing reliable service under all conditions.

Please let me know if you have questions or comments about this report. I'll be happy to try to answer them for you.

Wilson K. Cadman

Wilson K. Cadman
Chairman of the Board and President

February 24, 1984

# Year In Review

For the 28th time in as many years, the dividend rate on company common stock has been increased. The new annual rate is $2.36 per share compared with $2.24 set in 1982, a 5% increase.

Earnings per share of common stock were $3.08, up 8 cents from 1982. The average number of common shares outstanding for 1983 was 29.9 million compared with 23.5 million for 1982. Allowance for Funds Used During Construction (AFC) per share was $2.78 in 1983 compared with $2.81 a year earlier.

## Operating Revenues Increase 12%; Operation and Maintenance Costs Up Only 9%

Operating revenues in 1983 were $393.1 million, an increase of $42.1 million, or 12% over 1982. This resulted primarily from two retail rate increases granted in 1983. Another factor in the increased revenues was higher fuel and purchased power costs paid by customers through fuel adjustments.

Residential revenues increased $21 million, or 17%, to $142 million. Revenues from industrial customers were $115.4 million, an increase of $5.8 million, or 5%, over 1982. Commercial revenues of $89 million were up $9.7 million, or 12%.

Wholesale revenue for sales to other utilities was $41.4 million, an increase of $5 million, or 14%. Much of this increase resulted from high summer demand, with sales on a short-term basis.

Return on average common equity increased slightly to 15.8% in 1983 compared with 15.5% in 1982.

Net income for 1983 was $107.5 million. A year earlier it was $84.7 million.

Total operation and maintenance expenses increased only 9% because of stringent cost controls and scheduling of major maintenance jobs at power plants.

The largest part of the increase, as in most previous years, was the cost of generating fuel and power purchased from other utilities. Fuel and purchased power costs totaled $163.9 million, an increase of 11% from 1982. The average cost of a unit of fuel for power plants in 1983 was about 11% higher than in 1982.

Maintenance costs of $27.9 million were down about 4%. The drop was realized even though a severe ice storm caused extensive distribution system damage. Contributing to the decline was less boiler and turbine work at La Cygne Generating Station Unit 1.

*Cost containment measures include tight budgeting, use of computers and employee delivery of monthly customer statements.*

Payroll in 1983 charged to operation and maintenance was $27 million, an increase of 7%.

Depreciation in 1983 was $29.9 million, up $2.6 million, or 10%, from the previous year. The increase was due mainly to the completion of Jeffrey Energy Center Unit 3.

Income taxes increased 40% in 1983 over 1982, totaling $40 million. The increase was mainly because of increased revenues.

As a result of rate increases and strict control over operating expenses, operating income increased by $7.4 million, or 11% over 1982. Operating expenses, excluding taxes and depreciation, as a percent of operating revenues declined from 61.5% in 1982 to 59.7% in 1983.

Interest coverage ratios continued to improve in 1983. Times interest earned before income taxes was 3.12 with AFC and 1.65 without AFC, up from 2.69 and 1.43 respectively in 1982.

Two retail rate increases were approved in the first half of 1983. The result was increased company revenues of $34.1 million on an annual basis.

New permanent rates representing a 4.4% yearly increase became effective in April. A month later, rates were increased 6% as Jeffrey Energy Center Unit 3 began commercial operation. This increase is being collected subject to refund.

## New Rates Approved as Jeffrey Unit 3 Begins Serving Customers

Even with the two increases, the company's residential rates remained below both state and national averages and were, on the average, the lowest in Kansas. For example, in January 1984 our residential customers paid 11% below the national average for 750 kilowatthours of electricity. The cost was 10.7% under the Kansas average. These figures are from a monthly survey of the Kansas Corporation Commission.

Rates paid by wholesale customers are subject to federal approval and wholesale customers in many cases have taken advantage of several means to delay implementation of needed new rates. At the end of the year, three requests for wholesale rate increases affecting cooperative and municipal customers remained on file before the Federal Energy Regulatory Commission. One of these cases was partially settled in midsummer.

Included in one of the wholesale cases is allowance for the cost of construction work in progress (CWIP). A new FERC rule permits limited inclusion of CWIP.

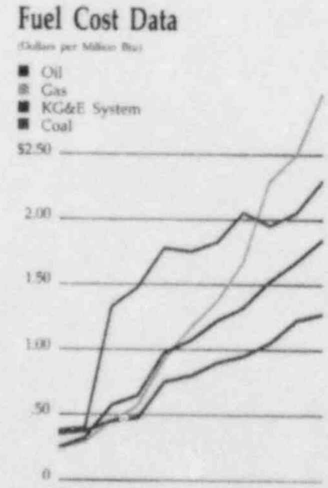
Most wholesale customers are municipally owned electric systems which already have

### KG&E's Diversified Industrial Revenues
*(Thousands of Dollars)*

| | 1983 | 1982 | Percent Increase Over 1982 |
|---|---|---|---|
| **Energy Production** *(33% of total)* | | | |
| Petroleum Refining | **$ 23,438** | $ 21,645 | 8.3 |
| Petroleum & Gas Prod. | **8,008** | 7,833 | 2.2 |
| Pipeline Pumping | **5,298** | 5,086 | 4.2 |
| Coal Mining | **677** | 908 | (25.4) |
| Subtotal | **37,421** | 35,472 | 5.5 |
| **Manufacturing** *(28% of total)* | | | |
| Aircraft | **16,639** | 15,462 | 7.6 |
| Machinery | **8,532** | 7,254 | 17.6 |
| Metal Fab. | **4,447** | 3,886 | 14.4 |
| Other Mfg. Prod. | **1,953** | 1,661 | 17.6 |
| Subtotal | **31,571** | 28,263 | 11.7 |
| **Natural Resource** *(22% of total)* | | | |
| Chemical | **12,950** | 17,861 | (27.5) |
| Sand, Stone, Clay and Cement Prod. | **8,903** | 7,752 | 14.8 |
| Plastics | **3,501** | 2,877 | 21.7 |
| Subtotal | **25,354** | 28,490 | (11.0) |
| **Agricultural, Food and Kindred Products** *(11% of total)* | | | |
| Grain Mill Products | **4,752** | 4,001 | 18.8 |
| Prepared Foods | **3,315** | 2,910 | 13.9 |
| Meat Products | **3,563** | 3,370 | 5.7 |
| Dairy Products | **624** | 561 | 11.2 |
| Subtotal | **12,254** | 10,842 | 13.0 |
| **Service Related** *(6% of total)* | **7,243** | 6,125 | 18.3 |
| **Total** *(Note)* | **$113,843** | $109,192 | 4.3 |

*Note: 1983 and 1982 exclude $1,570,000 and $436,000 fuel adjustment clause revenues, respectively.*

Fuel Cost Data



# Year In Review

*In times of emergency, power can be secured from plants hundreds of miles away. And power is regularly purchased from other utilities when the rate is below our own generating cost. New computer systems provide information on power available and price.*

the authority to include CWIP in rates they charge their customers.

Under Kansas law passed in 1978, CWIP is virtually prohibited from inclusion in the retail rate base. About a third of the projected final cost of Wolf Creek — approximately $854 million — represents the financing costs that could have been avoided if plant owners had been allowed to include CWIP in rates.

Approximately 66% of first quarter common stock dividends and 74% of common dividends paid in the other three quarters in 1983 represented a return of capital (ROC) or non-taxable distribution. This followed an 86% ROC in 1982.

The ROC results principally from the exclusion of CWIP from rate base. A current return is not earned on CWIP even though the associated costs of investment must be paid on an ongoing basis.

See Management's Discussion and Analysis of Financial Condition and Results of Operations, Pages 13 - 15, for additional information concerning rate matters relating to Wolf Creek.

Purchases of electricity by KG&E retail customers declined slightly in 1983. But residential and commercial sales increased.

Residential customers increased use of electricity by 5% over 1982, in part because of an increased number of residential customers and, more significantly, because of severely hot weather late in the summer and bitter cold in late fall and early winter. Heating degree days in 1983 were up 9% from 1982. Likewise, cooling degree days increased 7% from 1982.

## Retail Sales Level Off Even Though Commercial and Residential Use Up

Commercial customers — mostly offices and retail businesses — also used more electricity. They purchased 2% more than in 1982.

But industrial use was down in 1983 by 5% from the preceding year, offsetting the gains from the other two customer categories.

The decline in industrial sales was consistent with trends nationwide as the recession continued into 1983. There were improved industrial sales late in the year as economic conditions improved, but not enough to offset the earlier drop.

The area's diversity — which includes an economic base built nearly equally on industry, agriculture and minerals — has often helped to shield it from economic extremes. But, the impact of a national recession hit our area hard.

The Wichita unemployment rate in August 1982 was 10.1%, nearly equal to the national rate of 9.8%. By the end of 1983, Wichita unemployment had dropped to 4.5%, whereas the national rate was 8.2%. Wichita is the largest city we serve and is the source of about two-thirds of our business.

Actually, the industrial decrease resulted almost entirely from reduced sales to one large customer. Sales to this customer were down sharply because of curtailed production and use of co-generation. When the effects of this single customer are removed, industrial sales actually increased 2%.

The company's system peak responsibility, the one hour of the year when retail customers use the most electricity, increased

to 1,700 megawatts, a gain of 5% over the preceding year. The all-time peak of 1,758 megawatts was achieved in the summer of 1980. Had industrial demand followed a normal pattern during 1983, the 1980 peak would have been surpassed.

Average use of electricity by residential customers for the year was 9,901 kilowatt-hours compared with an industry average of 8,530 kilowatthours. Average cost for residential kilowatthours sold was 6.8 cents. Industry average was 7.2 cents.

Of the company's total sales in 1983, residential customers accounted for 29%, commercial customers 21% and industrial customers 34%. Wholesale and other energy sales accounted for the remaining 16%.

Economically, the company's service area enjoyed considerable growth in 1983, particularly late in the year. New housing starts at year-end were 53% ahead of 1982.

Growth in our service area resulted in an increase of 3,621 retail customers in 1983. As of December 31, 1983, the company served a total of 238,551 retail customers.

KG&E invested $263 million in new facilities during 1983. Most of that was at Wolf Creek Generating Station which by year's end was more than 90% complete.

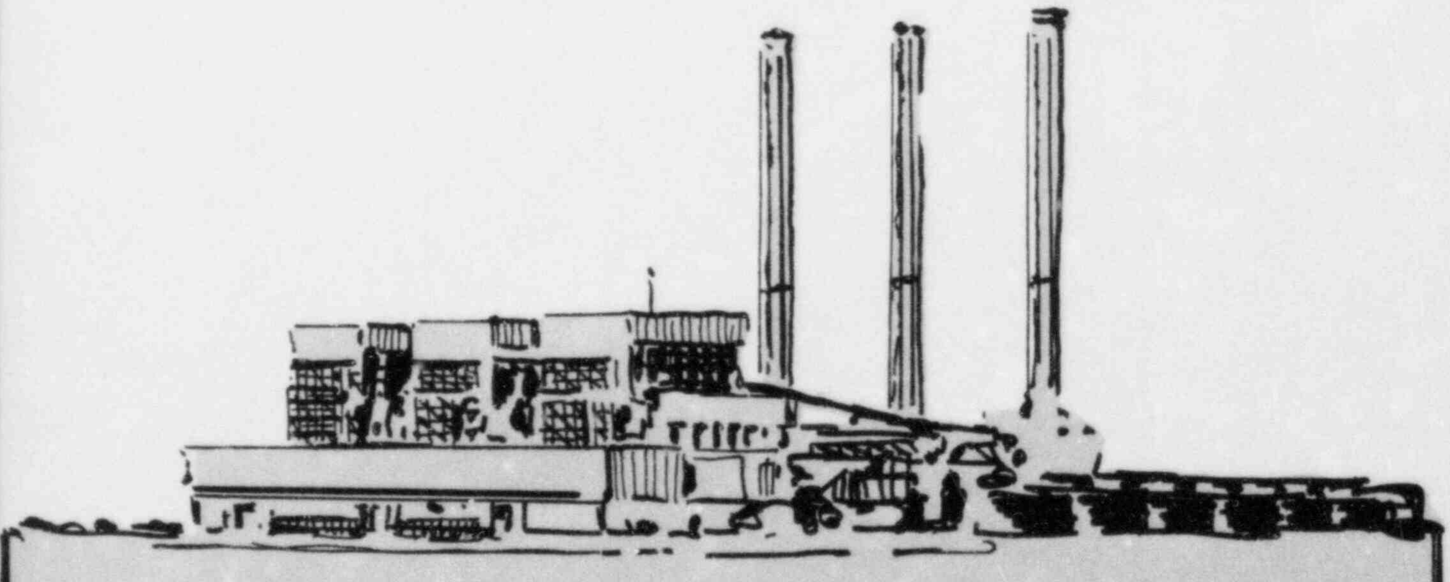
All other 1983 investments were comparatively minor. But they did include improvements in electric transmission and distribution facilities.

Construction spending in 1984 is estimated to be $314 million, including $263 million for Wolf Creek. With commercial operation of Wolf Creek planned for 1985, construction spending will decline to an estimated $77 million in 1985.

## Construction in 1984 To Reach $314 Million; Will Decline in 1985

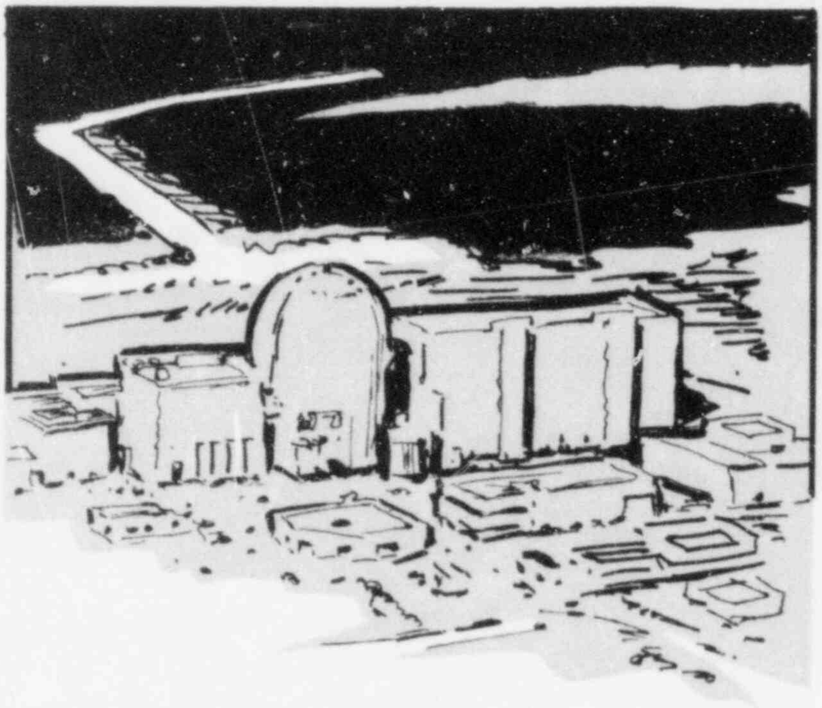
Wolf Creek will be a nuclear station. Unlike plants using other fuels, Wolf Creek must pass comprehensive federal licensing processes.

The application for an operating license was submitted in February 1980. That milestone neared completion when the Atomic Safety and Licensing Board concluded scheduled public hearings



*Jeffrey Energy Center Unit 3 is the fifth coal-fueled unit added since 1973. The coal units, and Wolf Creek nuclear unit nearing completion, will provide a mix of reliable fuels. As late as 1973 our generation was nearly 100% gas fired.*

# Year In Review



*After Wolf Creek Generating Station is completed, we do not plan to build additional generating capacity until well into the 1990s.*

February 16, 1984. The NRC could act on our application by mid-summer.

But there are other federal regulations to meet. Every phase of construction and preparation for operation is monitored by the Nuclear Regulatory Commission on a daily basis. Plant operators must qualify for federal licenses which require years of training and experience. We began training operators when construction began in 1977.

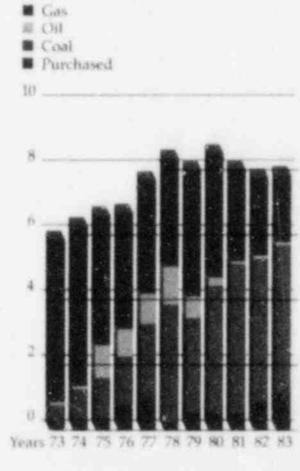
Whereas in 1972 the North American Electric Reliability Control was predicting peak demand for electricity to grow at 7.6%, in 1982 the group forecast a 2.8% growth rate. This forecast takes into account active efforts underway to suppress growth in the peak load. It's the peak growth which dictates most of the need for the new units.

The U. S. Department of Energy and others say the continuous increase in electricity demand could lead to a possible shortage of generating capability in this area by 1990. We and other utilities are working to offset this increase in demand with controls designed to slow peak growth. No new generating units are planned after Wolf Creek is complete.

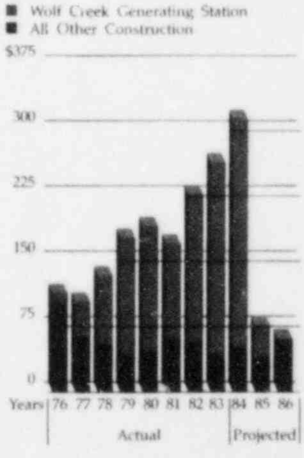
While the need to ultimately replace aging units will bear on decisions to construct new ones, alternatives like rebuilding old equipment will be thoroughly explored if fuel is available at a reasonable price and regulations permit its use.

It is unlikely that any major construction will be started in the future without being able to include the cost of construction work in progress in rate base. The expense to customers and drain on stockholders of not having CWIP in the rate base clearly indicates the impracticality of proceeding without it.

**Sources of Energy**




**Construction Expenditures**



As in the past, it was the work of employees which in many cases made the year's efforts a success.

A damaging ice storm early in 1983 assaulted eastern Kansas, causing extensive damage. Employees from throughout the system, with help from neighboring utilities, quickly restored customer service.

In December, record cold weather swept into Kansas. While demand for energy increased, frozen coal greatly reduced the output of coal-fueled power plants. Eighteen volunteers from our central maintenance group on Christmas Eve left their homes to help keep coal moving at Jeffrey Energy Center. The 18 worked 12-hour shifts outdoors all through the Christmas weekend.

## Nine Employees Recognized for Life-Saving Actions; KG&Eers Demonstrate Commitment

Through the year, overtime was minimized as a cost control measure. The hiring freeze initiated in August 1982 continued with some modification through 1983. These cost control measures meant employees were often required to do other duties as well as their own.

The hiring freeze resulted in a reduction of 50 jobs between August 1982 and the end of 1983. However, the total number of employees increased from 1,856 to 2,016 during the year as a result of staffing the nearly completed Wolf Creek Station.

KG&E employees continued to be leaders in community events. Activities ranged from such tasks as installing Christmas lights to being leading supporters of efforts such as United Way campaigns to providing direct leadership for youth programs.

Nine employees were honored during the year for saving the lives of other persons.

One of the national Red Cross' highest awards was presented to John Bunn as a result of first aid he gave that saved the lives of two persons after an auto accident.

At the annual stockholders meeting, seven line employees were honored for saving the lives of co-workers injured in electrical accidents. In another case, a retired foreman also saved the life of an individual who apparently had suffered a heart attack.

In 1983, 25 employees submitted cost saving measures under the Employees Cost Reduction Program.

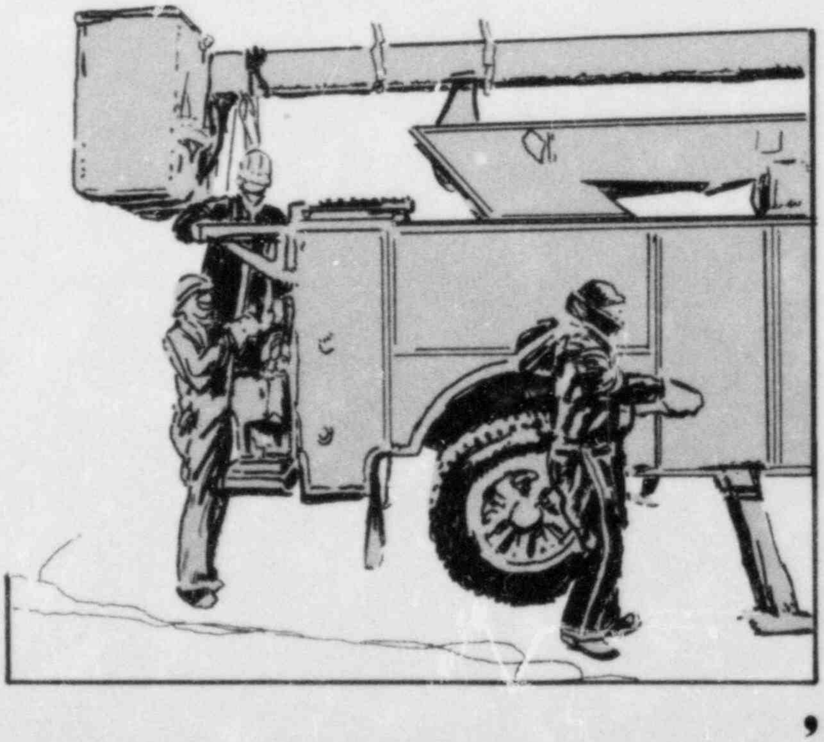
A newly formed Productivity Improvement Task Force has been successful in identifying cost reduction changes. More than 150 employees from operations groups have participated. The task force will remain active as long as effective results are realized.

Training efforts throughout the company underscore the emphasis placed on productivity improvement. During the year, 120 middle managers received training in productivity improvement techniques. Supervisors and craft training also emphasized the productivity improvement theme. Approximately 60% of all employees were involved in some type of formal training activity in 1983.

Lost-time accident experience was the lowest in eight years. This made KG&E employees among the safest in the nation.

Employees at Ripley Station were honored for having worked 45 years without a disabling accident. That is believed to be the longest such record for any generating station in the industry.

*Providing reliable electric service to customers includes working in all kinds of weather. Everyone understands that the objective is to get the power back on by working efficiently and safely after storm interruptions.*



# Year In Review

Conserving energy is vital to the future well-being of the country and is a sound means of utilizing natural resources.

There is the moral need to wisely use the resources available to us. But the most important reason for many individuals to conserve energy is that in so doing they help control the amount of their energy bills.

The company assists in many conservation activities, some highly visible, others less so. For instance, 2,000 home energy audits were made during the year. These audits found

## Energy Audits, Use of Efficient Equipment Are Keys to Conservation

ways homeowners could reduce energy use. Audits of this kind have been offered to all residential customers the past two years. We now plan to re-offer this service.

Similar audits for small businesses will be available starting in 1984.

Use of electricity often contributes to overall energy conservation. Often an electric device will use less primary energy than equipment or appliances fueled with a form of energy like natural gas. For example, the electric heat pump often requires less energy than other forms of heating including many gas furnaces. Manufacturing processes also can be made more efficient by converting some fuels to electric energy.

Conservation and wise use of energy go hand-in-hand. A series of workshops on build-them-yourself storm windows attracted strong interest. Sessions on passive solar energy for homes and solar water heating also attracted a good response.

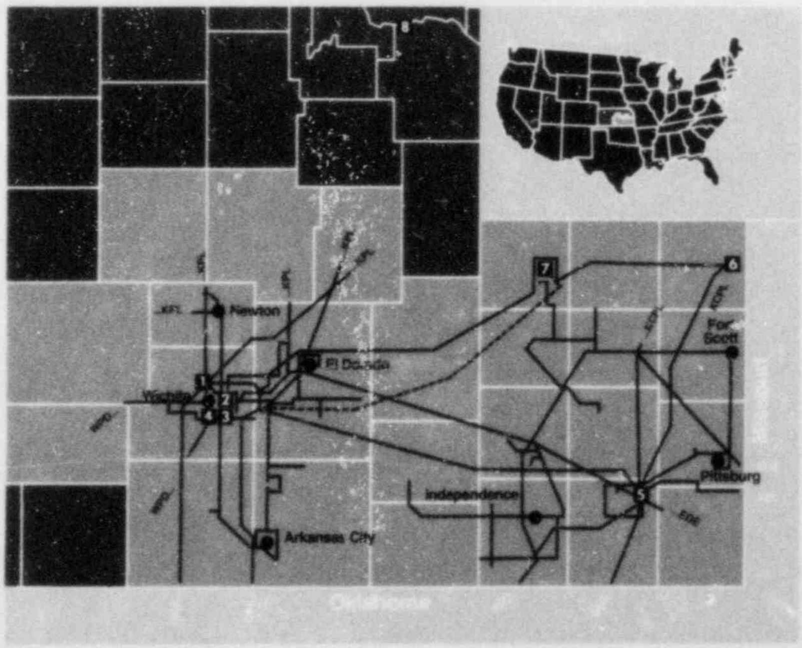
Formal research including exploring the use of wind in Kansas for generation is being conducted through Kansas State University coordinated by the Kansas Electric Utility Research Program.

We also participate with other utilities nationwide in the Electric Power Research Institute, seeking through research the application of alternative energy forms as well as the means for our industry to function more efficiently.

Number one objective of our marketing efforts is to improve electric plant utilization — load factor.

Load factor represents the percentage of available time electric facilities are fully used. Load factor is a key measurement of efficiency. In improving load factor, the marketing program also improves overall efficiency of operations.

In a year like 1983, when hot weather causes unusual seasonal growth in electricity use during the summer only, most companies, including ours, suffer from a




### Service Area Map

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

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

**Generating Stations and Capability**
1 Gordon Evans Steam Electric Station, 507 MW
2 Ripley Steam Electric Station, 88 MW
3 Wichita Steam Electric Station, 23 MW
4 Murray Gill Steam Electric Station, 331 MW
5 Neosho Steam Electric Station, 68 MW
6 La Cygne Steam Electric Station,* 685 MW
7 Wolf Creek Generating Station,* 541 MW (under construction)
8 Jeffrey Energy Center,* 404 MW

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

declining load factor. Ours dropped from 51% in 1982 to 48% in 1983.

A remedy for the low load factor problem is to encourage the use of electrical equipment and appliances at times of the year when usage is low. In homes, for example, the electric heat pump can provide winter heating as well as summer cooling. When combined with radio activated

## Marketing Efforts Designed To Improve Plant Use; Economic Development Promoted

switches to control air conditioning peak use, heat pumps can make an important contribution to efficient use of facilities and improved load factor.

In 1983 heat pump sales totaled 1,175 units, 45% more than in the preceding year. This improvement came in spite of a downturn in apartment completion, a major market for heat pumps.

Area industrial development is another important element of our comprehensive marketing program. Here we encourage and assist communities served in efforts to increase jobs in their area.

An experienced area development executive has been added to the company's staff. Advertising and other techniques are now being used to help call attention of business and industry to the advantages of expanding or locating in our service area.

To expanding companies or new employers, the area we serve offers many benefits. For example, Kansas' business climate is rated as being in the top ten nationally.

## Survey Results Provide Profile of Stockholders

Who are the owners — the stockholders of KG&E?

In March and April a list of 18 questions was mailed to randomly-selected common stockholders. Of the 25,000 survey forms mailed, about 7,500, or 30% were returned, representing both stockholders listed on company records as well as those who hold their shares in "street-name."

Geographical distribution of those responding was compared to the distribution by state of all stockholders. This was done as a means of judging how representative survey returns were of stockholders as a whole. The geographical breakout of those returning survey forms and overall stockholder records is nearly identical.

On the basis of this survey, the following characterize KG&E stockholders:

- The average stockholder has owned KG&E stock for 4 years.
- The average stockholder holds stock in 10 different companies.
- Stockholders are evenly divided between men and women.
- Average age is ab[illegible] 61 years.
- The majority of [illegible] owners indicate that their in[illegible]ctive is "current income."
- More than one-t[illegible]lders participated in the co[illegible]d reinvestment plan.
- The average st[illegible]ut 400 KG&E shares.
- Nearly two-thirds [illegible] retired [illegible] will retire within 5 years.
- Institutional investors represent less than .1% of all stockholders and own about 5% of shares outstanding.
- Stockholders represent a wide geographical area, living in all 50 states, the District of Columbia and numerous foreign countries. About one-sixth live in Kansas. And about one-sixth of registered shares outstanding are held by Kansans.

*KG&E employees believe in the people they serve. For the second year more than 50 employees gave up a Saturday to help weatherize homes of the elderly. In addition, employee contributions to Project DESERVE exceed $40,000.*

# Year In Review

More than 5 million new shares of common stock were issued in 1983 for $101 million. In addition, $157 million of new tax exempt bonds were issued. An additional $100 million in revolving credit bank loans were made available in June. Total financing activity for 1983 was $358 million.

All publicly sold stock issued in 1983 was sold at or above book value. At year-end 1983, the book value was $20.31 per share.

Helping to hold down the cost of issuing stock were "shelf registration" rules first issued in 1982 and made permanent late in 1983 by the Securities and Exchange Commission. This gives the company added flexibility in timing the sale of securities. The cost of issuance has been reduced about 50% when compared to previous methods.

## Financings Total $358 Million; 35% of Stockholders Reinvest Dividends

Pollution control revenue bonds totalling $157 million were sold. The low interest rates reflect the tax exempt nature of the bonds. In June, $70 million in bonds were sold at a net effective interest cost of 5.5%. In December, $87 million were sold at a net effective interest cost of 5.8%.

In 1984, financing is planned to raise $230 million and will include debt, preferred and common stock. No permanent financing is planned for at least the next five years, assuming Wolf Creek is completed on schedule and the company receives compensatory rate relief.

Total shares of common stock outstanding at the end of the year were 31.7 million. Of the 5.3 million share increase, 4 million was the result of new public issues, and 1.3 million were sold to stockholders and employees through dividend reinvestment plans and other purchases.

Since 1975 the number of outstanding common shares has grown from 4.7 million to today's 31.7 million. With the winding down of our construction program in 1985, this rapid growth in new stock sales is expected to subside.

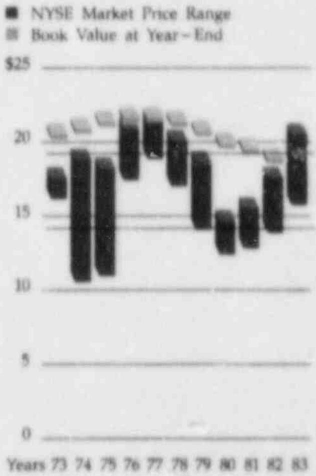
The number of stockholders has risen to 68,246, including 4,653 holding preferred stock, an increase of 7,198 during 1983. Much of the increase came as the result of two common stock sales during the year.

About 35% of the company's stockholders take part in the dividend reinvestment plan. Through it, dividends are used to buy newly issued stock each quarter at a price 5% below the prevailing market. Additional cash purchases also can be made at market price through the plan without paying brokerage fees.

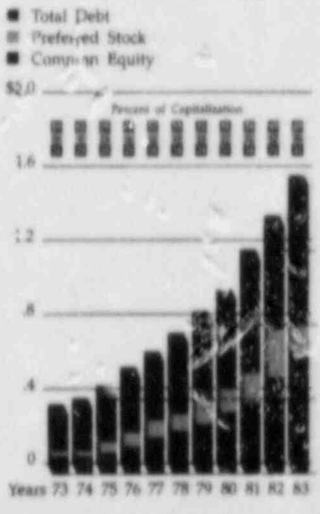
Dividends used to buy newly issued common stock through the dividend reinvestment plan are exempt from federal income taxes up to $750 on individual returns and up to $1,500 per year on joint returns. Information about the plan can be obtained by contacting:

Kansas Gas and Electric Company
Stockholder Records Department
P.O. Box 208
Wichita, KS 67201
Phone: (316) 261-6640

**Market Price and Book Value of Common Stock**




**Capital Structure**



# Management's Discussion and Analysis Of Financial Condition and Results Of Operations

**Construction Expenditures**

The Company has been involved in a significant construction program during the last decade, with construction expenditures of over $100 million for each year since 1977. Net additions to electric plant for the three years ended December 31, 1983, totalled $658 million. Of this amount, 87% was for new generating plants. The balance was for transmission, distribution and general plant facilities.

In May 1983, commercial operation began at Jeffrey Energy Center Unit 3, a coal-fired plant in which the Company has a 136 megawatt (MW) or 20% interest. Wolf Creek Generating Station, a uranium fueled plant, is the Company's sole generating facility under construction. The Company is project director and will operate the 1,150 MW unit. The Company's interest in the plant is 540.5 MW or 47%.

Wolf Creek is presently scheduled for commercial operation as early as mid-February 1985, based on a mid-August 1984 fuel load target date. However, the Nuclear Regulatory Commission's (NRC) caseload forecast panel, which incorporates a wide base of industry experience, estimates fuel load eight months later than the Company's target. If this differential is actually experienced, the commercial in-service date could be lengthened. In addition, licensing proceedings, other NRC actions, litigation and other events could further delay commercial operation.

The Wolf Creek operating license hearings before the NRC's Atomic Safety and Licensing Board commenced on January 17, 1984. To date, two individuals and two organizations have intervened in opposition to the license application. Although the duration and results of these hearings cannot be predicted, the Company does not foresee that they will delay the commercial operation of the plant.

The November 1983 estimated costs for Wolf Creek, including the education center and substation, were $2.67 billion, with $1.91 billion expended as of December 31, 1983. The Company's 47% share of the estimated cost of Wolf Creek is $1.23 billion or $2,268 per kilowatt, with $923 million expended as of year-end 1983. Any delay in commercial operation of Wolf Creek would result in an increased cost to the Company of approximately $24 million per month, including allowance for funds used during construction (AFC). The completed cost estimate for the unit assumes annual inflation ranging from 4.6% to 6.0% and a net rate of 10.0% for the AFC. Table 1 on Page 14 shows actual expenditures and AFC in 1981 - 1983 and estimates for 1984 - 1986.

Projected total Company construction expenditures including nuclear fuel costs are $491 million for the years 1984 through 1986. These expenditures are expected to peak in 1984 and decline sharply thereafter. The Company has no present plans for the construction of additional generating capacity upon completion of Wolf Creek.

**Liquidity and Capital Resources**

Increased internal cash generation, improved coverage of interest and dividend requirements, the sale of common stock above book value and a stronger capital structure are long-term goals toward which the Company's financial policies are directed. Achieving these goals should result in an improvement in the Company's first mortgage bond ratings from their present levels of 9, Baa 3 and BB+ by Duff and Phelps, Moody's and Standard & Poor's, respectively.

Since 1978, Kansas law has virtually precluded the inclusion of Construction Work in Progress (CWIP) in the rate base upon which customer's rates are set. Since Wolf Creek represents a significant investment, the investment in CWIP has become increasingly large, and as of December 31, 1983, represented 135% of net electric plant in service. Cash is not generated from this investment, thus the construction program has required cash expenditures far in excess of internally generated funds, as shown in Table 2 on Page 14.

The Company's long-range objective is to secure at least 50% of total capital requirements from internally generated sources. The maintenance and improvement of financial flexibility is also a key objective. A long-term goal

## Management Statement of Responsibility for Financial Statements

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

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

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

Wichita, Kansas
January 31, 1984

Howard J. Hansen
Group Vice President - Finance

**Table 1** — 1981 - 1986 Construction Expenditures

| | Actual (Thousands) 1981 | 1982 | 1983 | Estimated (Thousands) 1984 | 1985 | 1986 |
|---|---|---|---|---|---|---|
| Nuclear Generation (Wolf Creek) | $111,457 | $171,412 | $217,692 | $263,009 | $37,270 | $ - |
| All Other Construction | 61,685 | 57,126 | 46,210 | 50,822 | 40,202 | 59,505 |
| Total Construction | 173,142 | 228,538 | 263,902 | 313,831 | 77,472 | 59,505 |
| Nuclear Fuel | 14,008 | (227) | (1,382) | 9,573 | 18,270 | 11,881 |
| Total | 187,150 | 228,311 | 262,520 | 323,404 | 95,742 | 71,386 |
| Less: AFC | 60,101 | 66,117 | 83,143 | 107,683 | 18,653 | 114 |
| Net Construction Expenditures | $127,049 | $162,194 | $179,377 | $215,721 | $77,089 | $71,272 |

**Table 2** — 1981 - 1983 Capital Requirements

| | Actual (Thousands) 1981 | 1982 | 1983 |
|---|---|---|---|
| Net Construction Expenditures | $ 127,049 | $ 162,194 | $ 179,377 |
| Add: Sinking Fund and Debt Maturities | 1,046 | 23,202 | 51,343 |
| Total Capital Requirements | $ 128,095 | $ 185,396 | $ 230,720 |
| Sources of these capital requirements have been as follows: | | | |
| External | 97.0% | 93.4% | 100.0% |
| Internal | 3.0 | 6.6 | 0.0 |
| Total Sources | 100.0 % | 100.0 % | 100.0% |

is to maintain a capital structure of approximately 45% common equity, 45% debt and 10% preferred stock. As of year-end 1983, the respective ratios were 41%, 49% and 10%. In addition, efforts will continue toward re-establishing higher ratings on the Company's securities.

Construction expenditures are typically financed initially with short-term borrowings and are then refinanced by sales of long-term debt, preferred stock or common stock. Sales of securities, net of refundings, for the 1981 - 1983 period included $273 million of long-term debt, $42 million of preferred stock and $246 million of common stock. Financings during 1984 are estimated at approximately $230 million, including 2 million shares of common stock expected to be sold in March and at least $100 million of bonds. The types, amounts, and timing of other financings will depend upon cash requirements and market conditions.

The Company intends to apply for a rate increase to the KCC in the summer of 1984 designed to become effective at the time Wolf Creek is placed into commercial operation. This rate increase is required: (1) to recover all costs related to Wolf Creek, (2) to true-up the 1983 interim rate increase on Jeffrey Energy Center Unit No. 3 and (3) to recover other increased costs. To moderate the impact on customers of this large rate increase, the Company has proposed to phase-in the full rate increase in five annual steps, commencing on the date Wolf Creek begins commercial operation. The phase-in plan would be designed to provide a fair and reasonable return on the Company's total rate base, including deferred charges, during the phase-in period.

The exact amount of each step of the rate increase is uncertain at this time. For the purpose of allowing the KCC to compare the Company's phase-in proposal to a one-time rate increase, the Company estimated that a $327 million one-time rate increase would be required. This is 84% of budgeted 1984 operating revenues. The phase-in approach as presented reflected increases above previous year's operating revenues of 39.4%, 10.2%, 8.9%, 7.7% and 8.4%. These illustrative increases do not represent the exact rate increases to be requested.

As with any rate increase, the Company has no assurance as to the amount or timing of rate relief it may be granted by the KCC or by the Federal Energy Regulatory Commission (FERC) with respect to Wolf Creek. Because of the magnitude of the rate increase, substantial opposition may be expected. Failure to receive adequate and timely rate relief with respect to Wolf Creek would have a substantial adverse effect upon the financial condition of the Company and its results of operations.

Proposed laws currently pending before the Kansas legislature address phased-in rates and the extent to which reserve generating capacity could be included in rate base. Upon commercial operation of Wolf Creek, the Company anticipates having reserve capacity above its peak responsibility of approximately 60% during 1985. The Company is supporting legislation which would permit the KCC to authorize the Company's phased-in approach. The Kansas House of Representatives is considering a bill which could severely restrict the amount of rate increase with respect to the plant.

The Company also intends to make application to the FERC for rate increases applicable to Wolf Creek with respect to its wholesale sales, which presently account for about 10% of operating revenues.

The FERC has authorized the Company to borrow up to $100 million on a short-term basis and the Company has bank credit arrangements for this amount. As of December 31, 1983, the Company had $9 million of short-term borrowings.

The Company has two long-term bank loan facilities, one making available up to $100 million and the other $200 million, both on a revolving credit basis. The first expires August 31, 1986 and the second May 31, 1987,

at which times the facilities may be converted to four-year term loans. As of December 31, 1983, $100 million was outstanding under one of these agreements. The other $200 million is available as needed.

The Company regularly sells commercial paper with up to 45 days maturity. Rated A1+/P1, the paper is supported by a bank letter of credit (LOC). The LOC agreement, which expires July 8, 1985, provides support for $50 million. $50 million of commercial paper was outstanding at year-end. The Company is presently negotiating to extend the term of the LOC.

A $25 million bankers acceptance facility, which is collateralized by fossil fuel inventory, expires February 28, 1986. At year-end, $23 million was outstanding.

The Company's indenture contains provisions which restrict issuance of additional bonds. Under the earnings test, which is the most limiting, as of December 31, 1983, the Company would have been able to issue $164 million of bonds, assuming an interest rate of 14%. Under the property test, as of December 31, 1983, the Company had $926 million of unfunded net property additions which were sufficient to issue $648 million of additional bonds.

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

**Results of Operations**

*Operating Revenues and Sales*

Operating revenues in 1983 increased 12% over the prior year, following a 12% increase in 1982. The 1983 increase resulted from the April and May 1983 retail rate increases and an 11% increase in the combined cost of fuel and purchased power, which are recovered through the fuel adjustment clause on a current basis. Similarly, the increase in operating revenues in 1982 resulted from a January 1982 retail rate increase and the recovery of a 10% increase in fuel and purchased power costs.

Retail kWh sales for 1983 were virtually unchanged from 1982 levels. Although residential and commercial sales increased by 5% and 2%, respectively, industrial sales remained depressed for the year, posting a 5% decline. A warmer than normal summer helped boost residential and commercial sales. However, the lingering effects of the economic recession and the August 1982 completion of a cogenerating unit by a major customer resulted in reduced industrial demand. After excluding the effect of the decrease in sales to this single customer, 1983 industrial sales increased 2% over 1982. Importantly, an improvement in industrial sales began developing in the second half of 1983, as the unemployment rate in the Company's primary service area fell from 9% at the beginning of 1983 to under 5% at year-end.

Electric sales in 1982 were limited by a mild summer and the economic recession, as retail kWh sales declined by 3% from 1981.

*Operation and Maintenance Expenses*

Fossil fuel prices have continued to escalate in recent years. Natural gas prices have been particularly affected, experiencing an increase of 19% in 1983 over 1982 levels and a 9% increase in 1982 over 1981. As a result of increased gas prices, additional coal capacity and increased usage of purchased power, use of natural gas decreased by 13% in 1983 from 1982, following a 14% decline in 1982 from 1981. Coal prices increased 9% in 1983 and 18% in 1982. Utilization of coal increased by 3% in 1983, following a decrease of 4% in 1982.

Due to increasing fuel costs, purchased power continued to be a significant percentage of total power supplied to the Company's system. Purchased electricity in 1983 increased by 23% over the prior year following a 71% increase in 1982. Consequently, these expenses increased by 25% and 65% in the same periods. The Company's policy is to purchase power when it is cheaper than the incremental cost of its own generation.

The combined increase in other operation and maintenance expenses was less than 4% in 1983, primarily due to less maintenance at the La Cygne Generating Station and stringent cost control measures implemented by Company management. This followed a 9% increase in 1982 over 1981, which was due in most part to inflation.

*Income Taxes*

Income taxes charged to operations amounted to $40 million in 1983, a 40% increase over 1982. This was due mainly to increased revenues from rate increases in 1983.

Income taxes increased by 216% in 1982 primarily as the result of an accounting treatment effective with the January 1982 rates allowed by the KCC. The treatment recognizes the income tax effect of allowance for borrowed funds used during construction as deferred income taxes charged to operations with an offsetting credit to interest charges.

*Allowance for Funds Used During Construction (AFC)*

The Company does not generally earn a return on CWIP until construction is completed and rates are increased to reflect the inclusion of the project in rate base. However, the costs of financing CWIP must be paid on a current basis. AFC, which represents these current financing costs, is capitalized to CWIP and included in the Company's Statement of Income. As a result, both the cost of the project and reported net income, but not cash flow, are increased by the amount of AFC.

AFC, a non-cash component of earnings, was $83 million in 1983, $66 million in 1982 and $60 million in 1981, and for these years represented 90%, 94% and 113%, respectively, of reported earnings applicable to common stock. AFC is expected to equal or exceed earnings applicable to common stock until such time as Wolf Creek is placed in commercial operation.

*Interest Expenses*

Interest expenses have been up substantially in recent years primarily due to increased indebtedness incurred to finance construction. Interest on long-term debt increased in 1983 by 7%, following a 44% increase in 1982. The embedded cost of long-term debt was 9.45% in 1983, 9.66% in 1982 and 10.52% in 1981.

*Earnings and Dividends*

Earnings applicable to common stock increased by 30% in 1983 and 33% in 1982. The number of average shares outstanding increased 27% in 1983 and 26% in 1982. Earnings per average share of common stock were $3.08 in 1983, up from $3.00 in 1982 and $2.85 in 1981. The earned return on average common equity was 15.8% in 1983, 15.5% in 1982 and 14.5% in 1981. The indicated year-end dividend rate increased at an annual compound rate of 6% from $2.12 in 1981 to $2.36 in 1983.

**Impact of Inflation and Changing Prices**

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

# Kansas Gas and Electric Company

## STATEMENTS OF INCOME

*For the Years Ended December 31*

| | 1983 | 1982 | 1981 |
|---|---|---|---|
| | | *(Thousands of Dollars)* | |
| **Operating Revenues (Note 2)** | $ 393,053 | $ 350,937 | $ 313,093 |
| **Operating Expenses:** | | | |
| Fuel | 139,339 | 128,043 | 127,748 |
| Purchased power - net | 24,541 | 19,587 | 11,860 |
| Other operation | 43,050 | 39,179 | 35,658 |
| Maintenance | 27,871 | 29,064 | 27,173 |
| Depreciation | 29,919 | 27,288 | 26,578 |
| Taxes - other than income taxes | 15,078 | 13,419 | 12,610 |
| Income Taxes (Note 9) | 39,903 | 28,447 | 8,992 |
| Total operating expenses | 319,701 | 285,027 | 250,619 |
| **Operating Income** | 73,352 | 65,910 | 62,474 |
| **Other Income and Deductions:** | | | |
| Allowance for other funds used during construction | 63,068 | 46,948 | 28,574 |
| Equity in earnings of subsidiary companies (Note 7) | 1,400 | 1,327 | — |
| Miscellaneous - net | 659 | 377 | 1,527 |
| Income taxes - net (Note 9) | (1,061) | (893) | (785) |
| Total other income and deductions | 64,066 | 47,759 | 29,316 |
| **Income before Interest Charges** | 137,418 | 113,669 | 91,790 |
| **Interest Charges:** | | | |
| Interest on long-term debt | 65,948 | 61,650 | 42,942 |
| Other interest | 3,031 | 4,508 | 13,697 |
| Amortization of debt premium, discount and expense - net | 768 | 916 | 703 |
| Allowance for borrowed funds used during construction | (39,867) | (38,068) | (31,527) |
| Total interest charges - net | 29,880 | 29,006 | 25,815 |
| **Net Income** | 107,538 | 84,663 | 65,975 |
| **Preferred Stock Dividends** | 15,511 | 14,142 | 12,915 |
| **Earnings Applicable to Common Stock** | $ 92,027 | $ 70,521 | $ 53,060 |
| **Average Shares of Common Stock Outstanding** | 29,912,327 | 23,503,302 | 18,631,479 |
| **Earnings Per Share of Common Stock** | $ 3.08 | $ 3.00 | $ 2.85 |

## STATEMENTS OF RETAINED EARNINGS

*For the Years Ended December 31*

| | 1983 | 1982 | 1981 |
|---|---|---|---|
| | | *(Thousands of Dollars)* | |
| **Balance at Beginning of the Year** | $ 134,544 | $ 116,949 | $ 102,864 |
| **Net Income** | 107,538 | 84,663 | 65,975 |
| Total | 242,082 | 201,612 | 168,839 |
| **Deduct:** | | | |
| Cash Dividends: | | | |
| Preferred Stock (at prescribed rates of each series - Note 5) | 15,511 | 14,142 | 12,915 |
| Common Stock - $2.27 in 1983; $2.15 in 1982; $2.06 in 1981 | 68,572 | 52,253 | 38,595 |
| Capital Stock Expense | 189 | 673 | 380 |
| Total | 84,272 | 67,068 | 51,890 |
| **Balance at End of the Year** | $ 157,810 | $ 134,544 | $ 116,949 |

*See notes to financial statements.*

## BALANCE SHEETS, DECEMBER 31, 1983 and 1982

| | 1983 | 1982 |
|---|---|---|
| | (Thousands of Dollars) | |
| **ASSETS** | | |
| **Electric Plant - at Original Cost (Note 6):** | | |
| Plant in service | $ 965,268 | $ 856,632 |
| Less accumulated provision for depreciation | 265,739 | 245,886 |
| Net plant in service | 699,529 | 610,746 |
| Construction work in progress | 946,749 | 799,990 |
| Nuclear fuel | 10,925 | 12,307 |
| Total electric plant - net | 1,657,203 | 1,423,043 |
| **Other Property and Investments:** | | |
| Investment in subsidiary companies (Note 7) | 13,684 | 14,010 |
| Special interest accounts - Flexible Demand series (Note 6) | 14,789 | — |
| Other | 191 | 173 |
| Total other property and investments | 28,664 | 14,183 |
| **Current Assets:** | | |
| Cash | 1,917 | 2,537 |
| Temporary cash investments | — | 4,700 |
| Special deposits | — | 4,887 |
| Accounts receivable - net | 42,474 | 24,035 |
| Fuel - at average cost | 27,801 | 24,922 |
| Materials and supplies - at average cost | 8,329 | 8,770 |
| Prepayments and other current assets | 1,192 | 1,076 |
| Total current assets | 81,713 | 70,927 |
| **Deferred Debits:** | | |
| Unamortized debt expense | 6,690 | 5,535 |
| Other | 3,962 | 1,829 |
| Total deferred debits | 10,652 | 7,364 |
| **Total** | $1,778,232 | $1,515,517 |
| **CAPITALIZATION AND LIABILITIES** | | |
| **Capitalization:** | | |
| Common stock, without par value, authorized 50,000,000 and 35,000,000 shares, respectively; outstanding 31,671,966 and 26,412,589 shares, respectively (Note 4) | $ 484,405 | $ 383,781 |
| Retained earnings (Note 6) | 157,810 | 134,544 |
| Other paid-in capital (Note 4) | 959 | 857 |
| Common stock equity | 643,174 | 519,182 |
| Preferred stock - redemption not required (Note 5) | 63,701 | 63,701 |
| Preferred stock - redemption required (Note 5) | 95,000 | 95,855 |
| Long term debt (Note 6) | 753,242 | 613,781 |
| Total capitalization | 1,555,117 | 1,292,519 |
| **Current Liabilities:** | | |
| Short-term borrowings (Note 3) | 9,000 | — |
| Securities due within one year (Note 5 and 6) | 73 | 50,500 |
| Accounts payable | 69,030 | 45,016 |
| Customers' deposits | 2,176 | 2,015 |
| Taxes accrued | 9,489 | 6,786 |
| Interest accrued | 15,957 | 16,336 |
| Dividends declared | — | 3,905 |
| Other current liabilities | 133 | 165 |
| Total current liabilities | 105,858 | 124,723 |
| **Deferred Credits:** | | |
| Accumulated deferred income taxes | 82,970 | 69,053 |
| Accumulated deferred investment tax credit | 30,642 | 26,390 |
| Customers' advances for construction | 2,285 | 1,825 |
| Other | 485 | 397 |
| Total deferred credits | 116,382 | 97,665 |
| **Reserve for Injuries and Damages** | 875 | 610 |
| **Commitments and Contingent Liabilities (Notes 2 and 10)** | | |
| **Total** | $1,778,232 | $1,515,517 |

*See notes to financial statements.*

# Kansas Gas and Electric Company

## STATEMENTS OF SOURCES OF FUNDS FOR CONSTRUCTION

*For the Years Ended December 31*

| | 1983 | 1982 | 1981 |
|---|---|---|---|
| | | *(Thousands of Dollars)* | |
| **Sources of Funds** | | | |
| From Operations: | | | |
| Net income | **$ 107,538** | $ 84,663 | $ 65,975 |
| Non-cash charges (credits) to net income: | | | |
| Depreciation | **29,919** | 27,288 | 26,578 |
| Deferred income tax and investment tax credit | **36,993** | 27,083 | 6,053 |
| Allowance for funds used during construction (AFC) | **(102,935)** | (85,016) | (60,101) |
| AFC credits on KEPCo advance | **—** | — | 9,821 |
| Other - net | **768** | 916 | 703 |
| Funds from operations | **72,283** | 54,934 | 49,029 |
| Dividends | **84,083** | 66,395 | 51,510 |
| Funds retained (used) in business | **(11,800)** | (11,461) | (2,481) |
| From Financing: | | | |
| Long-term debt proceeds | **139,787** | 67,095 | 167,709 |
| Securities redemption | **(51,343)** | (23,202) | (1,046) |
| Preferred stock | **—** | 15,000 | 30,000 |
| Common stock | **100,624** | 109,370 | 36,008 |
| Investment in subsidiary company | **—** | (13,500) | — |
| Investment-special interest reserve accounts | **(15,045)** | — | — |
| Increase (decrease) in short-term borrowing | **9,000** | (4,775) | (20,875) |
| Funds from financing | **183,023** | 149,988 | 211,796 |
| Advance - KEPCo | **—** | — | 5,000 |
| Payments to CFC for KEPCo's credit or credited to sales price: | | | |
| Advances | **—** | — | (69,500) |
| Accrued interest | **—** | — | (24,028) |
| Net | **—** | — | (88,528) |
| (Increase) decrease in working capital (other than short-term borrowings and securities due within one year) | | | |
| Cash | **5,507** | 1,551 | (1,428) |
| Temporary investments | **4,700** | 5,300 | (10,000) |
| Accounts receivable | **(18,439)** | (4,254) | 2,731 |
| Other current assets | **(2,554)** | (2,679) | 3,808 |
| Accounts payable | **24,014** | 18,098 | 6,910 |
| Other current liabilities | **(1,452)** | 6,808 | (2,431) |
| Subtotal | **11,776** | 24,824 | (410) |
| Other - net | **(3,622)** | (1,157) | 6,672 |
| **Total Funds Used for Construction (excludes AFC)** | **$ 179,377** | $162,194 | $127,049 |

*See notes to financial statements.*

## NOTES TO FINANCIAL STATEMENTS

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

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

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

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

**Allowance for Funds Used During Construction** — Allowance for funds used during construction (AFC), a non-cash item, is defined in the applicable regulatory system of accounts as the net cost during the period of construction of borrowed funds used for construction purposes, including nuclear fuel and a reasonable rate on other funds when so used. This allowance has been added to all major construction projects with semi-annual compounding. Effective May 1, 1982, upon receiving approval from the FERC, the Company adopted a policy of updating its AFC rate monthly. The annual average net AFC rate for 1983 and 1982 was 9.81% and 9.72%, respectively. For 1981, AFC was capitalized at a gross rate of 11.2% for January through September and 12% for October through December.

**Depreciation** — For accounting purposes, the Company is depreciating the original cost of property by the straight-line method over its estimated remaining service life as determined by independent engineers. Depreciation provision stated as a percent of original cost of depreciable property was 3.3% for 1983 and 1982 and 3.4% for 1981.

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

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

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

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

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

**2. Rate Matters:**

**State:**

On December 31, 1981, the KCC granted a 19.61% retail rate increase to the Company. The increase became effective on January 15, 1982.

On August 13, 1982, the Company filed with the KCC for a retail rate increase in the amount of $48.0 million annually, or approximately 14%, utilizing an adjusted test year ended March 31, 1982. The filing provided for rates of return of 18.5% on common equity and 13.07% on rate base. An order was issued on April 8, 1983 granting the Company $15.2 million, with rates of return of 15.5% on common equity and 11.52% on rate base. The increase became effective April 25, 1983.

On March 15, 1983, the Company filed an interim retail rate increase with the KCC in the amount of $28.0 million annually or approximately 8.6%, utilizing a test year ended December 31, 1982. After the April 8, 1983 order was issued, the interim rate increase request was amended downward to $20.3 million annually, or approximately 6%. The request included the estimated investment for Jeffrey Energy Center (JEC) Unit 3, which commenced commercial operation on May 27, 1983. The KCC granted an $18.9 million interim rate increase, subject to refund, effective May 28, 1983. Under the procedural guidelines issued by the KCC, the rates are based on a return on common equity of 15.5% and a return on rate base of 11.37%.

For the year ended December 31, 1983, approximately $11.3 million of revenues were collected subject to refund under the interim rate filing above.

**Federal:**

In February 1980, the Company filed with the FERC for an increase in rates to certain of its municipal customers for an additional $2.2 million on an annual basis. On October 4, 1983, FERC issued an opinion awarding $1.8 million of the requested annual increase.

On January 28, 1982, the Company filed initial rate schedules with FERC to provide service to Kansas Electric Power Cooperative, Inc. (KEPCo). These rates were permitted to be placed into effect, subject to refund, on February 1, 1982. On November 4, 1983, FERC rejected a proposed settlement agreement in this rate case. Settlement negotiations have resumed but no procedural dates have been set.

On March 30, 1982, the Company filed with FERC for an increase in rates to KEPCo and certain municipalities. This request represents a $2.1 million annual increase in wholesale revenues. On August 1, 1983, FERC accepted a settlement agreement between the Company and its municipal customers providing for an annual increase in revenues of $0.2 million. The remaining portion of this request is being collected subject to refund. A hearing was held in late April 1983 and the rate case is still pending.

For the years ended December 31, 1983 and 1982, approximately $3.0 million and $1.9 million, respectively, of revenues were collected subject to refund under the two 1982 FERC rate filings described above.

On July 15, 1983, the Company filed an application with FERC for a wholesale rate increase in the amount of $4.1 million annually or approximately 14%, utilizing a projected test year ended June 30, 1984. The application was subsequently amended on October 26, 1983 to $4.0 million. The request included the investment for JEC Unit 3 and allowable construction work in progress. The filing provided for rates of return of 16.9% on common equity and 13.22% on rate base. Although the Company requested the rates to be effective September 30, 1983, FERC suspended the rates relating to transmission services by one day and the rates on firm power sales until February 29, 1984.

### 3. Short-Term Borrowings:

At December 31, 1983 and 1982, bank credit arrangements on a short-term basis have been authorized by FERC up to $100 million. The Company has bank credit arrangements for this amount. The Company draws upon these sources to meet short-term cash requirements. Average interest costs are based upon daily average outstanding loan balances. The maximum amount outstanding during 1983 and 1982 was $59,000,000 on December 20, 1983 and $79,200,000 on August 31, 1982, respectively. The weighted average interest rate, including fees, was 11.3% for 1983 and 14.1% for 1982.

### 4. Common Stock and Other Paid-in Capital:

Changes in Common Stock were as follows:

| | Shares | | Amount |
|---|---|---|---|
| | Authorized | Outstanding | (Thousands of Dollars) |
| Balance January 1, 1981 | 20,000,000 | 16,890,057 | $238,403 |
| Additional shares sold | | 2,000,000 | 27,440 |
| Employees Stock Purchase Plan, Employee Stock Ownership Plan and Dividend Reinvestment Plan | | 617,029 | 8,568 |
| Additional shares authorized | 15,000,000 | | |
| Balance December 31, 1981 | 35,000,000 | 19,507,086 | 274,411 |
| Additional shares sold | | 6,000,000 | 95,335 |
| Employee Stock Purchase Plan, and Dividend Reinvestment Plan | | 905,503 | 14,035 |
| Balance December 31, 1982 | 35,000,000 | 26,412,589 | 383,781 |
| Additional shares sold | | 4,000,000 | 76,828 |
| Employee Stock Purchase Plan, Employee Stock Ownership Plan and Dividend Reinvestment Plan | | 1,259,377 | 23,796 |
| Additional shares authorized | 15,000,000 | | |
| Balance December 31, 1983 | 50,000,000 | 31,671,966 | $484,405 |

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

### 5. Cumulative Preferred Stock:

| | December 31, 1983 | December 31, 1982 | Call Price |
|---|---|---|---|
| | (Thousands of Dollars) | | (At December 31, 1983) |
| **Redemption not required** — except at the Company's option: | | | |
| 4-1/2%, $100 par value; authorized and outstanding, 82,011 shares | $ 8,201 | $ 8,201 | $110.00 |
| Serial, $100 par value; authorized, 255,000 shares: | | | |
| 4.28% series, outstanding 45,000 shares | 4,500 | 4,500 | 101.00 |
| 4.32% series, outstanding 60,000 shares | 6,000 | 6,000 | 101.64 |
| 7.44% series, outstanding 150,000 shares | 15,000 | 15,000 | 104.95 |
| Serial, without par value (Note): | | | |
| $8.66 series, outstanding 300,000 shares | 30,000 | 30,000 | 106.50 |
| Total | $63,701 | $63,701 | |
| **Redemption required:** | | | |
| Serial, without par value (Note): | | | |
| $2.42 series, outstanding 602,914 and 634,219 shares, respectively | $15,073 | $15,855 | $27.42 |
| $8.125 series, outstanding 100,000 shares | 10,000 | 10,000 | 107.08 |
| $8.00 series, outstanding 150,000 shares | 15,000 | 15,000 | none |
| $8.25 series, outstanding 100,000 shares | 10,000 | 10,000 | 104.58 |
| $15.50 series, outstanding 300,000 shares | 30,000 | 30,000 | 111.63 |
| $13.25 series, outstanding 150,000 shares | 15,000 | 15,000 | none |
| Subtotal | 95,073 | 95,855 | |
| Less: Securities due within one year | 73 | — | |
| Total | $95,000 | $95,855 | |

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

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

in the year ended September 30, 1987. The Company issued Serial Preferred Stock, without par value, in the amount of 300,000 shares of the $15.50 Series in March 1981.

The following preferred stock may not be redeemed prior to the date shown below through the use, directly or indirectly, of the proceeds of indebtedness or of the issuance of stock of equal or prior rank, at an effective cost to the Company of less than the amount shown (except in the case of the $2.42 and $8.25 Serial Preferred Stock for mandatory or optional sinking fund purposes):

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

The mandatory sinking fund obligations for the various Series are:

| | Period | | Annual Number of Shares | |
|---|---|---|---|---|
| Series | Commencing | Completion | Minimum | Maximum |
| $ 2.42 | April 1, 1980 | April 1, 1999 | 40,000 | 80,000 |
| $ 8.125 | April 1, 1989 | April 1, 2018 | 3,333 | 6,666 |
| $ 8.00 | March 28, 1985 | — | 150,000 | — |
| $ 8.25 | July 1, 1986 | — | 20,000 | — |
| | July 1, 1987 | — | 50,000 | — |
| | July 1, 1988 | — | 15,000 | — |
| | July 1, 1989 | — | 15,000 | — |
| $15.50 | April 1, 1987 | April 1, 1991 | 60,000 | — |
| $13.25 | October 1, 1988 | October 1, 1992 | 30,000 | — |

Amounts related to shares to be redeemed within the next year have been shown as a current liability. Purchases of the $2.42 and $8.125 Series in excess of the minimum can be used to satisfy future minimum requirements.

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

**6. Long-Term Debt:**

| | December 31, 1983 | December 31, 1982 |
|---|---|---|
| | *(Thousands of Dollars)* | |
| First Mortgage Bonds: | | |
| 3-5/8% series, due 1983 | $ — | $ 10,000 |
| 6-1/2% series, due 1983 | — | 15,000 |
| 7-1/4% series, due 1983 | — | 25,500 |
| 3-3/8% series, due 1985 | **10,000** | 10,000 |
| 3-3/8% series, due 1986 | **7,000** | 7,000 |
| 16-1/4% series, due 1987 | **30,000** | 30,000 |
| 4-5/8% series, due 1991 | **7,000** | 7,000 |
| 14-7/8% series, due 1987-1991 | **30,000** | 30,000 |
| 5-5/8% series, due 1996 | **16,000** | 16,000 |
| 16% series, due 1996 | **25,000** | 25,000 |
| 8-1/2% series, due 2000 | **35,000** | 35,000 |
| 8-1/8% series, due 2001 | **35,000** | 35,000 |
| 7-3/8% series, due 2002 | **25,000** | 25,000 |
| 6.8% series, due 2004 | **14,500** | 14,500 |
| 9-5/8% series, due 2005 | **40,000** | 40,000 |
| 8-3/8% series, due 2006 | **25,000** | 25,000 |
| 8-1/2% series, due 2007 | **25,000** | 25,000 |
| 6% series, due 2007 | **10,000** | 10,000 |
| 5-7/8% series, due 2007 | **21,940** | 21,940 |
| 8-7/8% series, due 2008 | **30,000** | 30,000 |
| Securities held by Trustee | — | (374) |
| Total First Mortgage Bonds | **386,440** | 436,566 |
| Guarantee of pollution control revenue bonds — | | |
| 5-3/4% series, due 2003 | **15,000** | 15,000 |
| Flexible Demand series, due 2013 | **70,000** | — |
| Flexible Demand series, due 2013 | **87,000** | — |
| Securities held by Trustee — Flexible series | **(17,842)** | — |
| 16-3/4% promissory note, due 1989 | **39,400** | 39,400 |
| Credit agreement | **50,000** | 50,000 |
| Bankers acceptance agreement | **23,000** | 23,000 |
| Revolving bank loan, due 1990 | **100,000** | 100,000 |
| Other | **255** | 316 |
| Unamortized premium and discount — net | **(11)** | (1) |
| Total Other Long-Term Debt | **366,802** | 227,715 |
| Subtotal | **753,242** | 664,281 |
| Less: securities due within one year | — | 50,500 |
| Total | **$753,242** | $613,781 |

Required redemptions for 1985 through 1988 amount to $60,000,000, $32,300,000, $38,300,000, and $8,300,000, respectively. There are no requirements in 1984. The redemption requirement for 1988 would be increased to include both Flexible Demand series in the event that the irrevocable letter of credit agreements are not extended or other arrangements for collateral are not made.

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

The Mortgage contains provisions which, under certain conditions, restrict distributions on or acquisitions of the Company's Common Stock. At December 31, 1983 and 1982, none of the retained earnings were restricted thereby.

The 6.8% series due 2004, 6% and 5-7/8% series due 2007 are pledged as collateral for Pollution Control Revenue Bonds issued by Kansas municipalities.

Proceeds from the sale of $70,000,000 Flexible Demand Series, due June 1, 2013, were used to refund the 6-1/2% and 7-1/4% Series due 1983 and also were invested by a trustee pending application to additional costs of pollution control facilities. In addition, certain proceeds are held by the trustee in special interest accounts which are pledged for debt service. This series was issued with the collateral of an irrevocable letter of credit which expires on June 1, 1988. The letter of credit agreement permits extensions on an annual basis upon mutual agreement of the bank and Company. The interest rate on this series is subject to change weekly determined on the basis of prevailing market rates for debt instruments of like quality. The weighted average net interest rate was 5.5% for 1983.

The major portion of proceeds from the sale of $87,000,000 Flexible Demand Series, due December 1, 2013, were used for costs of existing pollution control facilities. Other proceeds were deposited with a trustee and invested pending construction of additional pollution control facilities. The remaining proceeds are held by the trustee in special interest accounts which are pledged for debt service. This series was issued with the collateral of an irrevocable letter of credit which expires on December 1, 1988. The letter of credit agreement permits extensions on an annual basis upon mutual agreement of the banks and

Company. The weighted average net interest rate was 5.8% for 1983. A portion of the series will carry a fixed interest rate through July 31, 1984, and the remaining portion will have an interest rate subject to change weekly on the basis of prevailing market rates for debt instruments of like quality.

The long-term debt on financial statements has been reduced by the amount of funds held by trustees for future construction expenditures plus accrued earnings on invested funds. The construction fund investment will be withdrawn upon incurrence of qualified expenditures.

The special interest accounts are invested and used periodically for interest payments and subsequently replenished up to the original account balances of $15.045 million.

The 16-3/4% promissory note due May 1, 1989, was issued to a wholly-owned offshore financial subsidiary, Kansas Gas and Electric International Finance N.V. The Company's First Mortgage Bonds 15-3/4% series due May 1, 1989, in the amount of $40 million, are pledged as collateral for guaranteed notes issued by the subsidiary (see Note 7).

The credit agreement, which expires on July 8, 1985, enables the Company to sell up to $50 million in promissory notes supported by a bank letter of credit and obtain certain revolving credit loans. The weighted average interest rate, including fees, was 10.0% for 1983 and 13.1% for 1982.

The bankers acceptance agreement, which expires on February 28, 1986, enables the Company to borrow up to $25 million by collateralizing its coal and fuel oil inventories at rates based upon the banks' discount and acceptance charge. The weighted average interest rate, including fees, was 10.0% for 1983 and 13.4% for 1982.

The revolving bank loan, due 1990, for up to $100 million is comprised of a revolving credit loan until September 1, 1986, followed by a four-year term loan with right of repayment at any time without penalty. The weighted average interest rate, including fees, was 10.1% for 1983 and 10.9% for 1982.

The term bank loan, due 1986, for up to $100 million was terminated on June 9, 1983 and was replaced with a revolving bank loan, due 1991, which enables the Company to borrow up to $200 million on a revolving credit basis until May 31, 1987, followed by a four-year term loan with right of repayment at any time without penalty. The Company did not borrow under either of these arrangements during 1983.

**7. Finance Subsidiary:**

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

**8. Retirement Plan:**

The Company has a non-contributory retirement plan for all employees. The total cost for the years 1983, 1982, and 1981 was $2,204,000, $2,399,000, and $2,563,000 respectively, which includes amortization of prior service costs over a ten-year period. Of these amounts, $1,271,000, $1,178,000 and $1,102,000 respectively, were included in plant construction costs. The Company's policy is to fund pension costs accrued currently.

| Actuarial Present Value of Benefits at a 6.5% Assumed Rate of Return | November 30, 1983 | November 30, 1982 |
|---|---|---|
| Vested participants | **$37.9 million** | $35.6 million |
| Non-vested participants | **1.3 million** | 1.0 million |
| Total | **$39.2 million** | $36.6 million |
| Market value of net assets available for benefits | **$50.7 million** | $40.9 million |

In December 1983, the Company adopted plan amendments to change the benefit formula and improve benefits under the plan. The assumed earnings rate on invested funds was increased from 6-1/2% to 7-1/2%. The actuarial cost method and assumptions were changed including a change from 10 to 30 year amortization of unfunded past service cost and a change in the method of asset recognition. The cost of the 1983 amendment and actuarial cost method change will be partially offset by the changes in assumed earnings rate and amortization period.

**9. Income Taxes:**

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

| | 1983 | 1982 | 1981 |
|---|---|---|---|
| Statutory Federal income tax rate | **46%** | 46% | 46% |
| Add (Deduct) income tax effects of: | | | |
| Allowances for other funds used during construction | **(20)** | (20) | (31) |
| Depreciation timing differences | **1** | 1 | 2 |
| Taxes and pensions capitalized | **(1)** | (2) | (3) |
| Amortization of investment tax credit | **(1)** | (1) | (1) |
| Other items — net (no one item makes up more than 2%) | **—** | (1) | (2) |
| Effective Federal income tax rate | **25%** | 23% | 11% |

Income taxes as recorded in the Statements of Income are:

| | 1983 | 1982 | 1981 |
|---|---|---|---|
| | *(Thousands of Dollars)* | | |
| Operating expenses: | | | |
| Currently payable - | | | |
| Federal | **$ 1,796** | $ 948 | $2,639 |
| State | **1,114** | 416 | 300 |
| Deferred - Federal | **11,191** | 6,578 | 6,653 |
| - State | **1,758** | 1,035 | 1,047 |
| Deferred - tax effect of AFC - borrowed | **19,792** | 18,899 | — |
| Investment tax credit - net | **4,252** | 571 | (1,647) |
| Total | **39,903** | 28,447 | 8,992 |
| Other income and deductions: | | | |
| Currently payable - | | | |
| Federal | **917** | 772 | 678 |
| State | **144** | 121 | 107 |
| Total | **1,061** | 893 | 785 |
| Income tax expense - net | **$40,964** | $29,340 | $9,777 |

At December 31, 1983, the Company has unused investment tax credits including those related to the employee tock ownership plan of approximately $88 million vailable for carryforward to future years. If not utilized, he remaining carryforward credit will expire in the years 1993 through 1998 in the amounts of $7 million, $20 nillion, $16 million, $13 million, $17 million, and $15 nillion, respectively.

**10. Commitments and Contingent Liabilities:**

The construction budget (exclusive of nuclear fuel) for 1984 is approximately $314 million. The Company has substantial commitments in connection with its construction program, including the estimated $303 million to complete the Wolf Creek nuclear project.

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

**11. Joint Ownership of Utility Plants:**

| | Company's Ownership at December 31, 1983 | | | | | |
|---|---|---|---|---|---|---|
| | In-Service Dates | Investment In Millions | Costs Thru 1983 | Accum. Provision for Depr. | (MW) | Percent |
| La Cygne #1(a) | June 1973 | $ 108 | | $40 | 370 | 50 |
| La Cygne #2(a) | May 1977 | 117 | | 29 | 315 | 50 |
| Jeffrey #1(b) | July 1978 | 68 | | 12 | 132 | 20 |
| Jeffrey #2(b) | May 1980 | 54 | | 7 | 136 | 20 |
| Jeffrey #3(b) | May 1983 | 80 | | 2 | 136 | 20 |
| Wolf Creek #1(c) | 1985(d) | 1,226(d) | $923 | | 541 | 47 |

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

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

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

(d) In-service date and construction costs are estimated. (Unaudited)

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

**12. Quarterly Financial Statistics (Unaudited):**
*(Thousands except per share)*

| | 1983 | | | |
|---|---|---|---|---|
| | 4th Qtr. | 3rd Qtr. | 2nd Qtr. | 1st Qtr. |
| Operating Revenues | $97,588 | $134,172 | $80,064 | $81,229 |
| Operating Income | 16,283 | 30,488 | 13,418 | 13,163 |
| Net Income | 25,826 | 38,610 | 21,154 | 21,948 |
| Earnings Applicable to Common Stock | 21,958 | 34,735 | 17,272 | 18,062 |
| Average Shares Outstanding | 31,647 | 31,328 | 29,001 | 27,675 |
| Earnings Per Share | $ 0.69 | $ 1.11 | $ 0.60 | $ 0.65 |

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

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

**Market Prices and Dividend Rates of Common Stock**

| | High/Low Market Price | | | | Dividends | |
|---|---|---|---|---|---|---|
| **Common-NYSE** | **1983** | | **1982** | | **1983** | **1982** |
| First Quarter | 20-7/8 | 18-1/4 | 16-3/8 | 14-5/8 | $.56 | $.53 |
| Second Quarter | 21-1/4 | 19-3/8 | 16-5/8 | 15-1/8 | .56 | .53 |
| Third Quarter | 20-5/8 | 18-5/8 | 17-1/2 | 15-3/8 | .56 | .53 |
| Fourth Quarter | 21-3/8 | 16-1/2 | 18-1/2 | 16-1/2 | .59 | .56 |

The Company had 63,593 common stockholders as of December 31, 1983.

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

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

Estimated property, plant and equipment (plant), primarily consisting of plant in service and construction work in progress, was determined for constant dollar purposes by applying the Consumer Price Index for all Urban Consumers (CPI-U) to the historical cost of plant. The

# Kansas Gas and Electric Company

## SUPPLEMENTAL STATEMENT OF INCOME ADJUSTED FOR CHANGING PRICES

*For the Year Ended December 31, 1983*

| | Conventional Historical Cost | Constant Dollar Average 1983 Dollars | Current Cost Average 1983 Dollars |
|---|---|---|---|
| | | (Thousands of Dollars) | |
| Operating revenues | $ 393,053 | $ 393,053 | $ 393,053 |
| Fuel | 139,339 | 139,339 | 139,339 |
| Purchased power | 24,541 | 24,541 | 24,541 |
| Depreciation expense | 29,919 | 61,742 | 67,038 |
| Other operating and maintenance expense | 85,999 | 85,999 | 85,999 |
| Income tax expense - net | 40,964 | 40,964 | 40,964 |
| Interest expense - net | 29,880 | 29,880 | 29,880 |
| Other income and deductions - net | (65,127) | (65,127) | (65,127) |
| Subtotal | 285,515 | 317,338 | 322,634 |
| Income from operations (excluding reduction to net recoverable cost) | $ 107,538 | $ 75,715 | $ 70,419 |
| Increase in specific prices (current cost) of property, plant and equipment held during the year* | | | $ 124,860 |
| Reduction to net recoverable cost | | $ (26,702) | (52,400) |
| Effect of increase in general price level | | | (93,866) |
| Excess of increase in general price level over increase in specific prices after reduction to net recoverable cost | | | (21,406) |
| Gain from decline in purchasing power of net amounts owed | | 35,535 | 35,535 |
| Net | | $ 8,833 | $ 14,129 |
| Net assets at year-end at net recoverable cost | | $ 632,366 | $ 632,366 |

*At December 31, 1983, current cost of utility plant net of accumulated depreciation was $2,670,549,000, while historical cost or net cost recoverable through depreciation was $1,657,203,000.

current cost estimates were measured by applying the Handy-Whitman Index of Public Utility Construction Costs to each major class of plant. Current cost is an estimate of the cost of currently replacing existing plant. The resulting adjusted data for plant under either of the above methods is not indicative of the Company's future capital requirements because the actual replacement of existing plant will take place over many years and is not likely to be a reproduction of presently existing plant.

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

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

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

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

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

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

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

## FIVE-YEAR COMPARISON OF SELECTED SUPPLEMENTARY FINANCIAL DATA ADJUSTED FOR EFFECTS OF CHANGING PRICES

*(For the Years Ended December 31)*

| | 1983 | 1982 | 1981 | 1980 | 1979 |
|---|---|---|---|---|---|
| | | (In Thousands of Average 1983 Dollars) | | | |
| **Constant dollar information:** | | | | | |
| Operating revenues | **$ 393,053** | $ 362,226 | $ 342,977 | $ 355,236 | $ 336,242 |
| Income from operations (excluding reduction to net recoverable cost) | **$ 75,715** | $ 54,963 | $ 41,058 | $ 36,527 | $ 16,229 |
| Income per common share (after dividend requirements on preferred and preference stock and excluding reduction to net recoverable cost) | **$ 2.01** | $ 1.71 | $ 1.45 | $ 1.74 | $ 0.44 |
| Net assets at year-end at net recoverable cost | **$ 632,366** | $ 529,836 | $ 415,165 | $ 394,432 | $ 355,764 |
| **Current cost information:** | | | | | |
| Income from operations (excluding reduction to net recoverable cost) | **$ 70,419** | $ 48,811 | $ 34,417 | $ 28,944 | $ 4,449 |
| Income per common share (after dividend requirements on preferred and preference stock) | **$ 1.84** | $ 1.46 | $ 1.08 | $ 1.22 | $ (0.60) |
| Excess of increase in general price level over increase in specific prices after reduction to net recoverable cost | **$ (21,406)** | $ (13,276) | $ (71,101) | $(105,375) | $(107,442) |
| Net assets at year-end at net recoverable cost | **$ 632,366** | $ 529,836 | $ 415,165 | $ 394,432 | $ 355,764 |
| **General information:** | | | | | |
| Gain from decline in purchasing power of net amounts owed | **$ 35,535** | $ 33,693 | $ 72,444 | $ 97,247 | $ 97,934 |
| Cash dividends declared per common share | **$ 2.27** | $ 2.22 | $ 2.26 | $ 2.38 | $ 2.62 |
| Market price per common share at year-end | **$ 17.25** | $ 18.97 | $ 16.29 | $ 17.68 | $ 20.93 |
| Average consumer price index | **298.4** | 289.1 | 272.4 | 246.8 | 217.4 |

## Auditors' Opinion

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

We have examined the balance sheets of Kansas Gas and Electric Company as of December 31, 1983 and 1982 and the related statements of income, retained earnings, and of sources of funds for construction for each of the three years in the period ended December 31, 1983. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such financial statements present fairly the financial position of the Company at December 31, 1983 and 1982 and the results of its operations and the sources of its funds for construction for each of the three years in the period ended December 31, 1983, in conformity with generally accepted accounting principles applied on a consistent basis.

Kansas City, Missouri
January 31, 1984

Deloitte Haskins & Sells

# Kansas Gas and Electric Company

## Comparative Electric Statements

| | 1983 | 1982 | 1981 | Annual Compound Growth Rate 5 Year | Annual Compound Growth Rate 10 Year |
|---|---|---|---|---|---|
| **Sales in Kilowatthours** *(Thousands)*: | | | | | |
| Residential | 2,098,971 | 1,999,091 | 1,954,501 | 1.5 | 4.0 |
| Commercial | 1,527,475 | 1,500,601 | 1,473,425 | 1.7 | 3.4 |
| Industrial | 2,454,486 | 2,595,651 | 2,858,071 | (1.7) | 1.8 |
| Public street and highway lighting | 65,292 | 65,426 | 64,656 | 0.8 | 1.6 |
| Retail rates | 6,146,224 | 6,160,769 | 6,350,653 | 0.2 | 2.9 |
| Wholesale rates | 1,114,674 | 1,077,695 | 1,117,706 | (10.0) | 2.2 |
| Total kilowatthours sold | 7,260,898 | 7,238,464 | 7,468,359 | (2.0) | 2.7 |
| **Customers at End of Year:** | | | | | |
| Residential | 213,819 | 210,698 | 209,343 | 1.9 | 2.1 |
| Commercial | 19,554 | 19,151 | 19,244 | 0.6 | 0.5 |
| Industrial | 4,523 | 4,469 | 4,149 | 5.9 | 6.6 |
| Public street and highway lighting | 655 | 612 | 580 | 9.7 | 13.7 |
| Retail rates | 238,551 | 234,930 | 233,316 | 1.9 | 2.1 |
| Wholesale rates | 40 | 42 | 105 | (16.9) | (7.8) |
| Total electric customers | 238,591 | 234,972 | 233,421 | 1.9 | 2.1 |
| **Residential:** | | | | | |
| Average kilowatthours per customer | 9,901 | 9,529 | 9,433 | (0.5) | 1.8 |
| Average revenue per customer | $669.96 | $576.70 | $574.48 | 11.8 | 15.3 |
| Average revenue per kilowatthour | 6.77¢ | 6.05¢ | 5.04¢ | 12.4 | 13.3 |
| **Kilowatthours Generated & Purchased** *(Thousands)*: | | | | | |
| Generated *(net after station use)* | 6,806,286 | 6,894,437 | 7,489,687 | (3.5) | 2.1 |
| Purchased | 1,128,312 | 919,055 | 536,735 | 27.5 | 11.3 |
| Total available | 7,934,598 | 7,813,492 | 8,026,422 | (1.3) | 3.0 |
| Company use, line loss etc. | 673,700 | 575,028 | 558,063 | 6.8 | 4.7 |
| Total kilowatthours sold | 7,260,898 | 7,238,464 | 7,468,359 | (1.9) | 2.8 |
| **Average BTU per net Kilowatthour Generated** | 10,979 | 11,063 | 11,152 | 0.3 | (0.1) |
| **Average Fuel Cost per Million BTU** | $1.87 | $1.68 | $1.53 | 11.4 | 21.4 |
| **Power Resources** *(Megawatts)* | | | | | |
| Available capacity | 2,160 | 2,029 | 2,064 | 2.1 | 2.7 |
| System peak responsibility | 1,700 | 1,626 | 1,707 | 1.9 | 3.5 |
| Reserve capacity | 460 | 403 | 357 | 3.0 | 0.2 |
| **Utility Plant at Original Cost** *(Thousands)*: | | | | | |
| Beginning of year | $1,668,929 | $1,444,080 | $1,265,056 | 16.4 | 15.4 |
| Capital expenditures | 262,520 | 228,311 | 187,150 | 13.9 | 21.8 |
| Retirements | 8,507 | 3,462 | 8,126 | 24.3 | 14.3 |
| End of year | 1,922,942 | 1,668,929 | 1,444,080 | 16.0 | 16.1 |
| Accumulated provision for depreciation | 265,739 | 245,886 | 221,708 | 10.6 | 11.2 |
| Net utility plant | $1,657,203 | $1,423,043 | $1,222,372 | 17.1 | 17.2 |
| **Employees at Year-end** | 2,016 | 1,856 | 1,721 | 7.8 | 4.7 |

## Comparative Financial Statistics
*(Thousands)*

| | 1983 | | 1982 | | 1981 | | Annual Compound Growth Rate 5 Year | 10 Year |
|---|---|---|---|---|---|---|---|---|
| **Electric Operating Revenues:** | | | | | | | | |
| Residential | $ 142,029 | | $ 120,980 | | $ 98,520 | | 14.0 | 17.8 |
| Commercial | 88,976 | | 79,282 | | 72,992 | | 10.7 | 15.3 |
| Industrial | 115,413 | | 109,628 | | 105,622 | | 9.6 | 18.2 |
| Public street and highway lighting | 4,080 | | 3,523 | | 2,836 | | 14.9 | 15.4 |
| Retail rates | 350,498 | | 313,413 | | 279,970 | | 11.6 | 17.2 |
| Wholesale rates | 41,390 | | 36,388 | | 32,020 | | 3.4 | 18.8 |
| Total sales of electricity | 391,888 | | 349,801 | | 311,990 | | 10.6 | 17.4 |
| Other | 1,165 | | 1,136 | | 1,103 | | (2.7) | 5.8 |
| Total electric operating revenues | 393,053 | | 350,937 | | 313,093 | | 10.5 | 17.3 |
| **Operating Expenses:** | | | | | | | | |
| Fuel | 139,339 | | 128,043 | | 127,748 | | 6.4 | 23.7 |
| Purchased power | 24,541 | | 19,587 | | 11,860 | | 42.5 | 27.6 |
| Other operation | 43,050 | | 39,179 | | 35,658 | | 11.4 | 12.8 |
| Maintenance | 27,871 | | 29,064 | | 27,173 | | 12.8 | 18.6 |
| Depreciation | 29,919 | | 27,288 | | 26,578 | | 6.4 | 11.7 |
| Taxes other than income taxes | 15,078 | | 13,419 | | 12,610 | | 4.3 | 8.3 |
| Income taxes | 39,903 | | 28,447 | | 8,992 | | 16.4 | 18.9 |
| Total operating expenses | 319,701 | | 285,027 | | 250,619 | | 9.9 | 18.1 |
| **Operating Income** | 73,352 | | 65,910 | | 62,474 | | 13.5 | 14.3 |
| **Other Income and Deductions:** | | | | | | | | |
| AFC - other | 63,068 | | 46,948 | | 28,574 | | 48.5 | 36.4 |
| Miscellaneous - net | 2,059 | | 1,704 | | 1,527 | | 95.0 | - |
| Income taxes - net | (1,061) | | (893) | | (785) | | 94.5 | - |
| **Income Before Interest Charges** | 137,418 | | 113,669 | | 91,790 | | 23.6 | 19.6 |
| **Interest Charges:** | | | | | | | | |
| Interest on long-term debt | 65,948 | | 61,650 | | 42,942 | | 22.7 | 19.5 |
| Other interest | 3,031 | | 4,503 | | 13,697 | | 10.8 | 27.7 |
| Amortization of debt premium, discount and expense - net | 768 | | 916 | | 703 | | 31.3 | 39.8 |
| AFC - borrowed | (39,867) | | (38,068) | | (31,527) | | 41.6 | - |
| **Net Income** | 107,538 | | 84,663 | | 65,975 | | 30.0 | 25.1 |
| **Preferred Stock Dividends** | 15,511 | | 14,142 | | 12,915 | | 17.0 | 23.1 |
| **Earnings Applicable to Common Stock** | $ 92,027 | | $ 70,521 | | $ 53,060 | | 33.3 | 25.4 |
| **Shares of Common Stock Outstanding** *(Average)* | 29,912 | | 23,503 | | 18,631 | | 22.0 | 20.3 |
| **Earnings per Share of Common Stock** | $3.08 | | $3.00 | | $2.85 | | 6.2 | 4.3 |
| **Cash Dividends Paid per Share on Common Stock** | $2.27 | | $2.15 | | $2.06 | | 4.5 | 4.0 |
| **Capitalization:** *(Amount & Percent)* | | | | | | | | |
| Long-term debt *(less current maturities)* | $ 753,242 | 48.1% | $ 613,781 | 45.7% | $ 607,256 | 52.3% | 15.0 | 15.4 |
| Short-term debt *(including current maturities)* | 9,000 | 0.6 | 50,500 | 3.8 | 16,775 | 1.4 | 24.6 | (3.1) |
| Total debt | 762,242 | 48.7 | 664,281 | 49.5 | 624,031 | 53.7 | 15.1 | 14.8 |
| Preferred stock | 158,774 | 10.2 | 159,556 | 11.9 | 145,701 | 12.6 | 11.1 | 16.8 |
| Common equity: | | | | | | | | |
| Common stock | 484,405 | | 383,781 | | 274,411 | | 26.2 | 31.3 |
| Retained earnings and other paid-in capital | 158,769 | | 135,401 | | 117,241 | | 11.8 | 8.8 |
| Total common equity | 643,174 | 41.1 | 519,182 | 38.6 | 391,652 | 33.7 | 21.6 | 20.5 |
| Total capitalization | $1,564,190 | 100.0 | $1,343,019 | 100.0 | $1,161,384 | 100.0 | 17.0 | 17.0 |
| **Embedded Cost of Long-Term Debt** | 9.45% | | 9.66% | | 10.52% | | | |
| **Embedded Cost of Preferred Stock** | 9.86% | | 9.86% | | 9.51% | | | |

# Directors and Company Officers

## Directors
*(year elected and committee assignments)*

**A. Dwight Button (1976)** (1,2,4)
*Wichita, Retired Chairman of the Board, Fourth Financial Corp., Wichita*

**Marjorie I. Setter (1980)** (4)
*Wichita, President, Setter and Associates, Inc. Advertising and Public Relations*

**Frank J. Becker (1981)** (1,4)
*El Dorado, Chairman of the Board, Becker Corporation and First National Bank & Trust Co., El Dorado*

**Robert T. Crain (1981)** (5)
*Fort Scott, Partner in Crain Realty Company*

**Donald C. Slawson (1983)**
*Wichita, Chairman of the Board and President, Slawson Oil Companies*

**C.Q. Chandler (1974)** (1,4,5)
*Wichita, Chairman of the Board, First National Bank in Wichita*

**Donald A. Johnston (1980)** (
*Lawrence, President, University State Bank*

**C.T. Carter (1968)** (1,3)
*Independence, Retired Vice President Pipeline Transportation, Atlantic Richfield Company*

**Robert A. Brown (1953)** (3)
*Arkansas City, Chairman of the Board, The Home National Bank of Arkansas City*

**Lyle E. Yost (1969)**
*Hesston, Chairman of the Board, Hesston Corporation*

**lph Foster (1970)** (4)
*hita, Vice President - General*
*nsel of the Company*

**Ralph P. Fiebach (1967)**
*Wichita, Retired Chairman of the Board of the Company*

**Terence J. Scanlon (1980)** (2,3,4) *Wichita, Investor and Developer*

**Russell W. Meyer, Jr. (1982)** (5)
*Wichita, Chairman of the Board, Cessna Aircraft Company*

to Committee Assignments:
Executive (2) Compensation
Audit (4) Shareholders Relations
Nominating Committee

mbers of the company's
licy group are (from left)
**nt R. Brown,** *group vice*
*sident - technical services;*
**nn L. Koester,** *vice presi-*
*t - nuclear;* **Howard J.**
**nsen,** *group vice president*
*nance;* **Wilson K. Cadman,**
*airman of the board and*
*sident;* **Robert L. Rives,**
*up vice president - corporate*
*ations; and* **Glen L. Mon-**
**ue,** *group vice president*
*ministration.* **Ralph Foster,**
*e president - general counsel,*
pictured above.

## fficers

*cluding ages and titles)*

**lson K. Cadman, 56**
*irman of the Board and President*

**nt R. Brown, 39**
*up Vice President - Technical Services*

**ward J. Hansen, 62**
*up Vice President - Finance*

**en L. Montague, 64**
*up Vice President - Administration*

**bert L. Rives, 50**
*up Vice President - Corporate Relations*

**nnis L. Evans, 49**
*e President - Administrative Services*

**lph Foster, 55**
*e President - General Counsel*

**Richard M. Haden, 44**
*Vice President - Corporate Planning and Systems*

**Glenn L. Koester, 58**
*Vice President - Nuclear*

**Bernard Ruddick, 60**
*Vice President - Engineering*

**W.R. Whitmer, 50**
*Treasurer*

**E.D. Prothro, 51**
*Controller and Assistant Secretary*

**Richard D. Terrill, 29**
*Secretary*

**Joe R. Gibbens, 38**
*Assistant Secretary*

**J.F. Klassen, 54**
*Assistant Treasurer*

**William B. Moore, 31**
*Manager of Finance and Assistant Treasurer*

**Verna L. Ridgeway, 56**
*Assistant Vice President - Consumer Affairs*

**Jack Skelton, 53**
*Assistant Controller*

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