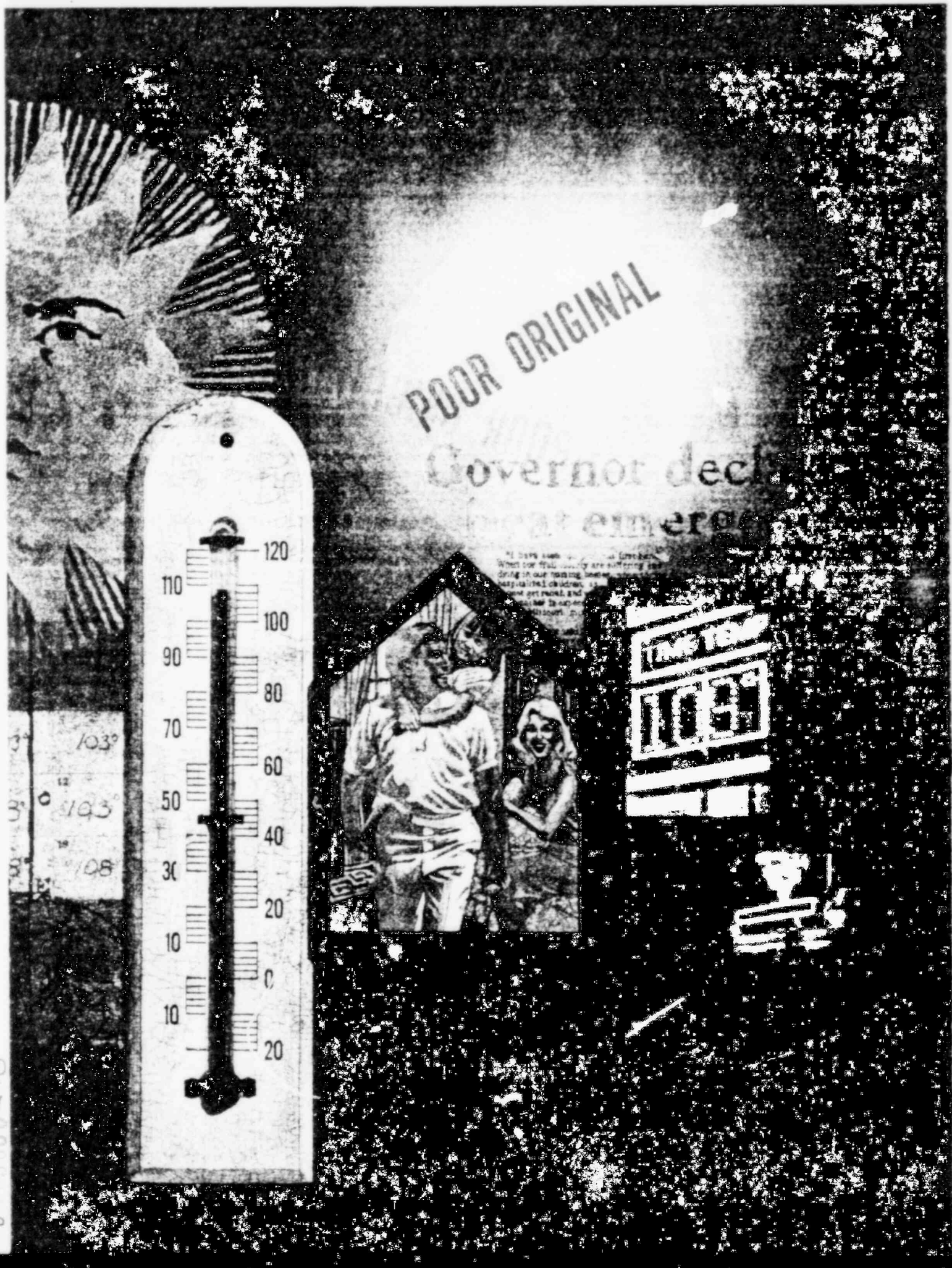
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Kansas Gas and Electric Company
P.O. Box 208
Wichita, Kansas 67201

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Wichita, KS

Kansas City Power & Light Company Annual Report 1980

1980 Highlights

- Iatan Unit goes commercial; most efficient coal-fired unit.
- Summer heat storm produces gains in sales, revenue; confirms need for Iatan Unit.
- Iatan Unit investment excluded from Missouri rate base; MPSC action challenged.
- Revenue increases of $49.6 million granted in Missouri; interim increase of $24.5 million in Kansas.
- Wolf Creek Unit 70 percent finished; completion date delayed to 1984.
- KCC approves KEPCo purchase of Wolf Creek Unit share; but conditions may prohibit sale.

Operating Highlights

Electric Utility Data (000s)	1980	1979	Percent Increase (Decrease)
Electric Revenues	$ 440,182	$ 365,084	20.6%
Gross Additions to Plant	$ 156,604	$ 234,758	(33.3%)
Total Plant	$ 1,287,913	$ 1,036,161	24.3%
Construction Work in Progress	$ 419,171	$ 516,845	(18.9%)
Total Company Data			
Earnings for Common Stock (000s)	$ 56,283	$ 33,180	69.6%
Average Shares Outstanding	12,915,770	11,009,407	17.3%
Earnings Per Share	$ 4.36	$ 3.01	44.9%
Dividends Per Share	$ 2.69	$ 2.635	2.1%
Book Value Per Share (year end)	$ 31.68	$ 31.95	(0.8%)
Return on Year End Equity	13.2%	8.9%	48.3%

Selected Statistics

Kilowatt Hour Sales (000s)	8,593,595	8,218,385	4.6%
Peak Load (Kw)			
Summer	2,198,000	1,964,000	11.9%
Winter	1,299,000	1,317,000	(1.4%)
Fuel Mix (%)			
Coal	93.5%	88.8%	5.3%
Fuel Oil	.9%	3.7%	(75.7%)
Natural Gas	5.6%	7.5%	(25.3%)
Average Coal Cost (per million Btu)	100.1¢	95.5¢	4.8%

KCPL

Annual Meeting of Shareholders

The Company's Annual Meeting of Shareholders is scheduled for Tuesday, April 28, 1981, commencing 10:00 a.m. at the Company office located at 1330 Baltimore Avenue, Kansas City, Missouri. A notice of the meeting, together with a proxy statement and form of proxy will be mailed to holders of record of the Company's common stock as of the close of business on March 9, 1981, who will be the shareholders entitled to vote at the meeting.

Dividend Reinvestment and Stock Purchase Plan

The Company offers all KCPL shareholders an expense-free opportunity to reinvest Company dividends in new common shares, discounted five percent from market price and/or invest cash to purchase Company common shares at market prices through a dividend reinvestment plan. A prospectus containing detailed information and authorization forms are available by writing to the Company.

Contents

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

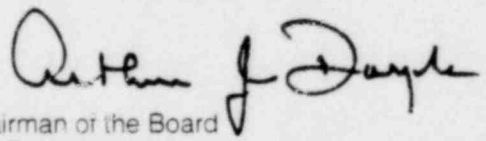
On January 28, 1981, we announced plans for a comprehensive study of various alternative and "least cost" methods of supplying our customers electric needs from the mid-1980s through the year 2000. This Long-Range System Expansion Alternatives Study will seek to design a strategy to delay, as long as possible, the construction of additional required generating capacity, and provide, at the same time, for more efficient off-peak utilization of our existing capacity. Our purpose will be to restrain peak demand growth to less than the current annual 3.6 percent projection, which will permit deferral of our next capacity addition beyond 1989. The study will consider various load management programs, including remote control of air cooling devices, to reduce on-peak electric usage. A second part of the study will involve promotion of off-peak usage of electric energy to replace expensive and dwindling supplies of natural gas and fuel oil, principally in space heating and the electric vehicle. Such fuel switching is in line with our national energy policy and will increase the efficient utilization of our existing capacity, thereby minimizing KCPL's future electric service rates.

Integral to the study will be public input provided by a Citizens Advisory Planning Group, which will review available data developed by our consultants and join our in-house Planning Committee in developing our strategy for the future.

KCPL's average cost per kilowatt hour declined throughout this century prior to 1969. Since then, KCPL's residential electric rates have increased at a rate just about equal to the rise in the Kansas City Area Consumer Price Index, or the rate of inflation. In other words, there has been practically no increase in the *real* price of KCPL's residential electric service. It is our expectation and hope that, with sound strategic planning, we will be able to maintain this result for the decade ahead.

Robert A. Olson, KCPL's retired Chairman of the Board and Chief Executive Officer, who has well served this Company during the past 34 years, is no longer eligible under a Board retirement policy for nomination by the Board for reelection as a regular member. To fill that vacancy, the Board has nominated KCPL's Chief Financial Officer, Louis C. Rasmussen, in its slate of nine nominees for election at the 1981 annual meeting of stockholders. Mr. Olson will continue to serve the Company as an Advisory Director.

March 1, 1981
For the Board of Directors



Chairman of the Board
and President

To the Shareholders:

For KCPL, 1980 financial results showed substantial improvement over 1979 because of three major factors:

- The hottest summer in Kansas City in nearly half a century caused unprecedented residential usage of electricity for air cooling, in contrast with the unseasonably mild 1979 summer. KCPL's record system peak demand of 2,198 megawatts, set on July 15, was 12 percent above the 1979 peak. Despite the depressant effect of economic recession on commercial and industrial electric use, KCPL's 1980 kilowatt hour sales increased 4.6% over the prior year.

- Electric retail rate increases authorized in 1980, totaling $74.1 million annually, or about 20 percent, were in effect during the high usage period.

- The outstanding 94.7 percent availability of our Iatan Unit after it began commercial operation on May 5 enabled the Company to return from a net buyer to a net seller position in interchange transactions with other electric systems. The net improvement in the interchange picture for 1980 was $48.7 million over 1979.

Ironically, the Missouri Public Service Commission in its June 19 permanent rate order excluded some $22 million from KCPL's revenue increase, finding the Iatan Unit was not needed to serve KCPL's 1980 Missouri customer requirements. However, the 1980 summer heat storm proved the Iatan capacity was absolutely essential to meeting those customer needs and to maintaining the continuity of service on our system. Since then, the Missouri Commission has repeatedly denied the Company a hearing and an opportunity to present evidence on the record to prove our 1980 need for Iatan capacity. On July 25, after Commission denial of our request for a rehearing, we applied to the Missouri State Court for judicial review of the June 19 order. On August 6, we filed with the Commission for an additional increase of $45.4 million and requested the $22 million related to Iatan be made effective after an immediate evidentiary hearing on the basis of the new evidence. The Commission refused to grant that hearing and we promptly filed an action in a Federal court to require the Commission to do so. The matter is still pending in the Federal appellate court.

Higher electric usage combined with rate increases produced total revenues of $446 million, a gain of 20 percent from $371 million in 1979. The most pronounced effect was on summer electric bills and revenues from residential customers, which in July were 134 percent above 1979. Out of concern for the obvious impact this would have on family budgets, on July 15 we instituted an automatic payment plan permitting residential customers to defer payment of 25 percent of their electric service bills with full payment due October 15. Some 17,000 customers took advantage of this plan.

The most dramatic improvement in 1980 financial results was in earnings. With 1.9 million additional shares outstanding, earnings per common share in 1980 were $4.36, compared with $3.01 in 1979. Cash earnings, which exclude the allowance for funds used during construction, represented about 70 percent of the common dividend paid.

On November 4, the Board of Directors increased the quarterly common stock dividend to 69.5 cents per share, or $2.78 per share on an annual basis, up from the prior level of $2.66. It was the 21st increase in 23 years.

In light of the precipitous decline in earnings during the last half of 1979 and forecasts for the first half of 1980, we instituted an austerity program on January 7, 1980, to reduce cash expenditures without impairing the adequacy and reliability of service to customers. This program has been successful and, in major part, extended indefinitely based on the outstanding response of our employees.

Cash construction expenditures for 1980 totaled $125 million, down from $205 million in 1979, reflecting completion of the Iatan Unit. For the first time in almost a decade, the Company now has only one major generating unit under construction. As a result, construction requirements are expected to taper off over the next several years.

The Wolf Creek nuclear unit is about 70 percent complete and commercial operation is now targeted for April, 1984. The one-year delay became necessary due to a lagging construction timetable related to a previously reported groundless concrete basemat problem, cold weather work delays, and uncertainty about the ability of the Nuclear Regulatory Commission to process our operating license application on a timely basis. The delay and Federally-required design changes have increased the estimated total cost of the project to $1.7 billion. On that basis, the installed cost of our agreed 41.5 percent, 477-megawatt-share would be $1,373 per kilowatt.

On October 30, the Kansas Corporation Commission authorized the Kansas Electric Power Cooperative, Inc., to purchase its planned 17 percent ownership in Wolf Creek, but the order contained several onerous conditions unacceptable to the parties. In our opinion, unless these conditions are eliminated or substantially modified, the sale cannot be consummated. The Company has joined KEPCo and KG&E in applications for judicial review of the Commission's order in the Kansas District Court. Additionally, the Kansas Senate has passed a bill which would eliminate the need for KEPCo to secure a certificate from the KCC. If such a bill is enacted into law, the closing of the sale to KEPCo could be concluded shortly thereafter.

on that concern, the Company instituted a plan on July 15 which enabled all residential customers to pay 75 percent of their bills received through September 15, with full payment due by October 15. More than 17,000 customers took advantage of this automatic extension plan and an equal number were granted hardship extensions through normal credit processes.

For the four months June through September, 1980, KCPL's total kilowatt hour sales were 18.8 percent above 1979. Residential usage jumped about 60 percent, but the total increase was tempered by a decline in kilowatt hour sales to manufacturing customers of almost 20 percent due to general adverse economic conditions. During most of the remaining eight months of the year, customer usage actually lagged slightly behind 1979. For the 12 months, KCPL's total 1980 kilowatt hour sales increased 4.6 percent over 1979.

Higher usage, together with rate increases granted during the year, resulted in annual electric revenues of $440 million, 21 percent more than in 1979. Earnings per share for 1980 were $4.36, an increase of $1.35 per share above the previous year.

The Peak Demand Dilemma

The demand, sales, revenues and earnings picture outlined above illustrates the dilemma today facing many electric utilities which serve substantial seasonal peak load demand. In response to what is perceived as a national effort, customers conserve electricity *except* during peak usage periods, such as the summer air cooling season—and especially during severe heat storms. More generating capacity is needed to meet those increasing customer peak loads, but because of general energy conservation during off-peak periods, that capacity is underutilized for the remainder of the year. Therefore, the annual fixed costs of the investment in the system capacity, which presently amount to nearly two-thirds of the cost of electric service, must be spread over fewer kilowatt hours use during the year. This raises the cost of electric service on a per kilowatt hour basis and requires more rate increases than otherwise would be necessary. Customer reaction to the higher electric rates causes more off-peak energy conservation, and the cycle repeats in a "Catch 22" fashion. The stockholder sees wide swings in earnings and the consumer in the amount of his bill.

PURPA's Pricing Signals

In the Public Utility Regulatory Policies Act of 1978 (PURPA), the Congress required state regulatory commissions to consider changes in electric rate designs, which manipulate pricing of electricity to discourage energy usage. Those required considerations include pricing electricity according to seasonal and time-of-day usage, with the objective of stimulating energy conservation and reducing the use of oil. We believe that such rate designs will not induce our customers to conserve electric use during actual peak demand periods which, on our system, are caused by customer air cooling loads—particularly during heat storms when air cooling is essential in many cases to survive. Such rate designs may well reduce customer electric use both before and after, but not during, the peak demand period. As a result, the Company must provide the capacity to meet the customer peak load demand, but the capacity will then be underutilized because of general conservation encouraged by some of such rate designs. When applied to a coal-fired electric system like KCPL's, the wisdom of those rate designs must be seriously questioned because any off-peak energy conservation would only conserve the use of our plentiful coal, not oil. Both the Missouri and Kansas Commissions have held hearings and are currently considering further adoption of PURPA guidelines. However, the Act already has had a significant impact on the application of recent rate increases to KCPL's rate schedules. A general "flattening" of rates has been ordered by both commissions, substantially increasing the electric bills of customers with high monthly use because of air cooling and space heating. The intentional "pricing signals" received by KCPL's customers in the summer of 1980 may be modest compared to what might be expected if the ratemaking standards of PURPA were to be fully implemented in this area.

KCPL's Approach

The Company is opposing those proposed residential rate designs which, as a practical matter, would place air cooling or space heating beyond the pocket books of all but the wealthy. Moreover, during times of heat storms, this possibility would have ominous consequences. In the Commission hearings, KCPL has encouraged adoption of rate designs which will continue to make electric service available during peak periods at reasonable average costs and encourage off-peak use to minimize future electric rate increases. Enforced electric energy conservation on our system during off-peak periods is not in the best interests of our customers, our stockholders or the Nation. We are endeavoring to make the significance of this distinction clear to both the Commissions and our customers.

Special Report
Heat Storm 1980

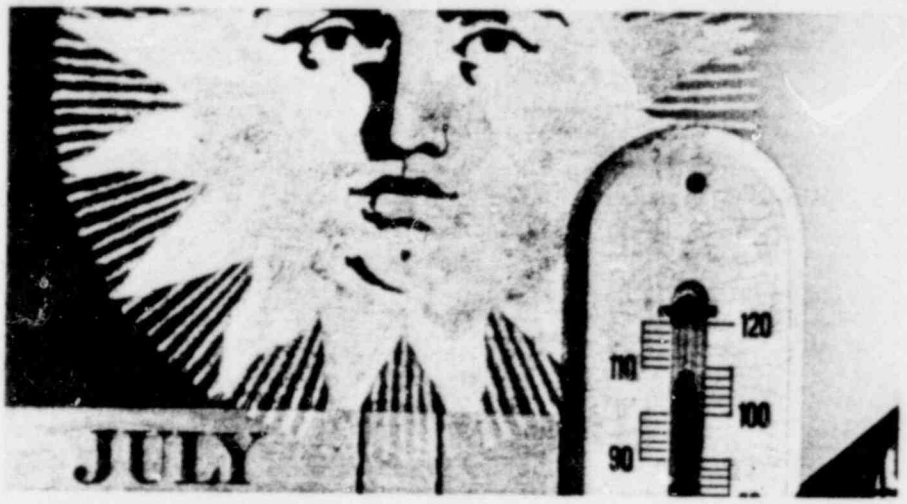
Kansas Citians will long remember the "Heat Storm of '80." A stationary high pressure system, centered over the Southwest from late June to mid-August, drew hot desert air out of Mexico and the far West baking most of Kansas and Missouri in a natural oven. In the two states, 383 people died from the heat. The Kansas City Metropolitan Area was hit the hardest with 192 deaths. Economic losses in these states exceeded $2 billion.

Kansas Citians normally expect some 100 degree days each summer. June, 1980, averaged five degrees warmer than usual. But in July, the temperature soared above 100 degrees on 22 days with 17 consecutive days ranging between 102 and 109 degrees. The oppressive heat continued through the first 10 days of August before relief occurred.

The Community Response

The reality of the heat storm gave Kansas City a new perspective. Its real toll was in human life, especially among the vulnerable and hidden—the poor over 65 years of age. The response of the community to the human suffering tracked the heat. Pleas were issued for all citizens to check their elderly neighbors. Because relief from the heat was a key to survival, a fan bank was established to deliver donated fans and air conditioners to the elderly and indigent. When the potential scope of the disaster became apparent, an Emergency Command Post was operated on an around-the-clock basis to coordinate distribution of the fans, transportation, and transfer of those in need to cool shelter, medical assistance and other services. In the 12 days during the critical period in which the post operated, 12,214 calls were answered and 4,051 fans were distributed. Clearly, it was one of Kansas City's finest responses to community needs.

The only previous comparable heat storm of record was during the dust-bowl-ridden summer of 1934, when the death toll due to heat was 209 in Kansas City, which then had a smaller population. But, more



significantly, in 1934 there was no air conditioning in the Kansas City area. Today some 89 percent of the residences and most of the commercial businesses served by the Company are equipped with electrically operated air cooling devices. If there had not been air cooling in 1980, or if electric service had not been reliable, it is likely there would have been more heat related deaths in the Kansas City area.

Iatan Averts Blackouts

For electric utilities throughout our region, the heat storm had special implications. Electric demands soared upward with the temperatures and set new record peaks. There were days when all available generating units in the area were operating at maximum output and continuity of electric service was dependent on purchases from electric systems far to the north and east. When power was available for purchase, it was expensive, oil-fired electric generation at up to 10 times the cost of coal-fired generation. During several critical periods, additional power from the interconnected systems was not available for purchase—at any price—to back up the loss of a major electric generating unit.

Had our Iatan unit not been available during the heat storm, we would have had to replace its daily generation with substantially more expensive generation, including oil-fired electric generation purchased from the interconnected systems. More importantly, without our Iatan capacity, it would have been necessary to institute rotating blackouts on our system on July 10, July 16 and August 7, when the maximum amount of power available for purchase from other interconnected systems would have fallen 100 to 200 megawatts short of being able to replace our Iatan capacity.

Customers Set Record Peaks

KCPL's customers record electric peak demand of 2,198 megawatts was met, without curtailment, on Tuesday afternoon, July 15, 1980. The temperature was 109 degrees. The new record was 12 percent above the 1979 peak. At that time, KCPL had a "Peak Watch" in effect, one of 14 called during the heat wave to ask customers to curb nonessential usage during periods of potential record peak demand. Also, in addition to a general downturn in industrial electric requirements throughout all of 1980 due to the economic recession, the Company's largest customer had shut down its electric steelmaking furnaces during mid-July for a scheduled vacation. Had those furnaces been operating, our record electric peak demand would have been at least 60 megawatts higher and had industrial production been normal, our peak demand would have been even higher.

Special Bill Payment Plan

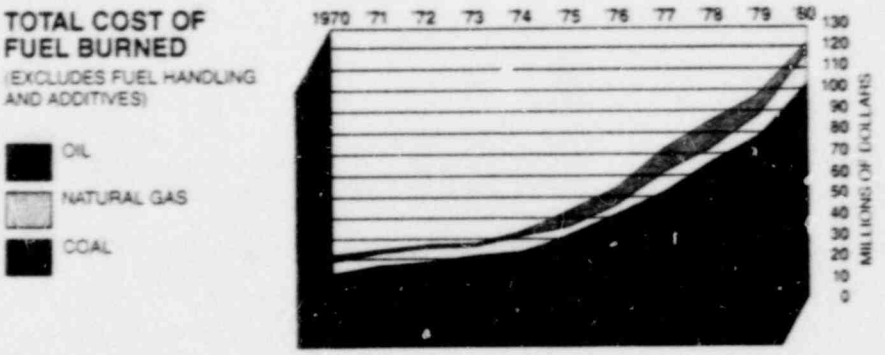
An early analysis indicated that, because of increased electric rates and high electric usage due to the heat storm, KCPL's residential customer bills would be at least twice those of the previous July and considerably above the level for which most families had budgeted. Based

to $54.3 million for 1979 and $30.4 million for 1978. The small decline in 1980 was due to reduced maintenance of older units, which are now less critical due to increased availability of newer and more efficient units, offset in part by the Iatan Unit's maintenance requirements which commenced in May 1980. The $23.9 million increase in 1979 over 1978 reflected an estimated $1.3 million of production maintenance deferred from the strike of 1978, escalating costs of materials, as well as increased maintenance required for older coal-fired equipment with added environmental protection systems for burning low-grade, high ash content coal.

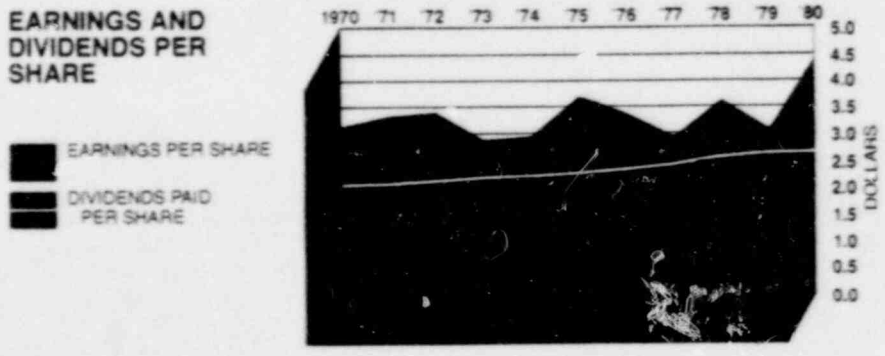
In 1980, the output from the Iatan Unit allowed the Company to again attain a net interchange sales position, which more than offset the increase in fuel expense. Net interchange sales were $21.5 million in 1980, as contrasted with net purchases of $27.2 million in 1979 when the Iatan Unit was not yet available and the Company was required to buy additional replacement energy to serve its own customers while major units were down for maintenance. Net interchange sales were $2.6 million in 1978. Starting June 1, 1980, the Company sold to Associated Electric Cooperative, Inc. 150 megawatts of capacity from the Iatan Unit and La Cygne Unit No. 2. These capacity sales amounted to $7 million in 1980, and are expected to amount to at least $24 million in 1981 when 300 mw of capacity will be sold. The level of interchange sales in the future will be dependent upon the Company's requirements and other factors, such as fuel costs, maintenance requirements and forced generating unit outages relating both to the Company and potential purchasing utilities.

Other operation expenses were $14.7 million higher than 1979, which had increased $8.8 million over 1978. The increase in 1980 included higher wage rates and charges resulting from the operation of the Iatan Unit. It is anticipated that other operation expenses will continue to increase.

TOTAL COST OF FUEL BURNED
(EXCLUDES FUEL HANDLING AND ADDITIVES)



EARNINGS AND DIVIDENDS PER SHARE



Interest Expense for the Year Climbs to $60.8 Million

Interest expenses were $60.8 million for the year, an increase of $14.3 million over 1979 and $26.3 million over 1978. The increase resulted from higher interest rates and substantially increased long-term debt including additional financing secured by coal and fuel oil inventories, and interest accruals on advances from Kansas Electric Power Cooperatives, Inc. (KEPCo).

Board Raises Common Dividend

On November 4, the Board of Directors increased the quarterly common stock dividend from 66.5 to 69.5 cents per share, or to $2.78 per share on an annual basis. Approximately 61.6 percent of earnings available for common stock was declared in dividends to holders of common stock. However, cash earnings were less than the declared dividends because earnings available for common stock reflected net AFDC of $2.47 per share with the result that the Company paid dividends amounting to 142 percent of such cash earnings.

Construction Expenditures Drop to $125 Million for 1980

Construction expenditures, excluding AFDC, totaled $125 million in 1980, down from $205 million in 1979. Funds from operations provided $57.2 million, which is equal to 45.7 percent of total construction requirements, which are net of the receipt of $20.3 million as partial settlement of a lawsuit against Westinghouse Electric Corporation (see Note 8 to Financial Statements). The balance came from KEPCo's $19.5 million in cash advances toward the Wolf Creek Unit, and from outside sources.

Five-year Construction and Financing Requirements

Construction expenditures for the period 1981-1985 are currently projected at $490 million, excluding AFDC. Of this total, $251 million will be spent on the Wolf Creek Unit, including nuclear fuel. Construction expenditures for Wolf Creek are based on an ownership percentage of 41.5 percent, which assumes

Management's Discussion

Financial Review and Analysis

Hot Weather, Increased Rates Boost Sales, Revenues, Earnings

For the year 1980, net income of $68.7 million was up $24.9 million from 1979 and $25.8 million from 1978. Net income for 1979 included $7.2 million resulting from a change in the Company's accounting method. Earnings available for common stock in 1980 were $56.3 million, compared with $33.2 million in 1979 and $34.2 million in 1978. On a per share basis, earnings amounted to $4.36 for the year, based on 12.9 million average shares outstanding, compared with $3.01 on 11 million shares in 1979 and $3.55 on 9.6 million shares in 1978. Cash earnings, which exclude the allowance for funds used during construction (AFDC), net of associated deferred income taxes, were $1.89 in 1980, $0.33 in 1979, and $1.69 in 1978.

The dramatic increase in 1980 was attributed to the record summer heat in contrast with a cool 1979 summer, rate increases, availability of energy from the Iatan unit which went commercial in May, 1980, and improved availability of other major generating units during the year. However, results for 1980 should not be considered indicative of future results.

Revenues Increase 20 Percent

The impact of summer heat boosted 1980 sales to 8.6 billion kilowatt hours from the 8.2 billion sold in 1979. Gains in 1980 were recorded in residential sales of 19.3 percent and commercial sales of 4.9 percent, while industrial sales declined 10.1 percent due largely to the economic recession. The average residential customer used 8,923 kilowatt hours, compared with 7,556 in 1979. Overall sales declined 1.7 percent in 1979 from 1978 because of milder weather and customer conservation.

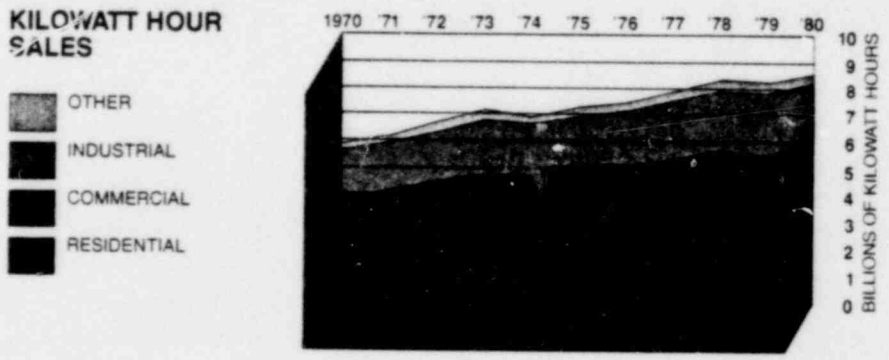
Higher kilowatt hour sales and the effects of rate increases in 1979 and 1980 increased 1980 revenue to $446 million, up from the $370.9 million for 1979 and $318.7 million for 1978. The $75.1 million gain in 1980 included $18 million attributed to higher kilowatt hour sales, $61.4 million from rate increases, and a $4.3 million decrease in Kansas fuel adjustment revenues related to lower fuel costs. Of the $52.2 million in additional 1979 revenues over the previous year, $35 million resulted from rate increases and $22 million from recovery of fuel cost increases, offsetting a decrease in revenues of $4.8 million due to lower kilowatt hour sales.

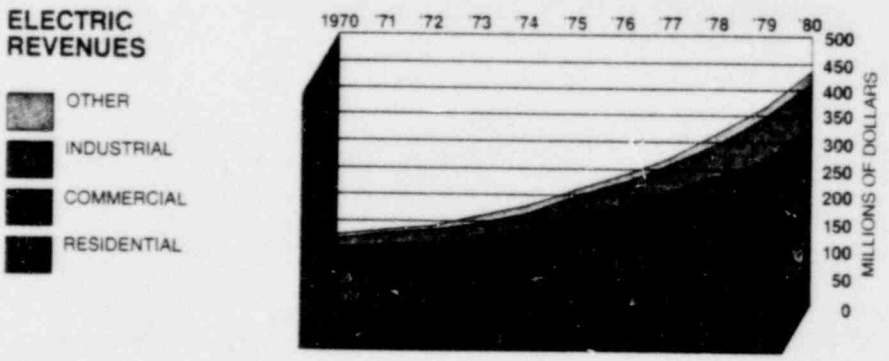
Operating Expenses Held to 9.9 Percent Increase

Operating expenses of $359.1 million were up $32.3 million or about 9.9 percent over 1979, compared with a 24 percent increase between 1978 and 1979. Included in higher 1980 expenses were increases of $22.6 million of fuel expense, $14.7 million of other operation expenses, $6.9 million of depreciation (mostly for the Iatan Unit), and $38.6 million in taxes, offset mainly by interchange sales.

Total fuel expense for the year was $125.3 million, up from $102.7 million in 1979 and $90.6 million in 1978. The 1980 increase mainly reflected additional quantities of coal burned to meet the year's higher generation requirements, along with a minor increase in the cost of coal and sharply higher prices for oil and gas. The average cost of fuel burned in 1980 was $1.094 per million Btu. This was only 2 percent above the $1.073 cost in 1979, which represented an increase of 22 percent over 1978. This year's modest increase reflected the availability of the Iatan Unit and also improved availability of our other newer units, and a resultant fuel mix with a higher percent of coal and less oil as compared to 1979.

Maintenance expense for the year totaled $52.7 million, compared





MPSC Disallows Iatan Cost in $49.6 Million Rate Increase

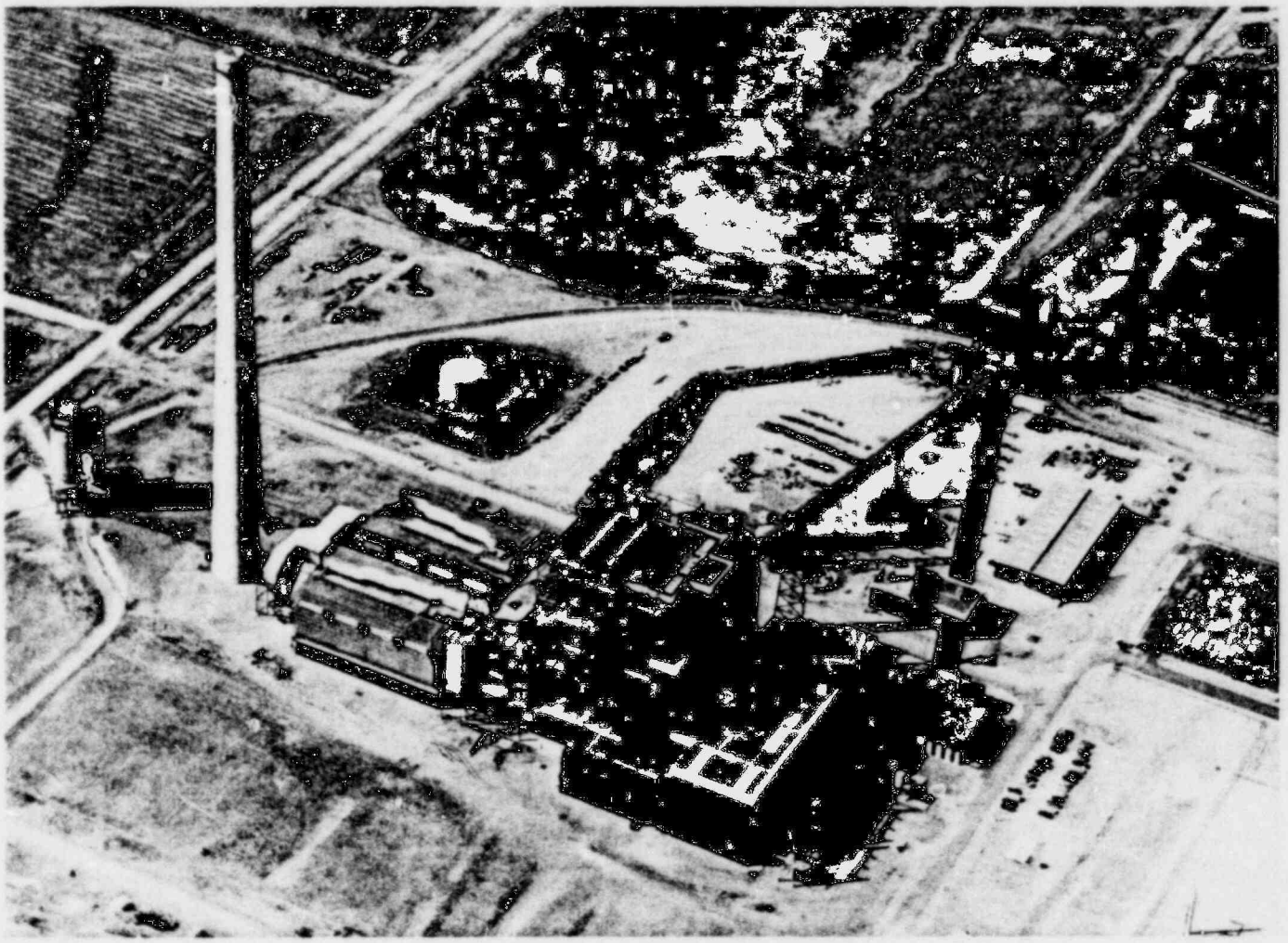
On June 19, 1980, the Missouri Public Service Commission (MPSC) authorized increased rates for Missouri customers equivalent to additional annual revenues of $49.6 million, or 18.6 percent. The Company had requested a revenue increase of $76.4 million in August, 1979. In its order, the Commission disallowed some $22 million of revenues associated with the Iatan Unit. The order concluded that the unit was not needed to provide safe and adequate service to Missouri customers.

The order, in effect, contradicts the Commission's prior affirmations of the need for the Iatan Unit, which were implicit in its 1973 certificate of public convenience and necessity authorizing construction of the unit, and its subsequent orders relating to the adjustment of ownership shares in the unit.

In response to the June 19 order and subsequent denial for rehearing, a petition for judicial review of the Commission order and of its denial of rehearing was filed in the Circuit Court of Cole County, Missouri, on July 25. Court action is still pending.

In addition, a filing in the U.S. District Court for the Western District of Missouri requested a court order requiring the MPSC to hear new evidence on the Company's need for the Iatan Unit's capacity to serve Missouri customers during the summer heat wave. The Court later dismissed the request, ruling that it lacked jurisdiction to issue such an order. The Company appealed the ruling to the U.S. Circuit Court of Appeals on February 2.

We also initiated a new rate filing with the MPSC on August 6, 1980, termed a "catch-up" rate increase request for additional revenues of $45.4 million annually. The filing covers the Company's costs related to the Iatan Unit, recovery of fuel costs through May, 1980, fuel-related increases from June, 1980, through May, 1981, increases in



The new 670-megawatt, coal-fired Iatan Unit occupies a 3,000 acre site about 35 miles northwest of Kansas City on the Missouri River.

completion of the proposed sale to KEPCo. The significance of the five-year construction forecast is that yearly expenditures are expected to continue to decline. Furthermore, budgeted expenditures associated with the Company's next generating unit after Wolf Creek have been limited to environmental studies.

Reference is made to Note 8 to the Financial Statements for more detail about the proposed sale of an interest in the Wolf Creek Unit to KEPCo, the Company's obligation to repay certain amounts to KEPCo if such sale does not occur and the Company's outstanding construction commitments related to Wolf Creek.

In addition to the construction requirements, during the next five years the Company must retire $76 million of maturing long-term debt and redeem $17.5 million of preferred and preference stock to meet sinking fund requirements.

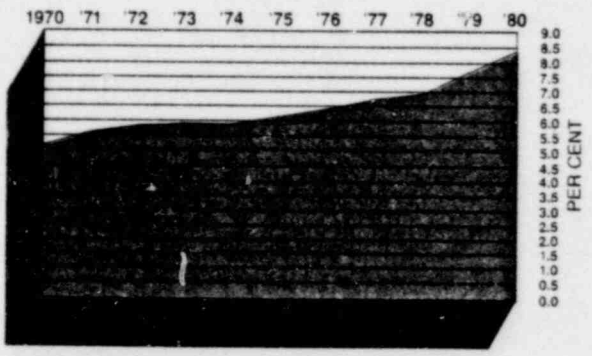
Financing these requirements will be met through sales of new common stock, preferred stock, bonds, and various other financing arrangements. The amounts, timing and methods of financing will be dependent upon market conditions prevailing at the time the financing is required. Short-term borrowings will be utilized between financings. It is anticipated the remaining capital needs will be provided from operations.

Uncertainties which affect the degree to which financing requirements will be met by funds provided from operations include the impact of inflation on operating expenses, the level of kilowatt-hour sales, the degree of operating efficiencies and availability to be obtained from our generating units, the demand from other utilities for interchange power and the Company's ability to receive adequate rate relief.

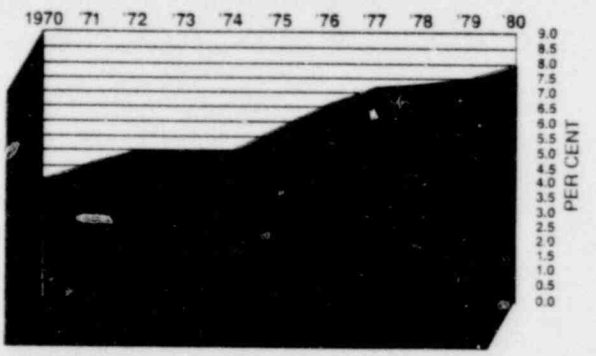
It is unlikely that increases in kilowatt-hour sales and future operating efficiencies can offset the rise in the level of future operating expenses; therefore, to a large extent the amount of internally generated funds is contingent upon the Company receiving adequate rate relief in the future.

See Selected Financial Data for Financial Data Adjusted for Changing Prices.

AVERAGE COST OF LONG-TERM DEBT



AVERAGE COST OF PREFERRED AND PREFERENCE STOCK



(NRC). Cash expenditures upon completion and based on a 41.5 percent share, are now estimated at $472 million, including capitalized property taxes.

The operating license application was filed on February 19, 1980, and docketed by the NRC on August 6. Historically, the review cycle has involved 30-36 months. Fuel loading is now scheduled for April, 1983.

The 1,150-megawatt plant is owned jointly with Kansas Gas and Electric Company (KG&E). The sale of a 17 percent share to KEPCo is still pending. While the sale was approved by the KCC on October 30, the order contained several conditions which were unacceptable to the parties, including requirements which set limits on KEPCo's financial responsibility. Unless these conditions are substantially modified or eliminated, in the opinion of the Company, the sale is impossible. A request for rehearing was denied by the KCC on December 18. On January 12, the Company and KG&E filed a joint petition in District Court asking the court to require a modification of the October 30 order.

Wolf Creek Unit Nearly 70 Percent Complete

During the year, completion of the Wolf Creek Unit progressed to nearly 70 percent. Several milestones were passed, including the setting of the reactor vessel and all four steam generators. Water pumping started behind the newly-completed dam and the lake now covers over 1,000 surface acres, about one-fifth of its design size.

The Company and KG&E began construction of Wolf Creek in May, 1977, on a 10,500 acre site near Burlington, Kansas. The project is a part of the Standardized Nuclear Unit Power Plant System which affords substantial savings in design and construction costs through standardized design of the power block, other technical features and licensing.

The Wolf Creek Unit was described as one of the "... sounder nuclear projects underway in the country today ..." in a report by Cresap, McCormick and Paget, Inc., released in November. The KCC-sponsored report noted several opportunities to improve project management, but said such improvements are not unusual compared with other large, technically complex projects.

Iatan Unit Completed in May; Sets New Production Record

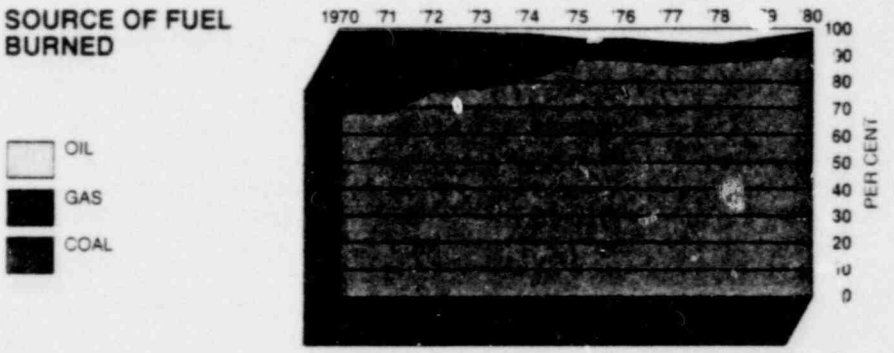
Following five months of scheduled testing, the 670-megawatt coal-fired Iatan Unit began commercial operation on May 5. The unit was completed on schedule and within budget. Cost of our 70 percent share was approximately $234 million, including financing costs and capitalized property taxes. Ownership is shared with St. Joseph Light & Power Company, 18 percent, and The Empire District Electric Company, 12 percent. KCPL operates the plant.

The Iatan Unit is practically identical to the second La Cygne Unit, one of the most dependable operating plants in the country. In its first eight months of operation, Iatan's 94.7 percent availability surpassed the La Cygne 2 record of 92.6 percent. Both units burn low-sulfur Wyoming coal transported by unit trains in Company-owned coal cars, and utilize electrostatic precipitators and tall stacks for emission control. A contract with ARCO Coal Company provides for anticipated coal usage at the Iatan Unit through 1985. The Company is endeavoring to secure additional low-sulfur coal by acquisition of coal leases and mining permits through WYMO Fuels Inc., a wholly-owned subsidiary of the Company.

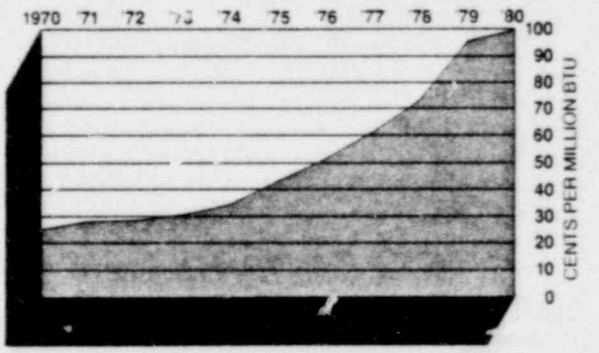
Coal Provides Over 90 Percent of 1980 Generation Fuel Mix

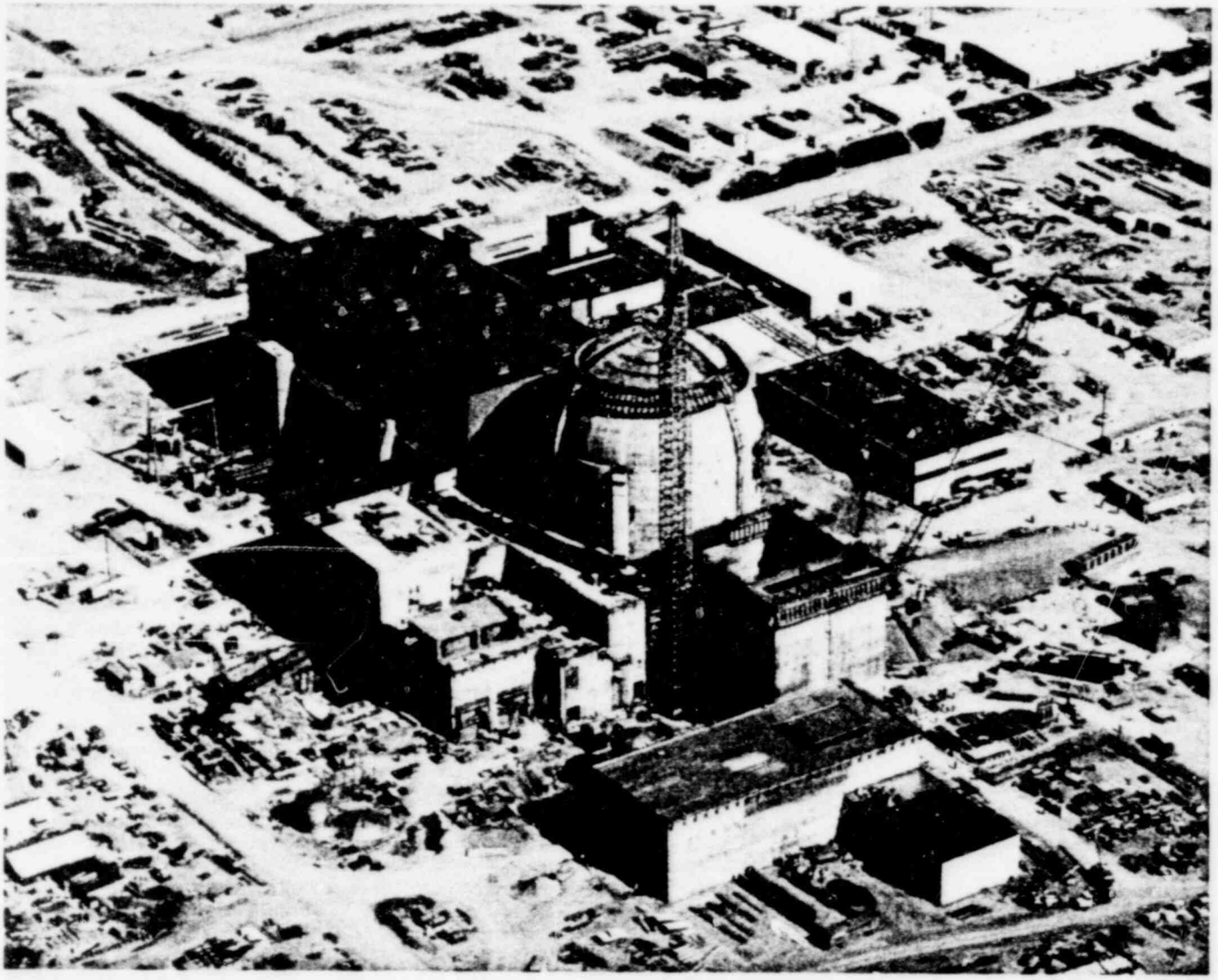
One of the Company's historic operating strengths is its fuel mix for generation. Our primary source of fuel is and will continue to be coal, which is expected to supply over

SOURCE OF FUEL BURNED



AVERAGE COAL COST





The 1,150-megawatt Wolf Creek nuclear plant is now nearly 70 percent complete and targeted for commercial operation in April, 1984.

Social Security taxes, equipment rental fees, postal rates and employee pay which will be effective by July, 1981, and for restoration of support contributions for research and development work by the Electric Power Research Institute. Hearings are scheduled for April, 1981.

KCC Grants Interim Increase of $24.5 Million Subject to Refund

Effective June 1, 1980, our Kansas retail electric rates increased by 25 percent on an interim basis, designed to produce $24.5 million in annual revenues. The Company had requested in August, 1979, increased revenues of $27.8 million. Based on an order issued May 28, the interim amount authorized by the Kansas Corporation Commission (KCC) is subject to refund, pending action on permanent rates, which is expected late in 1981.

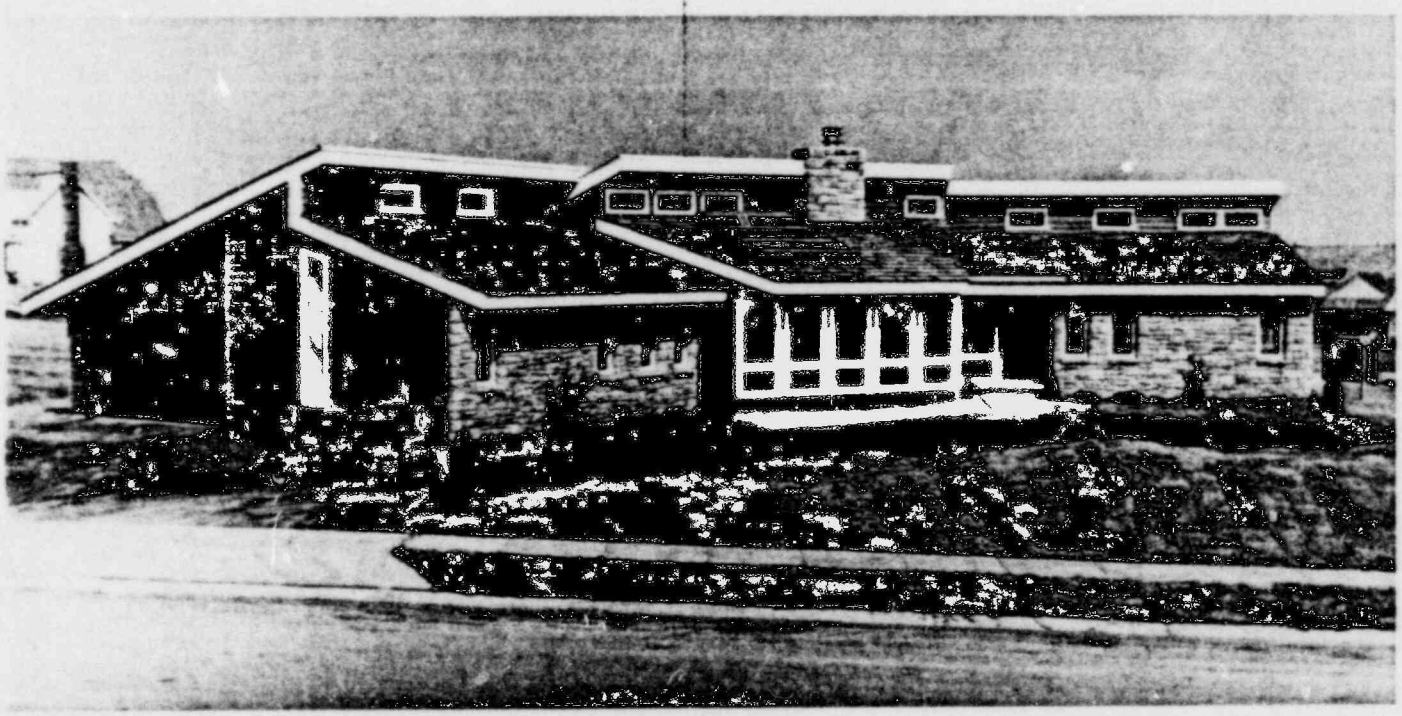
Wholesale Rate Schedules Pending Before FERC

On January 6, 1981, new wholesale firm electric rates designed to increase annual revenues by $4.7 million went into effect, subject to refund, as authorized by the Federal Energy Regulatory Commission (FERC). The Company's request was filed on June 6, 1980, and includes construction work in progress (CWIP) related to pollution control facilities. Also pending with FERC is a request for a $7.4 million increase, which combines the above amount and general CWIP. Hearings on these cases have been concluded.

Wolf Creek Unit Delayed One Year

The in-service date of the Wolf Creek Unit has been delayed for one year and is now set for April, 1984. The re-scheduling was due to several factors. Construction was approximately 11 months behind the earlier schedule because of previously reported concrete testing problems and cold weather delays. Also, there were uncertainties regarding timely processing of the operating license application by the Nuclear Regulatory Commission.

KCPL employees prepare exhibits for a public opening of the Quail Valley passive solar home. This sunny atrium acts as a heat collector during the day, releasing heat to the home's interior at night. The one-story residence (shown below) is located in an Overland Park, Kansas, subdivision.



90 percent of our needs until 1984. At that time, its contribution is expected to drop to 78 percent with the addition of Wolf Creek.

Long-term coal supply contracts from major producers provide for about 90 percent of coal requirements for existing units through 1986, and 70 percent thereafter through 1996.

The Company's 12 coal-fired generating units, excluding the requirements of joint owners, burned 5.4 million tons of coal in 1980, as compared to 4.2 million tons burned in 1979. Our unit costs for coal increased by 4.9 percent to $1.001 per million Btu this year from 95.5 cents in 1979.

During 1980, coal fueled about 94 percent of generation output while gas (5 percent) and oil (1 percent) provided the balance. The quantity of oil burned dropped significantly from 576,000 barrels in 1979 to 165,000 in 1980 because of the availability of cheaper coal-fired kilowatts from the Iatan Unit. Oil costs averaged $3.815 per million Btu, compared with $2.968 last year.

Natural gas usage also dropped in 1980. The Company burned 6.4 million mcf in 1980 at an average cost of $2.23 per million Btu, compared to 7.1 million mcf in 1979 at a cost of $1.532 per million Btu.

New Labor Agreements Reached

During the year, new two-year labor agreements with three local unions representing 2,130 bargaining unit employees were reached without a work stoppage. The agreements called for total economic increases of 8 percent in the first year, plus up to one-tenth of 1 percent for pension improvements. Provisions for the second year, which begins on July 1, 1981, include increases of 8 percent for Locals 1464 and 412, and 7.5 percent for Local 1613. All three contracts expire on June 30, 1982.

Residential Energy Audits To Be Implemented in 1981

The Company plans to implement a Residential Conservation Services Program as presently mandated by the Federal government. Under this program, extensive and expensive energy audits would be performed at the request of any KCPL residential customer. The audits will measure existing efficiency levels and recommend appropriate improvements covering insulation, ventilation, weather stripping, caulking, furnace systems, thermostat settings, landscaping and shading.

Since 1977, more than 35,000 home energy audits were completed under a Company initiated program offered to residential customers.

Company Supports Research and Development Through EPRI

Through annual contributions to the Electric Power Research Institute, we participate in supporting the industry's ongoing, comprehensive research program. The MPSC did not allow the EPRI contributions as an expense in the June 19 rate order and the Company has made no 1981 commitment to EPRI based on our Missouri operations. Because our base load system is coal-fired, we expect to benefit from EPRI programs dealing with coal combustion systems, energy management and utilization, electrical systems, energy analysis and the environment. EPRI's Nuclear Power Division program includes projects which address problems and needs which are of immediate concern because of the Wolf Creek Unit. One such project, the Power Operated Relief Valve test, which was ordered after the Three Mile Island incident, is estimated to have saved $7 million in Wolf Creek costs.

The Company also benefits directly from EPRI projects which have provided guidelines for selecting acceptable disposal methods for wastes containing polychlorinated biphenyls (PCBs), identifying problems leading to failures of low-pressure steam turbine blades, and developing methods of reducing tree trimming costs by controlling growth of brush.

EPRI Funds Local Research

Approximately 20 percent of our EPRI assessments have been retained for local research projects.

In the load management area, our remote-controlled air conditioning tests were conducted last summer. The tests utilized radio impulses to "switch-off" air conditioning units at staggered intervals to control summer peak demand. Tentative conclusions show that customers with controlled air conditioning units could achieve, without noticeable discomfort, a peak demand reduction of between 0.2 and 0.7 kilowatts with reduced energy consumption of 1.4 kilowatt hours per day.

In our Paseo Energy Project, the Company has coordinated the installation of over $22,000 of donated energy conserving materials and equipment in a 60-year-old inner-city home. The primary function of this project will be for use as a training and workshop facility for public demonstrations of how to install insulation, weatherstripping, vapor barriers, caulking, plus solar domestic hot water heating. Plans are underway to outfit a comparable home nearby to demonstrate the minimal energy conservation products normally employed in retrofitting an older home.

KCPL Research Applies Passive Solar Techniques

Our Quail Valley solar research project involves an effort which could lead to a reduction in summer peaks. The project began with construction of two new homes in a subdivision in Johnson County, Kansas. The homes are nearly identical except that the test home incorporates "state of the art" passive solar design, combined with optimum energy conserving construction and an active solar hot water heater. The control home conforms to standard area building practices. Energy savings in the solar home are being monitored by a computer, which simulates occupancy by a family of four.

Energy Update: Assessing Our Options for the Next 20 Years

Meeting the energy needs of our nation in the generations ahead is one of the most critical issues in America today. It will require stretching our finite supply of traditional energy resources until new technologies, based upon the use of renewable or practically infinite resources, are developed to meet those needs in an environmentally and commercially acceptable manner.

The formidable challenge of the transition period will be to fill the energy gap with minimal adverse impact on our citizens. It is out of these concerns that the Company has reviewed various studies by energy experts. Our findings are distilled in this special report.

Energy and Economic Growth

Economists note a direct correlation in every civilization between the standard of living in that society and its use of energy. That seems logical. If a society uses greater amounts of energy economically to help produce more goods and services without additional human effort, its standard of living should improve.

Our standard of living in the United States has become the envy of the world. We also consume energy at a higher rate per capita than any other nation. Historically, prior to 1973, our total energy consumption grew at a rate of nearly 3.5 percent a year. This was accomplished in the face of our nation's simple, but contradictory energy policy: to foster an abundant supply of "cheap" energy through government regulation.

The cornerstones of this policy have been oil, and, to a lesser extent, natural gas. Oil is essential to the internal combustion engine. Utilizing either fuel for space heating or industrial processes does not require expensive energy conversion systems. For these reasons, oil has also become coveted by other nations, especially those of the Third World now experiencing the early stages of their industrial revolutions.

Energy Policy and Foreign Oil

Our energy policy worked fairly well until 1973, when after the OPEC oil embargo it became painfully clear that oil would no longer be either abundantly available or cheap. Prior to 1967, the United States had been a net exporter of oil. We became a net importer of oil in 1967 and by the time of OPEC's embargo, our dependence on oil imports had grown to a daily level of 4.5 million barrels. The price was cheap, $2 to $3 a barrel because of our continuing threat to increase domestic oil production if foreign oil prices increased. The bulk of these imports came from the huge pools of Middle-Eastern sweet crude, best suited to most of our refineries. By 1973, OPEC recognized that our threat was an idle one because we had become so dependent on foreign oil to supply a large portion of this country's total energy needs.

By 1978, our oil import volume had doubled to nearly 9 million barrels a day; but, the price per barrel had *doubled twice* in that five-year period.

The Extent of U.S. Dependence

How dependent had we become on imported oil? A check of how we met our nation's primary energy requirements in 1978 provides the answer:

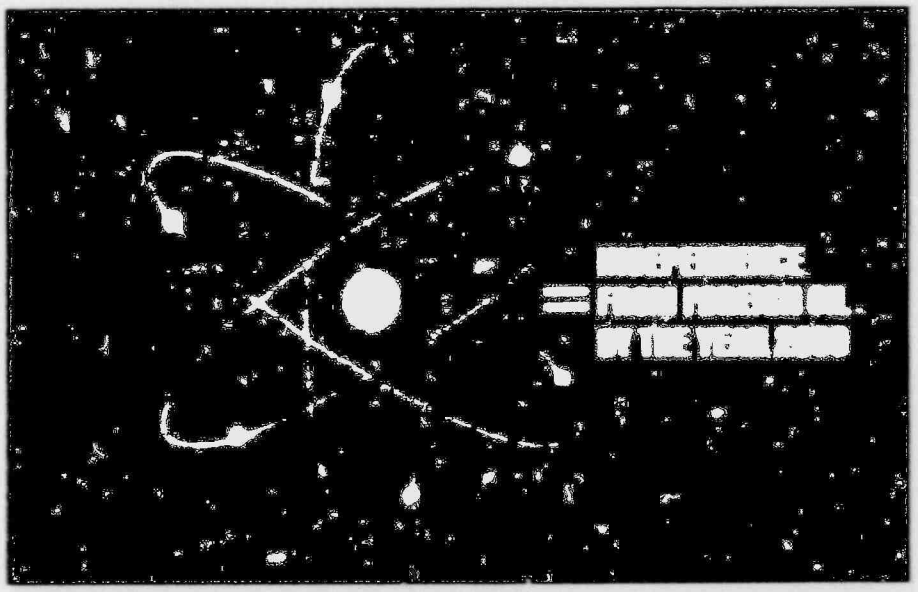
FUEL	QUADS*	PERCENTAGE
Oil (Domestic)	19	24
Oil (Imported)	19	24
Natural Gas	20	26
Coal	15	19
Hydro, Nuclear & Other	5	7
Total	78	100
Domestic Supply	59	

*Note: Primary energy is measured in quadrillions of British thermal units. A quad is a million billion, or a figure followed by 15 zeros.

Oil accounted for half of the total energy which 218 million Americans consumed in 1978 and half of that oil was imported. This means that foreign oil imports were supplying about one-fourth of our country's total primary energy requirements, an amount equal to the total energy needs of the transportation sector of our economy.

In 1980, oil imports dropped to about 7 million barrels a day, but the per barrel price had climbed to 10 times the 1973 level and was responsible for a negative charge of some $80 billion to our balance of payments. Such heavy dependence on foreign oil is a grave economic risk. It is also a serious national security risk, as made clear by the Iraq-Iran conflict, which nations produced 25 percent of all Middle East oil in 1979.

Economists tell us that we should expect the *real price* of OPEC oil to



Annual Meeting Set for April 28

Approximately 80 percent of all common shares outstanding were represented either in person or by proxy at the 1980 Annual Meeting held April 22 at the Company's downtown Kansas City, Missouri, headquarters. At the meeting shareholders elected three new directors: George E. Nettels, Jr., president of the McNally-Pittsburg Manufacturing Corporation and president of Midwest Minerals, Inc., both in Pittsburg, Kansas; Eugene M. Strauss, president and treasurer of the Strauss Fuchs Organization Inc., Kansas City; and Robert H. West, president and chief operating officer of Butler Manufacturing Company, Kansas City. Shareholders also elected six incumbent directors and approved the selection of Arthur Andersen & Co. as the Company's independent public accountants for 1980.

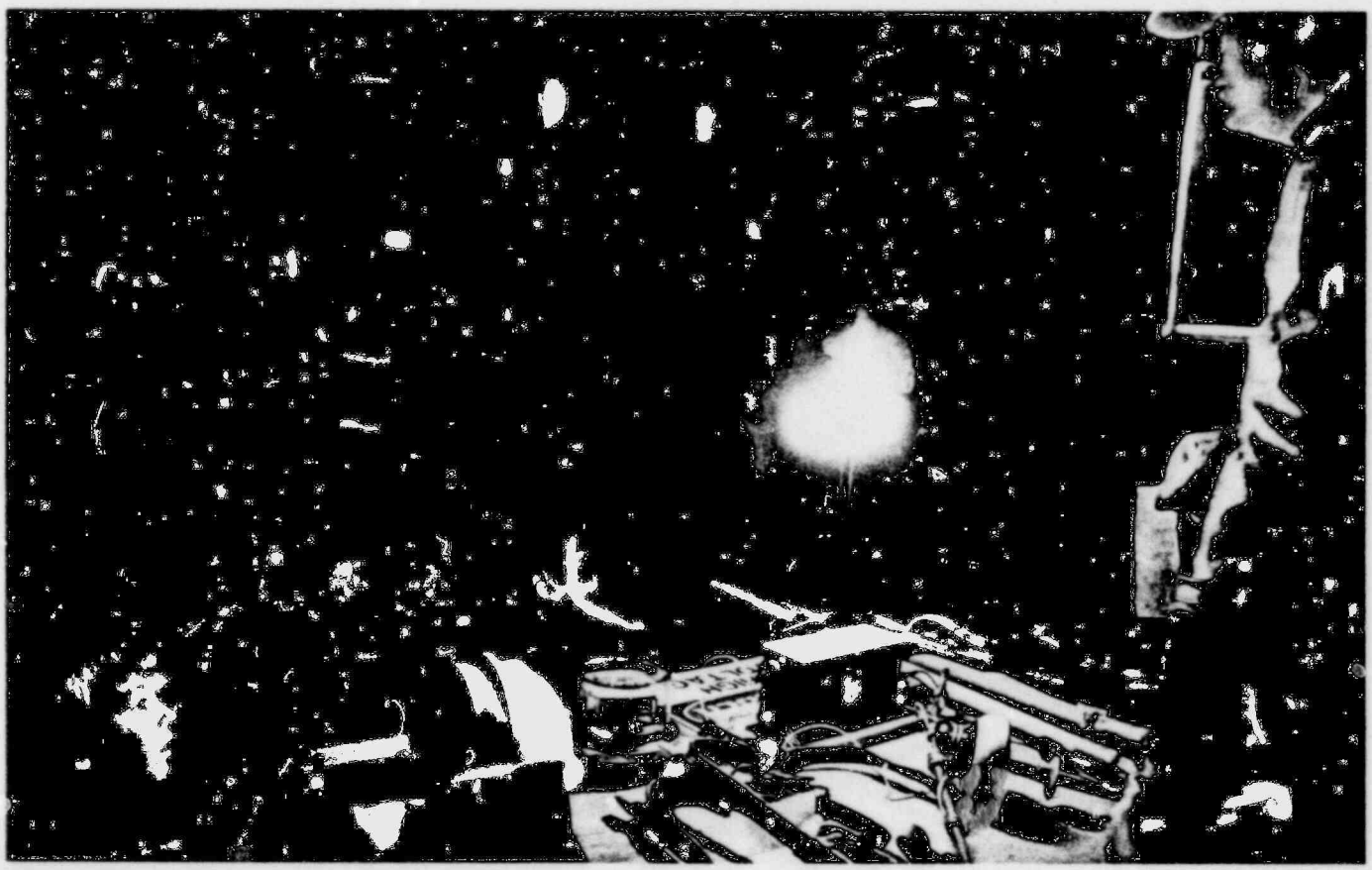
The 1981 Annual Meeting of Shareholders is scheduled for Tuesday, April 28, commencing at 10:00 a.m. Notices of meeting and proxy statements will be mailed to all shareholders in mid-March.

Management Changes

Effective March 31, Kenneth G. Hovland, senior vice president and chief financial officer, retired. Mr. Hovland joined KCPL in 1947 as assistant controller, became treasurer in 1958 and was promoted to vice president and treasurer in 1960. He was elected to the Board of Directors in 1970 and was named senior vice president in 1971. Upon Mr. Hovland's retirement, Louis C. Rasmussen, vice president of corporate planning and finance, was appointed chief financial officer.

William H. Miller, director of human resources since November, 1978, was named vice president of human resources effective May, 1980. Mr. Miller came to the Company in 1978 from Dayton Power & Light Company where he was responsible for all personnel and labor relations activities.

On November 30, Clare Den Haerynck retired. She had served as corporate secretary since 1978. Miss Den Haerynck came to the Company from the accounting firm of Peat, Marwick, Mitchell in 1951. She was named assistant corporate secretary in 1974. Samuel P. Cowley, vice president of corporate affairs, assumed the additional duties of secretary upon Miss Den Haerynck's retirement.



This 12,000-volt jacob's ladder draws wide-eyed attention of grade schoolers during a presentation of "Electric Safety and You," conducted by KCPL lineman-splicers. Over 12,000 students in 134 area schools have heard the special safety message since this program began in April, 1980. The effort involves 20 lineman-splicers.

Financial Statements

increase at a rate of 2 to 3 percent a year above the projected Free World rate of inflation of some 8 to 9 percent a year, or a total of 10 to 12 percent annually. In other words, foreign oil prices will double again by 1987 and already deregulated domestic oil prices will follow in a competitive market.

The second primary energy resource in our country's inventory has been natural gas. After nearly four decades of regulation, it became apparent in the early 1970s that neither production nor reserves of this finite fuel would, in the future, keep pace with growing demands. Curtailments of natural gas were followed by accelerating price increases. With deregulation needed to spur exploration, we can expect even more dramatic future price increases. According to the economists, deregulated natural gas prices, now targeted for 1985, will tend to follow on a Btu basis the competitive price of oil.

It is now generally accepted that even with substantial price incentives, annual production of domestic oil and natural gas will not exceed 1978 levels in any future year and by the year 2000 may be as much as 20 percent less than the amounts produced in 1978.

Supplying Energy by 2000

However, by the year 2000, there will be more Americans, about 42 million more than in 1978. America will have a population of some 260 million in the year 2000, each with a per capita energy requirement and a desire to maintain and improve his standard of living.

How much total energy will we need at that time? That depends upon how much "hard" conservation Americans will accept. If we can cut in half our nation's historic rate of growth of total energy consumption from 3½ to 1¾ percent, we would need in the year 2000 a primary energy supply of 118 quads. To accomplish this substantial undertaking and at the same time achieve energy independence from foreign energy sources would require a doubling of our 1978 domestic energy supply of 59 quads.

What energy sources will be available in the year 2000? As pointed out, we would be fortunate to be able to maintain our 1978 production of domestic oil and natural gas, totaling 39 quads. Renewable energy sources including additional hydro, solar, wind, biomass and geothermal are expected to contribute significant amounts of supplemental energy. But, the most optimistic projections indicate such additional sources, taken together, will not provide more than 10 percent of our energy supply in 2000. This would add about 12 quads, or four times their 1978 output.

The Coal and Nuclear Options

The remaining projected energy needs of our country at the turn of the century total more than 60 quads. Based on foreseeable technology for the next 20 years, we have only two energy options left: coal and uranium which contributed less than 20 quads in 1978. Fortunately, we have these fuels in abundance. The United States has within its borders more than 50 percent of all of the known coal reserves and one-third of the "reasonably assured" uranium reserves of the Free World. Utilizing these available fuels will require the development of new synthetic fuel technology and the expansion of existing systems which convert them into usable energy: coal-fired and nuclear electric generating plants. How can we provide the remaining 40 plus quad equivalent? To meet this need by 2000 will require at least a tripling of the 1978 coal production level to 2 billion tons annually, for an additional 30 quads, and a five-fold increase in electric generation from nuclear power plants, for an additional 10 quads.

Because of its convenience and adaptability, electricity has already been assuming a growing responsibility in the end-use energy mix. In 1970, about 22 percent of our primary fuel consumption was used to generate electricity. That component increased to 32 percent in 1980. By the year 2000, projections indicate that some 45 to 50 percent of our total primary energy must be used to meet electricity needs. This will require a 4 percent annual increase in the availability of electric energy.

Achieving Energy Independence

Are these goals achievable? Can we become energy independent and meet the growing energy needs of a growing population while maintaining an acceptable standard of living for the remainder of this century? The answer is "Yes" with qualifications. To do so, we must:

- Employ "hard" conservation ethics to cut our nation's pre-1973 total energy growth rate by 50 percent.
- Double our 1978 production of domestic primary fuels.
- Develop renewable energy resources to replace the anticipated reduction from 1978 levels of domestic oil and natural gas supplies and supplement other energy supplies from conventional sources.
- Utilize existing and develop other new commercially sound technologies to take advantage of the nation's most abundant fuel resources: coal and uranium.
- Unshackle the mining and burning of coal from overly excessive governmental regulations and expedite the licensing and construction of nuclear power projects.
- Provide—on a timely basis—the remaining domestic energy requirements through coal-fired and nuclear electric generating plants.

KCPL plans to do its part in supplying our share of this country's total energy needs on a "least cost" basis. To do so, our planning strategy will be: to supply a 4 percent per year growth in electric energy for our customers, primarily during off-peak periods, by taking action to retard customer peak demand growth and promote customer off-peak energy usage. That strategy will permit us to delay construction of new electric generating facilities and make greater use of our existing electric facilities, each of which will minimize our system costs of electric service.

Kansas City Power & Light Company

Balance Sheets

		December 31 1980	1979
	Assets	(thousands)	
Utility Plant, at original cost (Notes 5, 8 and 9)	Electric	**$1,287,913**	$1,036,161
	Steam heat	**4,999**	4,934
	Total	**1,292,912**	1,041,095
	Less-Reserves for depreciation	**352,023**	308,273
	Net utility plant in service	**940,889**	732,822
	Construction work in progress	**419,639**	517,099
	Total	**1,360,528**	1,249,921
Investments and Nonutility Property		**12,144**	9,742
Current Assets	Cash (Note 2)	**8,27.**	9,198
	Special deposits	**845**	1,579
	Receivables		
	Customer accounts receivable, less reserves of $1,241,000 and $907,000	**31,963**	25,670
	Accrued unbilled revenues	**14,179**	11,654
	Other receivables	**12,469**	8,505
	Fuel inventories, at average cost	**66,878**	46,808
	Materials and supplies, at average cost	**20,507**	17,022
	Prepayments	**2,058**	1,816
	Total	**157,176**	122,252
Deferred Charges		**9,130**	9,123
	Total	**$1,538,978**	$1,391,038
	Liabilities		
Capitalization (See statements)	Common stock—authorized 16,000,000 shares without par value—13,409,663 and 11,682,349 shares outstanding—stated value	**$ 255,128**	$ 224,442
	Retained earnings (Note 6)	**166,776**	145,700
	Capital surplus	**2,948**	3,082
	Total	**424,852**	373,224
	Cumulative preferred stock	**112,000**	112,000
	Cumulative preferred stock (redeemable)	**3,836**	3,996
	Cumulative preference stock (redeemable)	**50,000**	25,000
	Long-term debt	**587,477**	576,904
	Total	**1,178,165**	1,091,124
Current Liabilities	Notes payable to banks (Note 2)	**31,500**	18,300
	Commercial paper (Note 2)	**6,500**	21,000
	Current maturities of long-term debt	**25,000**	11,972
	Accounts payable	**32,834**	37,930
	Dividends declared	**3,439**	2,643
	Accrued taxes	**9,024**	4,028
	Accrued deferred income taxes	**6,975**	6,347
	Accrued interest	**7,917**	7,959
	Accrued payroll and vacations	**7,436**	6,570
	Accrued fuel costs	**9,689**	11,982
	Other	**3,733**	4,624
	Total	**144,047**	133,355
Deferred Credits	Deferred income taxes	**93,052**	74,527
	Deferred investment tax credits	**49,509**	43,729
	Advance payment on sale of property (Note 8)	**72,495**	46,839
	Other	**1,710**	1,464
	Total	**216,766**	166,559
Commitments and Contingencies (Note 8)			
	Total	**$1,538,978**	$1,391,038

Kansas City Power & Light Company

Statements of Income

		Year Ended December 31		
		1980	1979	1978
			(thousands)	
Operating Revenues	Electric	**$ 440,182**	$ 365,084	$ 313,787
	Steam heat	**5,783**	5,791	4,876
	Total	**445,965**	370,875	318,663
Operating Expenses	Operation			
	Fuel	**125,297**	102,709	90,628
	Interchange power (net)	**(21,528)**	27,232	(2,599)
	Other	**70,892**	56,193	47,421
	Maintenance	**52,680**	54,315	30,359
	Depreciation	**41,733**	34,868	33,174
	Taxes (See statements)			
	Income	**42,088**	9,569	26,137
	General	**47,956**	41,914	38,511
	Total	**359,118**	326,800	263,631
Operating Income		**86,847**	44,075	55,032
Other Income and Deductions	Allowance for equity funds used during construction	**19,775**	19,467	12,543
	Miscellaneous—net of income taxes	**(122)**	304	(874)
	Total	**19,653**	19,771	11,669
Income Before Interest Charges and Other Items		**106,500**	63,846	66,701
Interest Charges	Long-term debt	**48,864**	40,612	32,217
	Short-term notes	**4,781**	3,408	1,969
	Allowance for borrowed funds used during construction—credit	**(22,997)**	(19,211)	(10,750)
	Miscellaneous	**7,151**	2,486	341
	Total	**37,799**	27,295	23,777
Yearly Results	Income before cumulative effect	**68,701**	36,551	42,924
	Cumulative effect to January 1, 1979, of change in revenue recognition (Note 1)	**—**	7,202	—
	Net income	**68,701**	43,753	42,924
	Preferred and preference stock dividend requirements	**12,418**	10,573	8,719
	Earnings available for common stock	**$ 56,283**	$ 33,180	$ 34,205
	Average number of common shares outstanding	**12,915,770**	11,009,407	9,644,321
	Earnings per common share before cumulative effect	**$ 4.36**	$ 2.36	$ 3.55
	Cumulative effect to January 1, 1979, of change in revenue recognition	**—**	.65	—
	Earnings per common share	**$ 4.36**	$ 3.01	$ 3.55
	Cash dividends per common share	**$ 2.69**	$ 2.635	$ 2.56

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

Kansas City Power & Light Company

Statements of Sources of Funds for Gross Property Additions

		Year Ended December 31		
		1980	1979	1978
			(thousands)	
Funds Provided From Operations	Income before cumulative effect	**$ 68,701**	$ 36,551	$ 42,924
	Less dividends declared	**47,625**	40,122	33,644
	Total	**21,076**	(3,571)	9,280
	Items not requiring current use of funds			
	Depreciation	**41,733**	34,868	33,174
	Deferred income taxes (net)—non current portion	**30,426**	11,632	12,990
	Investment tax credit (net)	**6,710**	(1,463)	9,793
	Allowance for funds used during construction	**(42,772)**	(38,678)	(23,293)
	Total	**57,173**	2,788	41,944
	Cumulative effect of change in revenue recognition	**—**	7,202	—
	Total	**57,173**	9,990	41,944
Funds Provided From Outside Financing	Issuance of long-term debt	**35,500**	86,000	77,000
	Issuance of cumulative preference stock	**25,000**	—	25,000
	Issuance of common stock (1,727,314; 1,720,555 and 1,314,702 shares, respectively)	**30,686**	42,395	36,018
	Advance payment on sale of property including accrued interest	**25,656**	46,839	—
	Total	**116,842**	175,234	138,018
	Retirement of long-term debt	**(11,972)**	—	(9,569)
	Increase (decrease) in short-term borrowings	**(1,300)**	29,300	(9,000)
	Total	**103,570**	204,534	119,449
Decrease (Increase) In Working Capital	(Exclusive of short-term borrowings and current maturities)	**(35,960)**	(8,833)	7,393
Other		**233**	(373)	2,017
Total Funds Used For Gross Property Additions	(Net of Westinghouse settlement—Note 8)	**125,016**	205,318	170,803
	Allowance for funds used during construction	**42,772**	38,678	23,293
	Deduction of deferred income taxes related to interest component of AFDC	**(10,921)**	(9,178)	(5,375)
Gross Property Additions		**$ 156,867**	$ 234,818	$ 188,721
Decrease (Increase) In Working Capital	Cash and temporary cash investments	**$ 921**	$ 319	$ (1,547)
	Special deposits	**734**	9,749	(8,186)
	Receivables	**(12,782)**	(11,869)	9,266
	Fuel inventories	**(20,070)**	(19,020)	199
	Materials and supplies	**(3,485)**	(2,276)	(3,173)
	Accounts payable	**(5,096)**	5,471	361
	Accrued and current deferred income taxes	**5,624**	3,817	2,768
	Accrued interest	**(42)**	476	1,275
	Accrued fuel costs	**(2,293)**	5,513	4,818
	Other	**529**	(1,013)	1,612
	Total	**$ (35,960)**	$ (8,833)	$ 7,393

Kansas City Power & Light Company

Statements of Taxes

		Year Ended December 31		
		1980	1979	1978
			(thousands)	

Total income tax expense was less than the amount computed by applying the statutory federal income tax rate of 48% through December 31, 1978, and 46% thereafter, to income before income taxes. The reasons for these differences are as follows:

	Taxes computed at statutory rate on income before income taxes	**$ 50,826**	$ 27,724	$ 33,637
	Increase (decrease) in taxes resulting from:			
	Allowance for equity funds used during construction	**(9,097)**	(8,955)	(6,021)
	Differences between book and tax depreciation not normalized	**472**	(592)	679
	Amortization of investment tax credit	**(1,544)**	(1,463)	(1,333)
	Taxes and pension costs capitalized	**(553)**	(890)	(1,260)
	State income taxes	**1,969**	729	1,449
	Other	**(283)**	(36)	3
	Total income tax expense	**$ 41,790**	$ 16,517	$ 27,154

Components of Income Tax Expense

Currently payable	Federal	**$ 3,154**	$ —	$ 2,697
	State	**872**	—	1,674
	Total	**4,026**	—	4,371
Deferred	Federal (net)	**28,281**	16,630	11,878
	State (net)	**2,773**	1,350	1,112
	Total	**31,054**	17,980	12,990
Investment tax credit	Provision	**8,254**	—	11,126
	Amortization	**(1,544)**	(1,463)	(1,333)
	Total	**6,710**	(1,463)	9,793
	Total income tax expense	**41,790**	16,517	27,154
Less:	Deferred income tax on cumulative effect of change in revenue recognition	**—**	6,691	—
	Income tax expense deducted from other income	**(298)**	257	1,017
	Income tax expense applicable to operating income	**$ 42,088**	$ 9,569	$ 26,137

Deferred Income Tax Expense

Depreciation differences	**$ 12,687**	$ 6,610	$ 7,429
Debt component of AFDC	**10,921**	9,178	5,375
Repair allowance	**659**	735	711
Unbilled revenues	**898**	5,927	—
Tax loss carryforward	**5,751**	(5,751)	—
Other	**138**	1,281	(525)
Total	**$ 31,054**	$ 17,980	$ 12,990

General Tax Expense

Property and real estate	**$ 20,089**	$ 18,571	$ 18,382
Gross receipts	**24,233**	20,135	17,620
Other	**3,634**	3,208	2,509
Total	**$ 47,956**	$ 41,914	$ 38,511

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

Kansas City Power & Light Company

Statements of Retained Earnings

		Year Ended December 31		
		1980	1979	1978
			(thousands)	
Beginning Balance		**$ 145,700**	$ 142,069	$ 132,789
Net Income		**68,701**	43,753	42,924
		214,401	185,822	175,713
Dividends Declared	Preferred and preference stock (at required annual rates)	**12,949**	10,573	9,052
	Common stock—			
	$2.56 per share			24,592
	$2.635 per share		29,549	
	$2.69 per share	**34,676**		
		47,625	40,122	33,644
Ending Balance (Note 6)		**$ 166,776**	$ 145,700	$ 142,069

Kansas City Power & Light Company

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

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

Allowance For Funds Used During Construction (AFDC): AFDC includes the net cost of borrowed funds used for construction purposes and a reasonable rate upon other (equity) funds. The allowance for borrowed funds represents an allocation of interest costs to construction, while the allowance for equity funds is a non-cash item of income. AFDC is charged to construction work in progress during the period of construction. When a construction project is placed in service, the related AFDC becomes a part of the original cost of the completed plant which is used to establish rates for utility charges under established regulatory rate practices. (See Note 7 for discussion of plant in service not included in rate base.) The rates used to compute AFDC, compounded semi-annually, averaged 10.4% for 1980 and were 9.7% for 1979 and 9.02% for 1978. See Income Taxes below.

Depreciation and Maintenance: Provisions for depreciation are computed on a straight-line basis pursuant to rates ordered by the Missouri Public Service Commission (MPSC). Approximate annual composite rates were 3.66% in 1980, and 3.62% in 1979 and in 1978.

Depreciation for income tax purposes is computed on different bases and methods as explained in this Note under Income Taxes.

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

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

Kansas City Power & Light Company

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

		December 31 1980	1979
		(thousands)	
Cumulative Preferred Stock (Note 3)			
$100 Par Value—Authorized 520,000 shares—outstanding:	3.80%—100,000 shares	$ 10,000	$ 10,000
	4.50%—100,000 shares	10,000	10,000
	4.20%— 70,000 shares	7,000	7,000
	4.35%—120,000 shares	12,000	12,000
	7.72%—130,000 shares	13,000	13,000
No Par—Authorized 4,000,000 shares—outstanding:	$10.70—200,000 shares	20,000	20,000
	$ 2.33—800,000 shares	20,000	20,000
	$ 2.20—800,000 shares	20,000	20,000
	Total	$ 112,000	$ 112,000
Cumulative Preferred Stock (Redeemable) (Note 4)			
$100 Par Value—Authorized 38,357 and 39,957 shares—outstanding:	4%—38,357 and 39,957 shares	$ 3,836	$ 3,996
Cumulative Preference Stock (Redeemable) (Note 4)			
No Par—Authorized 4,000,000 shares—outstanding:	$ 8.00—250,000 shares	$ 25,000	$ 25,000
	$12.75—250,000 shares	25,000	—
	Total	$ 50,000	$ 25,000
Long-Term Debt (Note 5)			
First Mortgage Bonds	Regular issues		
	2¾% series due 1980	$ —	$ 11,972
	8⅞% series due 1981	25,000	25,000
	3¼% series due 1983	9,506	9,506
	3¼% series due 1985	16,000	16,000
	5% series due 1990	20,000	20,000
	4¾% series due 1995	15,000	15,000
	5¾% series due 1997	30,000	30,000
	6¾% series due 1998	25,000	25,000
	7⅛% series due 1999	26,000	26,000
	9⅛% series due 2000	35,000	35,000
	7¾% series due 2001	27,000	27,000
	7⅝% series due 2002	30,000	30,000
	8⅞% series due 2006	40,000	40,000
	8⅛% series due 2006	30,000	30,000
	8½% series due 2007	30,000	30,000
	9¼% series due 2008	25,000	25,000
	12% series due 2009	50,000	50,000
	Pledged in support of pollution control bonds		
	8.20% series due 1983	25,500	—
	5⅞% series due 2007	21,940	21,940
	5⅞% series due 2007	20,000	20,000
	6⅞% series "A" due 2008	9,200	9,200
	6⅞% series "B" due 2008	21,800	21,800
Guaranty of Pollution Control Bonds	5¾% series due 2003	15,000	15,000
Other Loan Agreements		67,000	57,000
Unamortized Premium and Discount (net)		(1,469)	(1,542)
	Total	612,477	588,876
Less Current Maturities of Long-Term Debt		25,000	11,972
	Total	$ 587,477	$ 576,904

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

Investment tax credits have been deferred when utilized and are being amortized to income over the service lives of the related properties. At December 31, 1980, the Company had unused and unrecorded investment tax credits of approximately $36.9 million, which will be available to reduce Federal income taxes payable through 1987.

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

2. Short-Term Borrowings

The Company borrows short-term funds from banks and through the sale of commercial paper as needed between financings. An average of approximately $7 million is on deposit as bank compensating balances which support $57 million bank lines of credit, back-up for commercial paper and certain services rendered by the banks for the Company. There are no legal restrictions on the withdrawal of these funds.

3. Preferred Stock

Preferred stock may be redeemed at stated prices, except that certain series may not be redeemed at the option of the Company prior to the date specified through a refunding, directly or indirectly, by or in anticipation of the incurring of any debt or the issuance of preferred stock which has interest or dividend costs to the Company lower than the stated minimums:

Series	Redemption Prices December 31, 1980	Restricted Redemption Date	Stated Minimum Interest or Dividend Cost
3.80%	$103.70	—	—
4.50%	101.00	—	—
4.20%	102.00	—	—
4.35%	101.00	—	—
7.72%	105.79	—	—
$ 2.33	29.80	December 1, 1981	8.76%
$ 2.20	29.70	August 1, 1982	8.26%
$10.70	110.70	June 1, 1985	10.84%

4. Redeemable Preferred and Preference Stock

The Company is obligated under the terms of the Purchase Fund Agreement to provide funds sufficient to purchase 1,600 shares of the 4% Cumulative Preferred Stock annually. The redemption price of this preferred stock at December 31, 1980, was $102.25.

The $8.00 Cumulative Preference Stock (issued in 1978), with stated value of $100 per share, is non-redeemable through December 1, 1981, but may be redeemed thereafter in whole, or in part ratably from each of the holders of the outstanding shares, at $104 per share through December 1, 1982, and at $100 per share thereafter. Annual sinking fund purchases of 41,667 shares on December 1 in the years 1983 through 1988 are mandatory.

The $12.75 Cumulative Preference Stock (issued in 1980), with stated value of $100 per share, is non-redeemable through May 31, 1983, but may be redeemed thereafter in whole, or in part ratably from each of the holders of the outstanding shares, at times and prices specified in the purchase agreement. Annual sinking fund purchases of 41,667 shares on June 1 in the years 1985 through 1990 are mandatory.

*Scheduled redemption and sinking fund requirements for redeemable preferred and preference stock for the next five years are as follows: 1981 and 1982, $160,000 each; 1983 and 1984, $4,327,000 each; and for 1985, $8,493,000.

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

5. Long-Term Debt

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

Retirement Plans: The Company has group annuity plans for all its regular employees, including officers, providing for benefits upon retirement, normally at age 65. Under the requirements of the Employees' Retirement Income Security Act of 1974 (ERISA), the Company is obligated to fund the benefits of the plans. The Company's policy is to fund pension costs accrued. Liability for past service costs is not significant. The annual costs of the plans were $7.3 million in 1980, $6.5 million in 1979 and $4.7 million in 1978.

The costs in 1978 were abnormally low due to a lengthy strike, during which contributions were not made to the plan for bargaining unit employees. Other factors causing the 1979 and 1980 increases were increased contributions because of salary and age changes and to meet ERISA requirements.

At October 1, 1980, the date of the most recent actuarial report, the actuarial present values of vested and non-vested accumulated plan benefits were $102 million and $3 million, respectively, and the plan net assets available for benefits were $102 million. A 6% rate of return was assumed in determining the actuarial present values of vested and non-vested accumulated plan benefits.

Revenue and Expense Recognition: The Company utilizes cycle billing and in years prior to 1979 recognized revenues billed to its customers when meters were read. Costs of service rendered, including fuel consumed, are recognized as incurred. Due to increases in sales, rate levels and costs, the effect on operating results from the difference in timing between the current recognition of costs and the delayed reporting of revenues increased under such method of accounting. In order to match more closely revenues and expenses and because the Company expected to change and did change in October, 1979, from bi-monthly meter reading for residential and small commercial customers to monthly meter reading for all customers, the Company changed its method of accounting effective as of January 1, 1979, to accrue the amount of revenue for sales unbilled at the end of each reporting period. The effect of the change after considering the effect of the change from bi-monthly to monthly billing, net of income taxes, was to increase 1979 reported net income by $8.4 million ($0.76 per average share) of which a net increase of $1.2 million ($0.11 per average share) was reflected in operations and $7.2 million ($0.65 per average share) represents the cumulative effect of the change as of January 1, 1979. The effect on 1978 operating results, assuming this change were to be applied retroactively, would not be significant.

Prior to 1979, fuel and purchased power costs in excess of those reflected in base rates were recovered subsequent to the period in which such excess costs were incurred through fuel adjustment clauses. Orders from the MPSC and the State Corporation Commission of the State of Kansas (KCC) provided for revisions in the Company's fuel adjustment schedules and new fuel adjustment revenue recognition procedures were implemented in the first quarter of 1979 to record currently the revenue to be collected under such clauses. Because of a ruling of the Missouri Supreme Court, the Company terminated its fuel adjustment clause for Missouri retail customers effective October 1, 1979.

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

In accordance with rate orders issued by the MPSC and KCC, the tax effect of the interest component of AFDC is being normalized and the related accumulated deferred income taxes are being credited to construction work in progress rather than being shown as deferred income taxes on the balance sheet.

Prior to March 31, 1979, the tax effects of currently deducting certain costs which were capitalized on the books were not normalized. Effective April 1, 1979, the Company was authorized by the MPSC to normalize the tax effect of pension costs, payroll taxes and property taxes which are capitalized on the books but deducted currently for income tax purposes and to flow through the effect of the current deduction of removal costs for income taxes. These changes in income tax accounting procedures resulted from rate proceedings which also adjusted revenues accordingly. The procedures in Kansas remain unchanged.

At December 31, 1979, the Company had a net tax operating loss carry-forward of approximately $11.7 million with an estimated tax benefit of $5.8 million which was used to reduce the 1979 provision for deferred income taxes. All of such amount of deferred income taxes was restored during 1980 as the net tax operating loss was utilized and eliminated.

sale agreement. Such additional interest, $3.8 million at December 31, 1980, would be capitalized. There can be no assurance that the contractual conditions for closing the sale will be satisfied, and it is possible that, under certain conditions, such final closing date or repayment date could be extended by mutual agreement to accommodate the parties.

Included in construction work in progress at December 31, 1980, is approximately $409 million for the Wolf Creek Unit. The Company's share of total construction commitments at December 31, 1980, for the Wolf Creek Unit was approximately $276 million (including $232 million for nuclear fuel).

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

In February 1980, the Company and KG&E settled their long-standing uranium supply litigation with Westinghouse. The settlement provides that the owners of the Wolf Creek Unit together will receive benefits having a then present total value of $94.1 million comprised of $38 million cash received in March 1980, other future benefits valued at the time of settlement at $48.6 million (consisting of discounts on uranium, rebates on fuel fabrication services, licensing and engineering services, and equipment and related services) and an estimated $7.5 million representing the then present value of a contingent interest granted by Westinghouse to the Company and KG&E in any proceeds received by Westinghouse from an antitrust suit against certain uranium suppliers. The Company cannot predict when or to what extent Westinghouse, and thus the Company, may receive any such proceeds. Upon the consummation of the sale of a portion of the Wolf Creek Unit to KEPCo, the Company's interest in the proceeds of the Westinghouse settlement would be reduced from 50% to 41½%.

9. Jointly-Owned Electric Utility Plants

The Company has, under joint ownership agreements with other utilities, an undivided interest at December 31, 1980, in three electric generating stations as follows:

	La Cygne Units	Iatan Unit
	(thousands)	
Utility plant in service	$226,322	$233,832
Accumulated depreciation (Production plant only)	49,528	5,857
Total accredited capacity—MW	1,370	670
Company's share-percent	50.0%	70.0%

See Note 8 for Wolf Creek Unit information.

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

Auditors' Report

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

We have examined the balance sheets and statements of cumulative preferred and preference stock and long-term debt of Kansas City Power & Light Company (a Missouri corporation) as of December 31, 1980 and 1979, and the related statements of income, taxes, retained earnings and sources of funds for gross property additions for each of the three years in the period ended December 31, 1980. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Kansas City Power & Light Company as of December 31, 1980 and 1979, and the results of its operations and the sources of its funds for gross property additions for each of the three years in the period ended December 31, 1980, in conformity with generally accepted accounting principles, which, except for the change (with which we concur) in the method of revenue recognition to accrue revenues for sales unbilled at the end of each reporting period as indicated in Note 1 to the financial statements, have been applied on a consistent basis.

Kansas City, Missouri,
January 30, 1981.

ARTHUR ANDERSEN & CO.

Other Loan Agreements: The Company has a $50 million line-of-credit, expiring June 30, 1982, with a group of international banks which provides for the use of unsecured funds at interest rates adjusted quarterly based on the three-month London Inter-Bank Offered Rate. At December 31, 1980, $27 million at 18¾% was outstanding.

The Company has a financing arrangement with a bank, expiring January 16, 1983, which enables the Company to borrow up to $50 million by collateralizing its coal and fuel oil inventories at rates based upon the current bankers' acceptance discount rate plus an acceptance charge. At December 31, 1980, $40 million at 20.9% was outstanding ($50 million at January 31, 1981).

The company expects these agreements to be extended.

Scheduled Maturities: The aggregate amounts of maturities during the next five years of long-term debt outstanding at December 31, 1980, (exclusive of the other loan agreements) is $25 million in 1981, $35 million in 1983 and $16 million in 1985.

6. Dividend Restrictions

Retained earnings at December 31, 1980, included $11 million which was not available for cash dividends under the provisions of the Indenture of Mortgage.

7. Rate Matters

In an Order entered June 19, 1980, the MPSC found that the Company's Iatan Unit was not then needed to provide safe and adequate service to the Company's Missouri rate payers, and denied inclusion in the Company's rate base of the $164 million Missouri jurisdictional portion of the Company's investment in such unit. The Company has initiated judicial reviews of the MPSC Order. The Company cannot predict the outcome of these proceedings.

The MPSC Order also authorized the Company (for Missouri jurisdictional purposes) to continue to accrue AFDC on the Iatan Unit. However, because of the questionable propriety of recording such AFDC amounts for financial statement purposes, the Company has not done so at this time and is following the normal accounting practice. At such time as the MPSC issues a rate order permitting the Iatan Unit to be included in rate base, the Company will conform its 1980 financial statements for any AFDC amounts allowed in the rate order. AFDC accruals on the Iatan Unit were terminated and depreciation accruals were commenced, each effective as of May 5, 1980, the date the Iatan Unit was declared commercially operable by the Company.

On May 28, 1980, the KCC authorized the Company to place into effect on June 1, 1980, interim rates designed to increase its annual Kansas revenues by about $24.5 million, subject to refund pending action by the KCC on new permanent rate schedules. The Company cannot predict whether, when or to what extent the KCC may permit such revenues to become permanent. However, in the opinion of the Company's General Counsel, it is not probable that the Company will be required to make refunds of a material amount of revenues collected on an interim basis if the KCC applies the same principles in its action on new permanent rate schedules as it has applied in the Company's past rate proceedings. Included in 1980 revenues is an estimated $17.2 million of such interim revenues which are subject to refund.

8. Wolf Creek Unit

The Company and Kansas Gas and Electric Company (KG&E) each presently own 50% of the 1,150-MW Wolf Creek Unit being constructed in Coffey County, Kansas. However, the companies have agreed to sell to Kansas Electric Power Cooperative, Inc. (KEPCo), an organization consisting of 27 distribution cooperatives operating in Kansas, a 17% (8.5% from each company) ownership interest in the Unit. Under the agreement, the sale is subject to (i) receipt of regulatory approvals and (ii) KEPCo's permanent financing. On October 30, 1980, the KCC issued its Order granting a certificate and authorizing KEPCo to purchase the 17% interest in the Wolf Creek Unit. However, the Order contains numerous conditions which are unacceptable to the parties, and, unless these conditions are substantially modified or eliminated, the sale is, in the opinion of the Company, impossible. The Company, KG&E and KEPCo initiated judicial review of the KCC Order in the District Court of Shawnee County, Kansas, on grounds that the Order was unlawful and unreasonable. The Legislature of the State of Kansas is considering a bill which would remove from KCC jurisdiction any authority it may have had over the proposed sale to KEPCo. The Company cannot predict the outcome of such review or legislation or whether or when such sale may occur. KEPCo has made advance payments to the Company which at December 31, 1980, amounted to $64.5 million and as of February 17, 1981, amounted to $72 million which, together with interest accrued by the Company on the advance, would be applied against the purchase price obligations of KEPCo upon closing of the sale. At December 31, 1980, such interest amounted to $8 million. If the sale is not closed by April 30, 1981, the Company would be required to repay (through use of available credit lines and the proceeds from the sales of securities or borrowings from other sources) to KEPCo, by July 31, 1981, the advance payments made by KEPCo to KCPL with additional interest thereon at a rate established in the

Certain Financial Data Adjusted For Effects of Changing Prices

(In Thousands of Average 1980 Dollars)

	Year Ended December 31,				
	1980	1979	1978	1977	1976
Average consumer price index (national)	246.8 est.	217.4	195.4	181.5	170.5
General information					
Operating revenues	$ 445,965	$ 421,030	$402,487	$368,041	$343,297
Gain from decline in purchasing power of net amounts owed	$ 102,199	$ 113,274	—	—	—
Cash dividends declared per common share	$ 2.69	$ 2.99	$ 3.23	$ 3.35	$ 3.39
Market price per common share at year-end	$ 19.22	$ 23.75	$ 29.34	$ 38.29	$ 41.95
Historical cost information adjusted for General inflation					
Income*	$ 23,481	$ 3,771	—	—	—
Income (loss)* per common share	$ 0.86	$ (0.75)	—	—	—
Net assets at year-end at net recoverable cost	$ 405,780	$ 398,601	—	—	—
Current cost information					
Income*	$ 12,248	$ (10,491)	—	—	—
Income (loss)* per common share	$ (0.01)	$ (2.04)	—	—	—
Excess of increase in general price level over increase in specific prices after reduction to net recoverable cost	$ (96,799)	$(119,045)	—	—	—
Net assets at year-end at net recoverable cost	$ 405,780	$ 398,601	—	—	—

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

Notes to the Financial Data Adjusted for Changing Prices

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

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

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

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

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

Kansas City Power & Light Company

Supplementary Financial Information

Quarterly Operating Results

	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	1980	1979(a)	1980	1979	1980	1979(b)	1980	1979
	(thousands)							
Operating revenues	$87,805	$89,907	$99,032	$91,732	$153,627	$98,264	$105,501	$90,971
Operating income	12,794	9,377	16,480	11,641	37,648	11,992	19,925	11,064
Net income	10,775	14,482	11,458	9,531	32,408	10,367	14,060	9,372
Earnings per common share	$ .69	$ 1.19	$ .65	$ .64	$ 2.18	$ .66	$ .80	$ .58

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

(a) Income before cumulative effect of change in revenue recognition of $7,280,000 ($.47 per common share) was reported in the first quarter of 1979.

(b) Net income for the third quarter of 1979 was reduced by approximately $3.7 million ($2.7 million and $1 million recorded in the first and second quarters, respectively) because of the reversal in the third quarter of unrecovered fuel adjustment revenue caused by a ruling of the Missouri Supreme Court.

Financial Data Adjusted For Changing Prices

(Thousands)

	Year Ended December 31, 1980	
	Constant Dollar Average 1980 Dollars	Current Cost Average 1980 Dollars
Net income before book depreciation of $41,733	$ 110,434	$ 110,434
Adjusted depreciation	86,953	98,186
Income*	$ 23,481 (a)	$ 12,248
Increase in specific prices (current cost) of property, plant and equipment held during the year		$ 287,803
Reduction to net recoverable cost	$(108,032)	(94,005)
Effect of increase in general price level		(290,597)
Excess of increase in general price level over increase in specific prices after reduction to net recoverable cost		(96,799)(b)
Gain from decline in purchasing power of net amounts owed	102,199	102,199
Net	$ (5,833)	$ 5,400

(a) Including the reduction to net recoverable cost, the (loss) on a constant dollar basis would have been $(84,551) for 1980.

(b) At December 31, 1980, current cost of utility plant net of accumulated depreciation was $2,667,000 while historical cost or net cost recoverable through depreciation was $1,363,000.

Electric Sales Statistics	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970
Revenues (000's)											
Residential	**$ 161,973**	$ 121,170	$ 111,9[illegible]	$ 93,343	$ 84,202	$ 79,507	$ 62,314	$ 58,280	$ 51,533	$ 48,912	$ 45,571
Commercial	**176,505**	148,120	124,0[illegible]	107,738	94,306	83,416	68,273	62,043	54,830	51,112	48,067
Industrial	**80,821**	76,956	61,489	50,914	43,105	34,478	30,927	27,570	24,530	22,487	20,372
Public street and highway lighting	**8,325**	7,043	6,221	6,398	5,888	5,205	4,506	3,949	3,683	3,424	3,301
Public authorities—power and lighting	**75**	69	74	65	60	56	55	49	45	44	4[illegible]
Other electric utilities	**10,638**	9,994	8,369	6,186	5,315	3,765	2,968	2,356	2,123	1,868	1,679
Total	**438,337**	363,352	312,208	264,644	232,876	206,427	169,043	154,246	136,744	127,847	119,035
Other electric revenues	**1,845**	1,732	1,579	1,409	1,421	1,386	1,206	1,157	1,037	927	[illegible]
Total	**$ 440,182**	$ 365,084	$ 313,787	$ 266,053	$ 234,297	$ 207,813	$ 170,249	$ 155,403	$ 137,781	$ 128,774	$ 119,899
Sales in Kilowatt Hours (000's)											
Residential	**2,619,467**	2,254,962	2,465,782	2,284,029	2,193,859	2,300,432	2,070,855	2,113,326	1,956,111	1,940,229	1,735,017
Commercial	**3,338,165**	3,183,710	3,182,675	3,080,589	2,889,388	2,846,031	2,651,817	2,677,697	2,493,428	2,312,259	2,238,076
Industrial	**2,141,924**	2,383,204	2,302,619	2,147,363	1,980,230	1,758,308	1,952,711	1,985,799	1,881,878	1,752,072	1,649,957
Public street and highway lighting	**67,172**	66,561	68,248	68,288	66,814	65,260	66,275	64,158	62,331	59,249	55,733
Public authorities—power and lighting	**1,893**	1,876	2,710	2,702	2,657	2,914	3,513	3,599	3,596	3,665	3,774
Other electric utilities	**355,154**	328,072	336,916	317,516	302,842	264,497	235,498	236,309	216,280	195,769	182,710
Total	**8,593,595**	8,218,385	8,358,950	7,900,485	7,436,290	7,247,442	6,979,660	7,080,888	6,613,622	6,163,242	5,865,167
Average Number of Customers											
Residential	**301,417**	298,413	293,402	288,376	284,296	281,708	278,973	273,532	267,320	261,865	256,452
Commercial	**38,964**	38,372	38,713	38,343	38,024	37,709	37,575	37,401	36,670	35,897	35,524
Industrial	**2,215**	2,142	2,121	2,084	2,065	2,049	2,063	2,112	2,133	1,843	1,468
Public street and highway lighting	**123**	123	123	122	125	126	128	128	129	131	132
Public authorities—power and lighting	**11**	11	12	11	11	11	12	12	12	12	12
Other electric utilities	**14**	14	16	16	15	13	13	13	12	12	13
Total	**342,764**	339,075	334,387	328,952	324,536	321,616	318,764	313,198	306,276	299,760	293,701
Residential Sales											
Average kwh per customer	**8,923**	7,556	8,404	7,920	7,717	8,166	7,423	7,726	7,317	7,027	6,766
Average revenue per kwh—cents	**6.023**	5.373	4.541	4.087	3.838	3.456	3.009	2.756	2.634	2.658	2.627
Load Statistics											
Generated (net)—kwh (000's)	**10,095,801**	7,535,591	8,581,224	8,446,189	7,567,221	7,203,748	7,225,580	7,212,592	7,225,430	7,078,663	6,754,710
Purchased—kwh (000's)	**11,781**	79,993	211,991	188,082	194,250	190,198	161,600	141,759	185,822	156,347	173,245
Interchanged (net)—kwh (000's)	**(902,501)**	1,196,104	218,421	(182,695)	164,936	463,542	169,272	243,921	(237,235)	(593,700)	(603,818)
Total—kwh (000's)	**9,205,081**	8,811,688	9,011,636	8,451,576	8,026,407	7,857,488	7,556,452	7,598,272	7,174,017	6,641,310	6,324,137
Maximum net hourly demand in kilowatts (winter)	**1,299,000**	1,317,000	1,286,000	1,255,000	1,165,000	1,161,000	1,106,300	1,090,900	1,116,800	1,016,700	964,700
Maximum net hourly demand in kilowatts (summer)	**2,198,000**	1,964,000	2,097,000	1,980,000	1,920,000	1,902,700	1,907,200	1,757,300	1,675,700	1,573,800	1,498,900
Net generating capability in kw (summer)	**2,838,000**	2,560,000	2,560,000	2,641,000	2,361,000	2,334,000	2,218,000	2,224,000	1,813,000	1,684,000	1,586,000
Net purchased capacity in kw (summer)	**—**	—	95,000	(101,000)	118,000	100,000	148,000	(25,000)	163,000	172,000	45,000
Btu per net kwh generated	**11,158**	11,633	11,266	11,518	11,331	11,585	11,364	11,521	11,001	11,037	11,065
Other Data											
Utility Plant—Gross additions (000's)	**$ 158,867**	$ 234,818	$ 188,721	$ 168,285	$ 126,014	$ 89,818	$ 63,179	$ 38,355	$ 70,170	$ 56,213	$ 42,656
Total Assets (000's)	**1,538,978**	1,391,038	1,166,760	1,008,814	841,502	736,530	662,592	604,930	575,505	521,812	477,491
Employee Data											
Salaries and wages (000's)	**$ 73,802**	$ 68,465	$ 54,693	$ 56,380	$ 49,644	$ 45,305	$ 38,614	$ 40,068	$ 33,867	$ 31,665	$ 29,332
Pensions and benefits (000's)	**11,670**	9,947	6,861	7,878	7,132	6,487	5,358	5,870	4,285	3,430	3,178
	$ 85,272	$ 78,412	$ 61,554	$ 64,258	$ 56,776	$ 51,792	$ 43,972	$ 45,938	$ 38,152	$ 35,095	$ 32,510
Number of employees, December 31	**2,858**	2,868	2,726	2,572	2,522	2,484	2,477	2,556	2,473	2,444	2,393
Employee Data—Adjusted*											
Salaries and wages (000's)	**$ 66,468**	$ 62,569	$ 49,755	$ 51,716	$ 46,491	$ 42,748	$ 36,272	$ 39,130	$ 33,264	$ 31,665	$ 29,332
Pensions and benefits (000's)	**10,751**	9,282	6,287	7,359	6,754	6,174	5,087	5,729	4,209	3,430	3,178
	$ 77,219	$ 71,851	$ 56,042	$ 59,075	$ 53,245	$ 48,922	$ 41,359	$ 44,859	$ 37,473	$ 35,095	$ 32,510
Number of employees, December 31	**2,628**	2,659	2,577	2,414	2,382	2,379	2,375	2,473	2,429	2,444	2,393

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

Kansas City Power & Light Company

Eleven-Year Summaries and Selected Financial Data

Summary of Earnings	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970
Operating Revenues (000's)											
Electric	$ 440,182	$ 365,084	$ 313,787	$ 268,053	$ 234,297	$ 207,813	$ 170,249	$ 155,403	$ 137,781	$ 128,774	$ 119,899
Steam heat	5,783	5,791	4,87	4,609	2,867	2,505	1,799	1,736	1,829	1,700	1,807
Total	445,965	370,875	318,6 3	270,662	237,164	210,318	172,048	157,139	139,610	130,474	121,706
Operating Expenses (000's)											
Operation	174,661	186,134	135,450	110,510	92,945	83,555	58,837	55,950	50,538	43,622	40,326
Maintenance	52,680	54,315	30,359	29,496	22,275	19,194	14,550	13,890	10,659	11,451	10,835
Depreciation	41,733	34,868	3,174	30,356	24,629	21,867	20,648	18,560	14,301	13,489	12,957
Taxes											
Income	42,088	9,569	26,137	18,455	19,841	18,495	15,204	10,633	9,349	9,952	9,854
General	47,956	41,914	38,511	35,519	31,822	28,537	25,207	22,959	21,375	20,605	18,462
Total	359,118	326,800	263,631	224,336	191,512	169,648	134,446	121,992	106,222	99,119	92,434
Operating Income (000's)	86,847	44,075	55,032	46,326	45,652	40,670	37,602	35,147	33,388	31,355	29,272
Other Income and Deductions (000's)											
Allowance for equity funds used during construction	19,775	19,467	12,543	7,592	3,983	2,119	511	1,006	1,893	1,029	337
Miscellaneous (net)	(122)	304	(874)	(39)	185	1,715	642	214	498	503	402
Total	19,653	19,771	11,669	7,553	4,168	3,834	,153	1,220	2,391	1,532	739
Income before Interest Charges (000's)	106,500	63,846	66,701	53,879	49,820	44,504	38,755	36,367	35,779	32,887	30,011
Interest Charges (000's)											
Interest on long-term debt	48,864	40,612	32,217	26,856	23,553	19,968	17,884	17,473	15,978	13,638	11,060
Interest on short-term notes	4,781	3,408	1,969	1,066	412	1,085	1,592	343	650	672	1,183
Allowance for borrowed funds used during construction—credit	(22,997)	(19,211)	(10,750)	(5,904)	(4,022)	(3,356)	(1,062)	(1,554)	(3,102)	(1,686)	(912)
Miscellaneous	7,151	2,486	341	268	256	203	128	147	87	82	64
Total	37,799	27,295	23,777	22,286	20,198	17,900	18,542	16,409	13,613	12,706	11,395
Income before Cumulative Effect (000's)	68,701	36,551	42,924	31,593	29,622	26,604	20,213	19,958	22,166	20,181	18,616
Cumulative Effect of Change in Revenue Recognition (000's)	—	7,202	—	—	—	—	—	—	—	—	—
Net Income (000's)	68,701	43,753	42,924	31,593	29,622	26,604	20,213	19,958	22,166	20,181	18,616
Preferred and Preference Stock Dividend Requirements (000's)	12,418	10,573	8,719	7,545	5,124	4,019	2,842	2,848	2,854	2,401	1,963
Applicable to Common Stock (000's)	$ 56,283	$ 33,180	$ 34,205	$ 24,048	$ 24,498	$ 22,585	$ 17,371	$ 17,110	$ 19,312	$ 17,780	$ 16,753
Earnings Per Common Share											
Before change in revenue recognition	$ 4.36	$ 2.36	$ 3.55	$ 2.93	$ 3.40	$ 3.62	$ 2.92	$ 2.88	$ 3.37	$ 3.26	$ 3.08
Earnings per share	$ 4.36	$ 3.01	$ 3.55	$ 2.93	$ 3.40	$ 3.62	$ 2.92	$ 2.88	$ 3.37	$ 3.26	$ 3.08
Ratio of Earnings to Fixed Charges	2.80	1.99	3.01	2.78	3.04	3.09	2.82	2.68	2.88	3.07	3.27

Capitalization Data

Common Stock Equity (000's)	$ 424,852	$ 373,224	$ 327,260	$ 282,106	$ 244,938	$ 215,512	$ 188,336	$ 183,934	$ 179,802	$ 157,709	$ 151,509
Average shares outstanding	12,915,770	11,009,407	9,644,321	8,216,133	7,211,536	6,247,092	5,947,092	5,947,092	5,738,759	5,447,092	5,447,092
Cash dividends per share	$ 2.69	$ 2.635	$ 2.56	$ 2.46	$ 2.34	$ 2.26	$ 2.20	$ 2.20	$ 2.12	$ 2.08	$ 2.02
Preferred Stock (000's)	$ 112,000	$ 112,000	$ 112,000	$ 112,000	$ 92,000	$ 72,000	$ 52,000	$ 52,000	$ 52,000	$ 52,000	$ 39,000
Dividend requirements (000's)	$ 8,414	$ 8,414	$ 8,414	$ 7,372	$ 4,945	$ 3,834	$ 2,650	$ 2,650	$ 2,650	$ 2,190	$ 1,646
Average dividend rate	7.5%	7.5%	7.5%	7.4%	6.7%	6.0%	5.1%	5.1%	5.1%	4.7%	3.4%
Preferred Stock (Redeemable) (000's)	$ 3,836	$ 3,996	$ 4,156	$ 4,316	$ 4,476	$ 4,636	$ 4,796	$ 4,956	$ 5,116	$ 5,276	$ 5,436
Dividend requirements (000's)	$ 153	$ 159	$ 166	$ 173	$ 179	$ 185	$ 192	$ 198	$ 204	$ 211	$ 217
Average dividend rate	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Preference Stock (Redeemable) (000's)	$ 50,000	$ 25,000	$ 25,000	—	—	—	—	—	—	—	—
Dividend requirements (000's)	$ 3,851	$ 2,000	$ 139	—	—	—	—	—	—	—	—
Average dividend rate	9.73%	8.00%	8.00%	—	—	—	—	—	—	—	—
Long-Term Debt (000's)	$ 587,477	$ 576,904	$ 503,044	$ 436,372	$ 384,118	$ 343,738	$ 324,541	$ 299,797	$ 285,673	$ 256,520	$ 231,056
Interest on debt (000's)	$ 48,864	$ 40,612	$ 32,217	$ 26,856	$ 23,553	$ 19,968	$ 17,884	$ 17,473	$ 15,979	$ 13,638	$ 11,060
Average interest rate	8.40%	7.65%	6.98%	6.78%	6.35%	6.12%	5.86%	5.86%	5.78%	5.54%	5.11%

Common Stock Price Range

	1979		1980	
Quarter	High	Low	High	Low
First	$27⅛	$24⅛	$23½	$18⅛
Second	26⅝	24⅞	23¼	18⅝
Third	27⅛	24¼	23⅛	20
Fourth	25	22	21⅞	18½

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

Common Stock Dividends

Quarterly dividends on common stock were declared as follows:

Quarter	1979	1980	1981
First	$0.64	$0.665	$0.695
Second	0.665	0.665	
Third	0.665	0.665	
Fourth	0.665	0.695	

Company common dividends paid in 1980 are fully taxable to shareholders as dividend income.

Preferred and Preference Stock Dividends

Quarterly dividends on the Preferred Stock were declared in each quarter of 1979 and 1980 as follows: 3.80% series—$0.95 per share; 4% series—$1.00 per share; 4.50% series—$1.125 per share; 4.20% series—$1.05 per share; 4.35% series—$1.0875 per share and 7.72% series—$1.93 per share. Dividends on Cumulative No Par Preferred Stock were declared each quarter of 1979 and 1980 as follows: $10.70 series—$2.675; $2.33 series—$0.5825 per share; and $2.20 series—$0.55 per share.

Dividends on the $8.00 Cumulative Preference Stock were declared at $2.00 per share in each quarter of 1979 and 1980.

Dividends on the $12.75 Cumulative No Par Preference Stock were declared at $3.1[illegible] per share for the initial dividend in the second quarter of 1980 and at $3.1875 per share for the third and fourth quarters of 1980.

Transfer Agents and Registrars

Common Stock

Manufacturers Hanover Trust Company
New York, New York 10015

Harris Trust and Savings Bank
Chicago, Illinois 60690

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

Preferred Stock

Manufacturers Hanover Trust Company
New York, New York 10015

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

Preference Stock

Kansas City Power & Light Company
Kansas City, Missouri 64141

The Company

Kansas City Power & Light Company is a medium-sized electric utility serving a 4,700-square mile area located in all or portions of 23 counties in western Missouri and eastern Kansas. Total population of the area served is about one million. About 98 percent of electric sales are at retail to some 345,000 customers in 94 incorporated communities, and the remaining two percent are at wholesale to seven communities, two electric cooperatives and two other utility systems. About 75 percent of sales are in Missouri and the remainder are in Kansas.

The Company serves the major portion of the Kansas City metropolitan area, from which over 90 percent of revenues are derived. The Company also provides steam service to about 705 customers in downtown Kansas City, Missouri.

Electricity is generated from six power stations which had a total accredited winter capacity of 2,[illegible] megawatts at December 31, 1980. The Company participates in the MOKAN Power Pool, a regional organization designed to enhance reliability and economy in the operations of its electric utility members.

Company securities at December 31, 1980, were held by 41,385 common, 5,599 preferred and 17 preference shareholders. The Company employs about 724 management and 2,132 bargaining unit personnel.

Kansas City is considered to be the world's agribusiness capital, centered around the Kansas City Board of Trade and the City's stockyards. Kansas City leads the nation in farm equipment distribution, hard winter wheat marketing, underground storage space and Foreign Trade Zone space. The City also ranks first in greeting card and envelope production.

The [illegible] second nationally in [illegible] assembly, freight car handling, grain storage and [illegible] production.

[illegible]

Kansas City is also a rapidly growing convention and entertainment center.

Fourth Quarter Report Eliminated

The interim Report to Shareholders covering the fourth quarter of 1980, which previously has been sent to shareholders in March with dividend checks, was eliminated as an economy measure since it would have duplicated information provided in this annual report.

Officers and Executives

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

Samuel P. Cowley
Vice President-Corporate Affairs and Secretary

Stanley G. Jameson
Vice President-Transmission and Distribution System Operations

Donald M. Landes
Vice President-Communications

John A. Mayberry
Vice President-Commercial Operations

Donald T. McPhee
Vice President-System Power Operations

J. Robert Miller
Vice President-Administration

William H. Miller
Vice President-Human Resources

Louis C. Rasmussen
Vice President-Corporate Planning and Finance

A. Drue Jennings
General Counsel

Lee F. Miller
Treasurer

Neil A. Roadman
Controller

Board of Directors

Arthur J. Doyle*
Chairman of the Board and President

Cyrus S. Eaton, Jr.
Chairman of the Board
Tower International
Cleveland, Ohio
– mining, investments and international trade

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

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

Robert A. Olson*
Retired Chairman of the Board

Eugene M. Strauss
President and Treasurer
Strauss Fuchs Organization, Inc.
—insurance and data processing systems marketing

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

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

Robert K. Zimmerman
Retired Chairman of the Board

*Member Executive Committee

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

This report, including the financial statements contained herein, has been prepared for the general information of shareholders of Kansas City Power & Light Company, and is not intended to induce, or for use in connection with, any sale, offer for sale, or solicitation of an offer to buy, any securities of the Company.

Kansas 54

Kansas Electric Power Cooperative, Inc.

"A Development Stage Enterprise"

Topeka, Kansas

EXAMINATION REPORT

For The Period

January 1, 1980 to December 31, 1980

Kansas 54

Kansas Electric Power Cooperative, Inc.

"A Development Stage Enterprise"

Topeka, Kansas

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Kansas 54

Kansas Electric Power Cooperative, Inc.

"A Development Stage Enterprise"

Topeka, Kansas

BOARD OF TRUSTEES

Cooperative	Trustee	Alternate
Altamont, Kansas	L. G. Dulavey	Dora Boore
Belleville, Kansas	Darold Wulfekoetter	Dennis Cooper
Burlington, Kansas	Dean Martin	Lyle Herriott
Cedar Vale, Kansas	Walter David	Robert Brown
Cheney, Kansas	Jack S. Hutchinson	Gene Porter
Clay Center, Kansas	Charles W. Ellis	Raymond James
Council Grove, Kansas	Gerald Ridenour	Wilmer Tischbauser
Dodge City, Kansas	Ray Sprenkle	Ralph V. Sherer
El Dorado, Kansas	Wilbur C. Reed	Louis Claassen
Ellsworth, Kansas	A. D. Paull	Larry D. Kilian
Emporia, Kansas	R. D. Speece	Larry Scott
Fredonia, Kansas	Howard L. Sell	Marvin Freidline
Girard, Kansas	Ray Taylor	Marvin Lewis
Great Bend, Kansas	Jack D. Goodman	LaVern Becker
Hays, Kansas	Arthur J. Schnose	Raymond Heer
Horton, Kansas	Dale Bodenhausen	Ronald E. Garchar
Hutchinson, Kansas	Wesley Nunemaker	Delbert E. Tyler
Iola, Kansas	Elmer Nichols	Robert L. Schuster
Lindsborg, Kansas	Verner E. Lundquist	Gilbert Bengston
Mankato, Kansas	Clarence Beck	Jim Gouldie
Meade, Kansas	H. L. Murphey	Jerry Rumbaugh
McLouth, Kansas	W. A. Ousdahl	Fred Johnson
Norton, Kansas	Phillip A. Lesh	Lynn Morford
Pratt, Kansas	Robert Ahrens	Ben Pritchard
Solomon, Kansas	James F. Schmidt	Nadine Griffin
Wamego, Kansas	Kenneth L. Erickson	Lester Marten
Wellington, Kansas	Max Kolarik	Garland Price

EXECUTIVE COMMITTEE

Charles W. Ellis	President
James Schmidt	Vice-President
Phillip A. Lesh	Secretary
Allen Paull	Treasurer
Max Kolarik	
Wilbur Reed	
Howard Sell	

MANAGEMENT

Charles Ross	Executive Vice-President

SCHMIDT & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
2837 MAIN STREET
KANSAS CITY, MISSOURI 64108

MEMBERS OF THE AMERICAN INSTITUTE
OF CERTIFIED PUBLIC ACCOUNTANTS

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(816) 421-4624

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

Gentlemen:

We have examined the balance sheets of the Kansas Electric Power Cooperative, Inc., Topeka, Kansas as of December 31, 1980 and 1979, the related statements of revenue, and accumulated deficit since inception, and changes in financial position since inception. 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, including those required by REA Bulletin 185.1. Some of the auditing procedures employed were as follows:

Plant

Acquisition of general plant items were investigated to determine that entries properly recorded the new values.

We examined certificates of title to automotive equipment and trailers and satisfied ourselves as to the existence of other major items of general plant.

Cash

We counted the working fund during our examination and after considering the receipts and deposits since December 31, 1980, determined the working fund was on hand at audit date. Cash expenditures were properly supported by vouchers. We examined all checks honored by the bank during the past year for authorized signatures, classifications of expenditures and traced them to the appropriate records. Our reconciliation of the bank account with the records of the cooperative was compared with that prepared by the cooperative. We traced the transfer of funds

by bank wire transfer and directed particular attention to the outstanding checks at the beginning and end of the year examined. Written confirmation of the bank balance was obtained from the bank.

Accounts and Interest Receivable

Our examination disclosed the subsidiary ledgers of accounts receivable were in balance with the ledger control accounts. Confirmations were mailed to customers.

Prepayments

Insurance policies were examined and the unexpired insurance premiums computed. We listed the policies, observed they were made payable to the cooperative and ascertained all were in effect at audit date.

Deferred Debits

Charges to deferred debits were reviewed.

Capital Equities

We ascertained the subsidiary record of memberships was in balance with the general ledger control account by examination of the membership register.

Current and Accrued Liabilities

We examined invoices paid subsequent to the audit date, made inquiries concerning possible unrecorded liabilities and contacted the project attorneys regarding contingent liabilities. Minutes of board meetings were reviewed for commitments or agreements which might constitute liabilities of the cooperative. We reviewed the 1980 property tax assessment and found the liability for property taxes reasonably stated.

Operations

During our examination of the balance sheet accounts, related operating entries were tested. Journal entries prepared during the period under observation were reviewed. Pertinent provisions of the power contract were noted. Customer energy bills prepared during the audit period were compared with approved wholesale rates schedules on a selective basis. In tracing cancelled checks to the check register, charges to expense accounts were reviewed. Check vouchers with supporting data were examined for representative test periods.

General

Before we completed the examination, all audit entries had been entered on the books of the cooperative. Our examination disclosed the cooperative's accounting records have been maintained in a current and generally accurate condition.

In our opinion, the balance sheets of the Kansas Electric Power Cooperative, Inc., Topeka, Kansas as of December 31, 1980 and 1979, the related statements of revenue and accumulated deficit since inception and changes in financial position since inception, present fairly the financial position of the cooperative, and the results of its operations and changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

SCHMIDT & COMPANY

W. G. Schmidt, Partner

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Kansas Electric Power Cooperative, Inc.

"A Development Stage Enterprise"

Topeka, Kansas

COMPARATIVE BALANCE SHEET

For The Years Ended December 31, 1980 and 1979

ASSETS AND OTHER DEBITS

	12-31-80	12-31-79
Plant		
General plant	$ 46,868.98	$ 36,720.24
Less: Accumulated depreciation	19,606.29	12,043.91
Net General Plant	27,262.69	24,676.33
Investments		
Equities in other organizations	1,245,680.00	17,034.00
Current Assets		
Cash - general	46,468.64	8,022.43
Accounts receivable	91,547.95	33,141.80
Prepayments	1,805.00	1,586.09
Total Current Assets	139,821.59	42,750.32
Deferred Debits		
Organization expense	1,067.50	1,067.50
Research and development	26,631,510.34	8,029,868.71
Construction advance	129,000,000.00	90,000,000.00
Total Deferred Debits	155,632,577.84	98,030,936.21
TOTAL ASSETS AND OTHER DEBITS	$157,045,342.12	$98,115,396.86

MEMBERS' EQUITY AND LIABILITIES

Equities and Margins		
Memberships	$ 2,800.00	$ 2,700.00
Paid in capital	652,885.85	652,885.85
Deficit accumulated during the development stage	97,510.16*	95,605.25*
Total Equities and Margins	558,175.69	559,980.60
Current Liabilities		
Notes payable (CFC)	156,335,981.08	97,532,270.66
Accounts payable	149,153.20	21,807.00
Accrued taxes	2,032.15	1,338.60
Total Current Liabilities	156,487,166.43	97,555,416.26
TOTAL MEMBERS' EQUITY AND LIABILITIES	$157,045,342.12	$98,115,396.86

See notes to financial statements (page 7).

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Topeka, Kansas

STATEMENT OF CHANGES IN FINANCIAL POSITION SINCE INCEPTION

	Year Ended 12-31-1980	Inception to 12-31-1980
Deficit accumulated (Exhibit B, page 5)	$ 1,904.91*	$ 97,510.16*
Add:		
OTHER SOURCES OF FUNDS		
Depreciation capitalized	7,444.09	19,422.00
Depreciation	118.29	118.29
Total	7,562.38	19,540.29
Deduct:		
Allowance for funds used during construction	18,352,354.14	23,615,624.80
Capital credits	1,228,646.00	1,244,680.00
Total	19,581,000.14	24,860,304.80
Funds from Operations	19,575,342.67*	24,938,274.67*
Add:		
Membership fees	100.00	2,800.00
Loan funds from CFC	58,803,710.42	156,335,981.08
Capital transfer (KEC)	-0-	652,885.85
Plant salvage	-0-	1,433.90
Decrease in working capital	30,968.48	11,363.76
TOTAL SOURCES OF FUNDS	$39,259,436.23	$132,066,189.92
USES OF FUNDS		
Organization	$ -0-	$ 1,067.50
CFC membership	-0-	1,000.00
Investment in general plant	10,148.74	48,236.88
Research & development	249,287.49	3,015,885.54
Construction advance	39,000,000.00	129,000,000.00
TOTAL USES OF FUNDS	$39,259,436.23	$132,066,189.92

* Deficit

See notes to financial statements (page 7).

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"A Development Stage Enterprise"

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STATEMENT OF REVENUE AND ACCUMULATED DEFICIT

For The Year Ended December 31, 1980 and from Inception

	12-31-80	Accumulated from inception
Operating Revenue		
Sales for resale	$291,455.03	$291,455.03
Operating Expenses		
Purchased power	284,005.03	284,005.03
General & administrative	5,569.23	48,621.19
Special services	68.84	36,593.20
Insurance	39.84	143.68
Employee benefits	324.58	629.05
Trustees expenses	667.26	5,109.22
Rent	131.60	131.60
Miscellaneous expense	2,232.94	12,397.10
Depreciation	118.29	417.42
Taxes - property	20.41	137.70
Taxes - payroll	182.12	780.00
Total Operating Expenses	293,359.94	388,965.19
Net Margins for Period	1,904.91*	
Deficit accumulated through 12-31-79	95,605.25*	
Deficit accumulated during development stage	$ 97,510.16*	$ 97,510.16*

* Deficit

See notes to financial statements (page 7).

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STATEMENT OF PAID-IN CAPITAL

Ark Valley Electric Cooperative Association, Inc., Hutchinson, Kansas	
Brown-Atchison Electric Cooperative Association, Inc., Horton, Kansas	
Butler Rural Electric Cooperative Association, Inc., El Dorado, Kansas	
Caney Valley Electric Cooperative Association, Inc., Cedar Vale, Kansas	
Central Kansas Electric Cooperative, Inc., Great Bend, Kansas	
CMS Electric Cooperative, Inc., Meade, Kansas	
Coffey County Rural Electric Cooperative Association, Inc., Burlington, Kansas	
C & W Rural Electric Cooperative Association, Inc., Clay Center, Kansas	
Doniphan Electric Cooperative Association, Inc., Troy, Kansas	
D. S. & O. Rural Electric Cooperative Association, Inc., Solomon, Kansas	
Flint Hills Rural Electric Cooperative Association, Inc., Council Grove, Kansas	
Great Plains Electric Cooperative, Inc., Colby, Kansas	
Jewell-Mitchell Cooperative Electric Company, Inc., Mankato, Kansas	
Kaw Valley Electric Cooperative Company, Inc., Topeka, Kansas	
Lane-Scott Electric Cooperative, Inc., Dighton, Kansas	
Leavenworth-Jefferson Electric Cooperative, Inc., McLouth, Kansas	
Lyon County Electric Cooperative, Inc., Emporia, Kansas	
N.C.K. Electric Cooperative, Inc., Belleville, Kansas	
Nemaha-Marshall Electric Cooperative Association, Inc., Axtell, Kansas	
Ninnescah Rural Electric Cooperative Association, Inc., Pratt, Kansas	
Northwest Kansas Electric Cooperative Association, Inc., Bird City, Kansas	
Norton-Decatur Cooperative Electric Company, Inc., Norton, Kansas	
Pioneer Electric Cooperative, Inc., Ulysses, Kansas	
P. R. & W. Electric Cooperative Association, Inc., Wamego, Kansas	
Radiant Electric Cooperative, Inc., Fredonia, Kansas	
Sedgwick County Electric Cooperative, Association, Inc., Cheney, Kansas	
Sekan Electric Cooperative Association, Inc., Girard, Kansas	
Smoky Hill Electric Cooperative Association, Inc., Ellsworth, Kansas	
Smoky Valley Electric Cooperative Association, Inc., Lindsborg, Kansas	
Sumner-Cowley Electric Cooperative, Inc., Wellington, Kansas	
Twin Valley Electric Cooperative, Inc., Altamont, Kansas	
United Electric Cooperative, Inc., Iola, Kansas	
Victory Electric Cooperative Association, Inc., Dodge City, Kansas	
Western Cooperative Electric Association, Inc., WaKeeney, Kansas	
Wheatland Electric Cooperative, Inc., Scott City, Kansas	
TOTAL	

Paid-In-Capital

12-31-80	From inception
$ 19,276.91	$ 23,079.70
10,741.62	12,834.94
16,663,75	19,995.29
13,426.25	15,908.77
42,783.04	51,786.45
10,252.17	12,451.01
10,067.67	12,209.35
14,017.55	16,548.87
5,155.95	5,900.33
18,959.51	22,788.17
19,082.82	22,801.37
11,361.06	12,798.24
16,058.18	19,186.59
17,876.25	20,153.62
12,686.02	14,263.23
11,464.08	13,840.19
8,594.13	10,419.34
13,613.14	16,117.77
13,731.79	15,500.62
12,709.82	15,322.75
8,039.92	9,086.48
19,016.54	21,542.26
31,550.19	35,404.78
7,877.59	9,494.47
10,511.11	12,773.88
16,963.22	20,299.35
11,956.67	14,319.45
6,831.34	8,260.80
3,348.52	4,053.81
16,264.37	19,387.20
6,188.72	7,434.76
11,239.10	13,631.36
13,064.89	15,805.45
21,882.03	24,601.61
74,024.68	82,883.59
$557,280.60	$652,885.85

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Kansas Electric Power Cooperative, Inc.

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NOTES TO FINANCIAL STATEMENTS

December 31, 1980

Summary of Significant Accounting Policies:

General Plant

The cooperative employs the Uniform System of Accounts, prescribed by the Federal Energy Regulatory Commission. Wage rates are controlled by the Board of Trustees. Transportation expenses are allocated between deferred and operating accounts on the basis of mileage. Plant is depreciated at rates reflected in Exhibit D, page 9.

Investments

Investments are generally included in the financial statements at cost.

Deferred Debits

Research and development costs are accumulated in accordance with accepted accounting procedures for electric utilities. Allowance for funds used during construction is deferred per Rural Electrification Administration directive.

Tax Status

The cooperative filed income tax returns through 1979. Application for exemption as a non-profit corporation under Section 501c-12 has been submitted to the Internal Revenue Service. Form 990 has been filed for 1980.

ADDITIONAL NOTES TO FINANCIAL STATEMENTS

Assets Pledged

All assets are pledged as security for short-term and intermediate-term debt to the National Rural Utilities Cooperative Finance Corporation.

General Plant

Cost	$46,868.98
Depreciation	19,060.29
Depreciated Value	$27,262.69

Exhibit D, page 9, of this report presents a detailed statement of general plant facilities and changes in the accounts during the period ended December 31, 1980. Activity included the purchase of an automobile and miscellaneous office furniture and equipment.

Investments

Equities in other organizations	$1,245,680.00

Equities in other organizations include the following:

National Rural Utilities Cooperative Finance Corporation		
Washington, D. C.		
Membership	$ 1,000.00	
Capital credits	1,224,210.00	$1,225,210.00
Federated Rural Electric Insurance Corporation		
Madison, Wisconsin		
Prederred stock		450.00
Kansas Electric Cooperatives, Inc.		
Topeka, Kansas		
Membership		10.00
National Rural Electric Cooperative Association		
Washington, D. C.		
Membership		10.00
Total		$1,245,680.00

Equities in other organizations was increased by capital credits from CFC and Federated Rural Electric Insurance Corporation by $1,228,416.00 and $230.00 respectively during the year ended December 31, 1980.

Cash

Working fund	$ 100.00
General fund	46,368.64
Total	$46,468.64

The cooperative maintains a working fund for petty cash disbursements and for making change. The general fund is in the custody of the Fairlawn Plaza State Bank, Topeka, Kansas. The bank is a member of the Federal Deposit Insurance Corporation.

Accounts Receivable

Customer accounts receivable	$46,350.00
Other accounts receivable	45,197.95
Total	$91,547.95

The cooperative obtained permission to sell 30 megawatts of SPA hydro peaking power in the Kansas Gas & Electric service area. The Kansas Corporation Commission issued a temporary certificate of convenience and necessity to allow this sale of power to Empire

District Electric Company. Other accounts receivable consist primarily of expenses incurred by KEPCo assisting its members in wholesale rate cases. The accounts were all current.

Prepaid Expenses

Prepaid insurance	$ 655.00
Travel advances	1,150.00
Total	$1,805.00

Insurance coverage is provided by Federated Rural Electric Insurance Corporation, Madison, Wisconsin. The type of insurance and the amount in effect at December 31, 1980 were as follows:

Type of Insurance	Amount
General public liability	
Directors', officers' and managers' liability	$1,000,000
Bodily injury and property damage	1,000,000
Workmen's compensation	Statutory
Fidelity insurance (blanket coverage)	60,000
Automobile	
Bodily injury and property damage	1,000,000
Collision	$100 deductible
Fire and extended coverage	
Buildings and personal property	15,000
Extra expense	25,000
Loss of income from customers	25,000
Rended office building	96,600

Travel advances were as follows:

Joe Mulholland	$ 150.00
Jerry Haahr	150.00
Joe Hamman	150.00
Bob Bowser	200.00
Rick Tyler	50.00
Hoburg Lee	150.00
Allan Mee	150.00
Frank Garver	150.00
Total	$1,150.00

Deferred Debits

Organization expense	$ 1,067.50
Research & development	26,631,510.34
Construction advance	129,000,000.00
Total	$155,632,577.84

Kansas Electric Power Cooperative, Inc., was organized to provide power for its members. Costs have been incurred with a number of projects and four projects are involved at December 31, 1980.

Until it is determined whether actual construction results from the effort, costs are being deferred and consist of the following at December 31, 1980:

	Research Projects			
	KP&L	KCP&L KGE	Hydro	CTU
Labor	$ 584.68	$ 711,504.79	$ 8,427.69	$ 45,859.57
Payroll taxes	10.84	53,238.22	564.37	4,788.21
Employee benefits	83.54	78,414.48	952.30	5,917.23
Automobile services		2,749.93	72.35	
Travel	454.20	106,140.06	1,795.86	9,440.19
Public relations	347.71	2,525.64	72.51	
Rent	44.01	29,198.54	257.32	2,149.67
Building costs	36.18	25,592.06	305.43	2,002.60
Leasing-maintenance	15.63	22,444.99	265.67	2,127.94
Depreciations	31.30	32,688.14	319.51	5,960.90
Insurance	7.27	6,841.49	95.31	478.67
Property tax	8.13	6,611.21	125.29	740.36
Meetings	22.77	173,999.26	601.36	4,618.38
Engineering	35,499.01	704,184.57	5,000.00	32,321.60
Computer		70,774.93		
Supplies	43.56	34,223.87	299.79	2,632.46
Postage	25.25	20,525.32	289.47	1,560.59
Telephone	46.71	42,801.99	523.67	3,390.93
Legal	515.00	900,891.56		21,232.55
Contingency		7,786.05	27.90	
Subscriptions	87.07	9,225.63	38.15	234.36
Interest	200.35	23,180,679.06	10,854.17	1,370.85
Auditing		3,300.00		
Personnel costs	5.35	105,808.68	59.99	11,743.26
Consultants	234.82	63,937.48	7,600.58	
TOTAL ($26,631,510.34)	$38,303.38	$26,396,087.95	$38,548.69	$158,570.32

On April 19, 1979, the cooperative entered into an agreement with Kansas Gas and Electric Company, Wichita, Kansas and Kansas City Power & Light Company, Kansas City, Missouri, whereby KEPCo agreed to purchase a 17% undivided ownership interest in the Wolf Creek Nuclear Power Plant. In compliance with the terms of the agreement and subsequent amendments, KEPCo has advanced $64,500,000.00 to KG&E and $64,500,000.00 to KCP&L.

Equities and Margins

Memberships	$ 2,800.00
Paid in capital	652,885.85
Deficit accumulated during the development stage	97,510.16*
Total	$558,175.69

Membership certificates have been issued to twenty-eight cooperatives in Kansas. One member dropped its membership, but the fee was not refunded. Paid in capital resulted from the transfer of assets and liabilities from members of Kansas Electric Cooperatives, Inc. to KEPCo during 1977.

* Deficit

Current Liabilities

Notes payable (CFC)	$156,335,981.08
Accounts payable	149,153.20
Accrued taxes	2,032.15
Total	$156,487,166.43

Notes payable consist of the following:

Short-term line-of-credit	$ 3,589,000.00
Intermediate term note	147,081,406.74
Interest payable - CFC	5,665,574.34
Total	$156,335,981.08

The cooperative has a line of credit with the National Rural Utilities Cooperative Finance Corporation (CFC), Washington, D. C., in the amount of $4,500,000.00 and at audit date had borrowed $3,589,000.00. Interest on the short-term loan varies monthly with market and at December 31, 1980 was 20.5%. The line of credit is arranged on a yearly basis and both the line of credit and any amounts advanced become due March 20, 1981. Members of KEPCo have guaranteed payment to CFC for any amounts advanced on short-term loans plus interest.

To fund the construction deposits to KG&E and KCP&L, the cooperative obtained an intermediate term loan in the amount of $175,000,000.00 from CFC. Interest rate varies monthly with the market and at December 31, 1980 was 20.5%. The note was executed March 21, 1980 and expires March 20, 1981. Interest accrues quarterly and is added to the principal of the note.

Accounts payable were as follows:

Kassebaum & Johnson	$ 16,769.53
Miller, Balis, O'Neil, P. C.	8,274.89
Southern Engineering Company	17,480.14
S.W.P.A. (Power interchange)	91,650.00
Others	14,978.64
Total	$149,153.20

Contingent Liabilities and Commitments

The cooperative has entered into an agreement to purchase 17% of the Wolf Creek facilities from KG&E and KCP&L. Advances totaling $129,000,000.00 have been made toward this agreement and amendments to the agreement. According to the last amendment executed December 24, 1980, KEPCo is to close the sale on April 30, 1981. Exact figures will not be available until the closing date; however, the original loan estimate submitted to the Rural Electrification Administration (REA) was in the amount of $318,000,000.00. This estimate is subject to revision. If KEPCo is

unable to obtain long-term financing prior to April 30, 1981, all amounts previously received by KG&E and KCP&L, respectively, as advance payments from KEPCo on account of the purchase, together with interest from the date of the draw will be repaid by KG&E and KCP&L. If the agreement is closed, KEPCo is to pay its pro rata share of all additional construction costs. Upon completion of the project, KEPCo is to own 17% of the site, common facilities, and Wolf Creek Generating Unit #1.

Upon closing, KG&E and KCP&L will transfer to KEPCo 17% of the then outstanding stock of Utility Fuel Company--included in the purchase price. KEPCo agrees that after closing it will purchase from Utility Fuel Company 17% of all additional shares of capital stock issued for the purpose of funding the company.

Pension Plan

The cooperative has a contributory defined benefit pension plan for its employees. The plan is administered by the National Rural Electric Cooperative Association (NRECA) through a trustee whereby annuities effective upon retirement will be available to participants in the plan. It is a funded plan and the total pension costs for the years ended December 31, 1980 and December 31, 1979 were $10,042.98 and $8,662.68 respectively.

Related-Party Transactions

KEPCo is operated under common management with Kansas Electric Cooperatives, Inc. Overhead costs incurred by KEC applicable to KEPCo are billed at the end of each month. No transactions of a material amount other than payment of allocated overhead costs occured during the period ended December 31, 1980.

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Kansas Electric Power Cooperative, Inc.

"A Development Stage Enterprise"

Topeka, Kansas

OTHER INFORMATION

Accountants' Comments

The audited financial statements of the cooperative and our report thereon are presented in the preceding section of this report. The following financial information and comments were derived from the accounting records tested by us as a part of the auditing procedures used in our examination of the financial statement of December 31, 1980 and December 31, 1979 and in our opinion is fairly presented in all material respects in relation to the financial statements taken as a whole. This information is not necessary for a fair presentation of the financial statements.

History and Organization

The Rural Electrification Act was passed by Congress and signed by President Franklin D. Roosevelt on May 20, 1936. It authorized REA to finance the construction of generation, transmission and distribution facilities to provide electric energy to rural areas not receiving central station electricity. Cooperative farm organizations and rural public power districts became the principal borrowers under the REA program. The National Rural Utilities Cooperative Finance Corporation (CFC) was incorporated April 10, 1969 to provide supplemental financing for REA borrowers.

Articles of Incorporation adopted by six electric distribution cooperatives of Kansas were filed with the Secretary of State, February 13, 1975 for the Incorporation of Kansas Electric Power Cooperative, Inc., pursuant to the Electric Cooperative Act, K. S. A. 17-4601 and other applicable laws. It is a nonprofit cooperative with perpetual existence. Bylaws of the corporation do not restrict membership to electric cooperatives. Each active member has a representative on the Board of Trustees. The membership fee is $100 and at audit date the corporation had twenty-seven active members.

Exhibit D

Kansas 54

Kansas Electric Power Cooperative, Inc.

"A Development Stage Enterprise"

Topeka, Kansas

UTILITY PLANT

	Balance 1-1-80	Additions	Retirements	Balance 12-31-80
General Plant				
Transportation equipment (1)	$22,235.36	$ 6,298.13	$ -0-	$28,533.49
Office furniture & fixtures 10%	14,484.88	3,850.61	-0-	18,335.49
Total	36,720.24	10,148.74	-0-	46,868.98
Depreciation				
Transportation equipment	7,334.20	6,116.06	-0-	13,450.26
Office furniture & fixtures	4,709.71	1,446.32	-0-	6,156.03
Total	12,043.91	7,562.38	-0-	19,606.29
Depreciated Value	$24,676.33			$27,262.69

(1) Cost less estimated salvage over three and four years.