WOLF CREEK GENERATING STATION UNIT NO.1

LICENSE APPLICATION

KANSAS GAS AND ELECTRIC COMPANY
KANSAS CITY POWER & LIGHT COMPANY
KANSAS ELECTRIC POWER COOPERATIVE, INC.

8003060166

COPY NO. 00017

THE ELECTRIC COMPANY

KANSAS GAS AND ELECTRIC COMPANY

GLENN L. KOESTER
VICE PRESIDENT-OPERATIONS

February 19, 1980

Mr. Harold R. Denton, Director
Office of Nuclear Reactor Regulation
U.S. Nuclear Regulatory Commission
Washington, D.C. 20555

KLNRC-022
RE: Docket Number STN 50-482
REF: Letter (KLNRC-021) from Glenn L. Koester, KGE, dated October 2, 1979, to Harold R. Denton, NRC

Dear Mr. Denton:

Kansas Gas and Electric Company hereby files an Amendment to its Application of April 1, 1974, for a Construction Permit and an Operating License for a nuclear plant designated Wolf Creek Generating Station, Unit No. 1.

This amended application for the issuance of an Operating License consists of: (1) the general information required by 10CFR50.33; (2) the technical information required by 10CFR50.34 and 50.34a, in the form of the Wolf Creek Generating Station Site Addendum to the SNUPPS Final Safety Analysis Report (FSAR); and (3) the Environmental Report required by 10CFR51.21. The Wolf Creek Generating Station Physical Security Plan and Safeguards Contingency Plan and Antitrust Review information are submitted under separate cover.

Pursuant to 10CFR50, furnished herewith are:

1) Three signed originals and ten copies of that portion of the information specified in 10CFR50.33 excluding the financial information requested in 10CFR50.33(f). The financial information will be supplied in June, 1981; however, copies of the 1978 Annual Reports of the station co-owners are included as Exhibits 1 through 3 of the License Application.

2) Fifteen copies of that portion of the application containing the information specified in 10CFR50.34(b) and 50.34a(c) consisting of the Wolf Creek Generating Station, Unit No. 1, Site Addendum to the SNUPPS FSAR. The SNUPPS FSAR was previously incorporated into the Wolf Creek application by the Reference.

201 N. Market — Wichita, Kansas — Mail Address: P.O. Box 208 / Wichita Kansas 67201 — Telephone: Area Code (316) 261-6451

3) Twenty copies of the information required by 10CFR51.21 (Environmental Report - Operating License Stage).

An acknowledgment of the Commission's receipt of this Application would be appreciated.

Very respectfully,

Glenn L Koester

GLK:bb
Attachments

BEFORE THE

UNITED STATES NUCLEAR REGULATORY COMMISSION

DOCKET NO. STN 50-482

In the Matter of

KANSAS GAS AND ELECTRIC COMPANY

KANSAS CITY POWER & LIGHT COMPANY

AND

KANSAS ELECTRIC POWER COOPERATIVE, INC.

APPLICATION FOR LICENSES

UNDER THE ATOMIC ENERGY ACT OF 1954

AS AMENDED

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for

WOLF CREEK GENERATING STATION

Unit No. 1

February 19, 1980

Date

BEFORE THE

UNITED STATES NUCLEAR REGULATORY COMMISSION

Docket No. 50-482

In the Matter of

KANSAS GAS AND ELECTRIC COMPANY

KANSAS CITY POWER & LIGHT COMPANY

AND

KANSAS ELECTRIC POWER COOPERATIVE, INC.

APPLICATION FOR LICENSES

Kansas Gas and Electric Company (hereinafter sometimes referred to as "KG&E"), Kansas City Power & Light Company (hereinafter sometimes referred to as "KCPL"), and Kansas Electric Power Cooperative, Inc. (hereinafter sometimes referred to as KEPCo) (collectively sometimes referred to as "Applicants") hereby make application, pursuant to the provisions of the Atomic Energy Act of 1954, as amended, and the Nuclear Regulatory Commission's Rules and Regulations thereunder, for the necessary licenses to own, use and operate the utilization facilities hereinafter described as an integral part of a nuclear electric generating plant to be located in Coffey County, Kansas, and to be known as the "Wolf Creek Generating Station, Unit No. 1" (WCGS). KG&E has primary responsibility for the operation and maintenance of the facilities and for the prosecution of this application and all related activities and proceedings before the Nuclear Regulatory Commission.

KG&E, on behalf of itself, KCPL, and KEPCo will hereafter submit all further information requested in connection with this application.

This application consists of the following four parts: (a) the general information required by 10 CFR 50.33, which is set out herein; (b) the technical information and safety analysis report required by 10 CFR 50.34 and 50.34a, which is set out in a separate document entitled "Kansas Gas and Electric Company, Kansas City Power and Light Company, and Kansas Electric Power Cooperative, Inc., Wolf Creek Generating Station, Unit No. 1, Final Safety Analysis Report," submitted herewith, and the Standardized Nuclear Unit Power Plant System (SNUPPS) Final Safety Analysis Report submitted to the NRC on October 2, 1979; (c) selected material filed by Westinghouse Electric Corporation and Bechtel Power Corporation independent of this application but made a part hereof where specifically referenced in Applicants' Final Safety Analysis Report; and (d) "Applicants' Environmental Report-Operating License Stage" as required by 10 CFR 51.21. The Security Plan required by 10 CFR 50.34 is submitted at this time as a separate document.

GENERAL INFORMATION

a. Names of Applicants

(1) Kansas Gas and Electric Company

(2) Kansas City Power & Light Company

(3) Kansas Electric Power Cooperative, Inc.

b. Addresses of Applicants

(1) P.O. Box 208
201 North Market Street
Wichita, Kansas 67201

(2) P.O. Box 679
1330 Baltimore Avenue
Kansas City, Missouri 64141

(3) 5709 West 21st Street
P.O. Box 4267
Gage Center Station
Topeka, Kansas 66604

c. Description of business or occupation of Applicants

KG&E is an electric utility engaged in the generation, transmission and distribution of electricity in the southeast portion of the State of Kansas. Its service area covers approximately 8,100 square miles and has a population of over one-half million.

KG&E serves approximately 220,000 retail customers. It also sells power at wholesale to 8 rural electric cooperatives and 25 communities.

KG&E owns and operates five steam electric generating stations and is part owner in two other stations. KG&E owns a 50% undivided interest (with KCPL owning the other 50%) in the two unit LaCygne Station and a 20% interest in the Jeffrey Energy Center which has one operating unit and three others planned and under construction. All of KG&E's capacity is interconnected and located in the State of Kansas with an aggregate net capability of 1,883,000 kw. This capability consists of 861,000 kw from coal-fired plants and 1,022,000 kw from gas-fired plants with oil standby.

The maximum net demand on KG&E's system was 1,532,600 kw.

Arrangements have been made by KG&E to participate in the ownership in three coal-fired units scheduled for completion in 1980, 1983, and 1985, with KG&E's ownership consisting of 408,000 kw.

KG&E's transmission lines consist of approximately 2,159 pole miles of various voltages and types of structure, of which approximately 1,169 miles are lines using 138,000 volts or more. Distribution lines consist of approximately 7,473 miles of wood pole lines and 371 miles of underground lines.

KG&E maintains fifteen interconnections with other public utilities at voltages ranging from 345 KV to 69 KV. KG&E is a member of the Missouri-Kansas Power Pool (MOKAN) and the Southwest Power Pool (SPP).

The MOKAN Power Pool is a multiple contractual arrangement among nine utilities in western Missouri and Kansas. Its purpose is to enhance reliability of service and economy of operation, to coordinate planning, the sharing of reserve capacity and electric interchange transactions including emergency and standby service. The SPP is one of the nine coordinating groups of the National Electric Reliability Council.

KG&E has been issued a Certificate of Convenience and Authority from the Kansas Corporation Commission authorizing KG&E's ownership, operation and maintenance of the generating and transmission facilities at and from WCGS.

KCPL is an electric public utility engaged in the generation, transmission, distribution and sale of electric energy in a 5700 square mile area located in portions of 23 counties in northwest Missouri and northeast Kansas, including the Kansas City Metropolitan Area. Electricity is served at retail to 94 incorporated communities and at wholesale to eight communities. Steam heat is furnished in downtown Kansas City, Missouri. The population served by KCPL is approximately one million. The Kansas City Metropolitan Area has a diversified economy as a regional commercial center for wholesale, retail and service companies. Area industry includes important auto assembly plants, a large steel mill, and significant metal fabricating. In addition, Kansas City is a center for air, rail and truck transportation.

The net generating capability of KCPL's electric system is approximately 2,560,000 kw under summer conditions. KCPL's existing generating capacity consists primarily of five fossil fueled steam generating stations, three of which are located in Kansas City, Missouri, one located in Henry County, Missouri, and one located in Linn County, Kansas. The latter station, La Cygne, is jointly owned with KG&E (50% each) and has a net generating capacity of 1,450,000 kw. Hawthorn Station in Kansas City has five generating units, the last of which was completed in 1969, with a total capacity of approximately 760,000 kw. Montrose Station in Henry County has three units with an approximate total generating capacity of 527,000 kw. Northeast and Grand Avenue Stations, located in Kansas City, are used principally for peaking purposes and steam production with an approximate total generating capacity of 548,000 kw. KCPL additionally is opening a new coal-fired generating station near the community of Iatan, Missouri, some 35 miles northwest of Kansas City, on the Missouri River. St. Joseph Light & Power Company and The Empire District Electric Company will own 18% and 12% interest, respectively, in the first 650,000 kw unit, which is planned for service in 1980.

KCPL's transmission lines consist of approximately 1,644 circuit miles of various voltages and types of structure, of which approximately 1,039 miles are lines using 100,000 volts or more. Distribution lines consist of approximately 10,982 miles of overhead primary lines, 1,823 miles of underground primary lines, and 857 miles of underground secondary lines.

KCPL is a participant in MOKAN and the SPP. KCPL's system is interconnected with other utilities to permit substantial direct extra high voltage power interchange transactions with other power suppliers in Kansas, Missouri, Iowa, Nebraska and Minnesota.

In connection with Wolf Creek Generating Station (in participation with KG&F and KEPCo), subject of this application, KCPL states that on May 9, 1973, Docket No. 98,350-U, the State Corporation Commission of the State of Kansas issued to KCPL a limited Certificate of Convenience and Authority authorizing KCPL's ownership, operation and maintenance of the generating and transmission facilities at and from WCGS.

KEPCo is a non-profit cooperative corporation of twenty-six members, as listed in Appendix A. The members are rural electric distribution cooperatives serving rural areas in Kansas. Each of the members has been for the most part financed with loans from the Rural Electrification Administration. KEPCo will be the wholesale power supplier for each of its members.

At this time KEPCo has neither generation nor transmission facilities, and the ownership of 17 percent of WCGS will represent KEPCo's first owned generating capacity. However, in the long term

KEPCo intends to own and/or control all of the power resources required to meet the total power obligation of its members and to meet the reserve requirements of any pool agreements. Investigations are continuing on plans for joint ownership of future base load generating capacity and for participation through ownership or purchase in the existing generation capacity of intermediate and peaking units of major Kansas utilities.

KEPCo proposes to transmit power purchased from major utilities over the transmission lines of other utilities to interconnections with member cooperatives which then distribute power over their individually owned distribution networks. Arrangements are being made for coordination transmission and delivery of 90,000 kw of power purchased from the Southwestern Power Administration (SPA) commencing in the spring of 1980.

d. Organization and management of Applicants

KG&E is a corporation organized and existing under the laws of the State of Kansas, and its principal office is located in Wichita, Kansas at the address stated above.

All of KG&E's principal officers and its directors are citizens of the United States. Their names and addresses are as follows:

DIRECTORS

Name	Address
Robert A. Brown	Arkansas City, Kansas
A. Dwight Button	Wichita, Kansas
Wilson K. Cadman	Wichita, Kansas
C. T. Carter	Independence, Kansas
C. Q. Chandler	Wichita, Kansas

Name	Address
Martin K. Eby	Wichita, Kansas
G. W. Evans	Wichita, Kansas
Ralph P. Fiebach	Wichita, Kansas
Ralph Foster	Wichita, Kansas
George K. Mackie, Jr.	Pittsburg, Kansas
Glen L. Montague	Wichita, Kansas
Clifton C. Otto	Fort Scott, Kansas
Dwane L. Wallace	Wichita, Kansas
Robert L. Williams	Wichita, Kansas
Lyle E. Yost	Hesston, Kansas

PRINCIPAL OFFICERS

Name	Address
Ralph P. Fiebach, Chairman of the Board and Chief Executive Officer	Wichita, Kansas
Wilson K. Cadman, President and Chief Operating Officer	Wichita, Kansas
Ralph Foster, Vice President-General Counsel	Wichita, Kansas
Dennis L. Evans, Vice President-Customer and Community Services	Wichita, Kansas
Glenn L. Koester, Vice President-Operations	Wichita, Kansas
Bernard Ruddick, Vice President-Engineering	Wichita, Kansas
Howard J. Hansen, Vice President-Finance	Wichita, Kansas
Glen L. Montague, Vice President-Administrative Services	Wichita, Kansas
Robert L. Rives, Vice President-System Services	Wichita, Kansas
W. B. Walker, Vice President-Accounting and Secretary	Wichita, Kansas
R. E. Tate, Treasurer	Wichita, Kansas

Name	Address
E. D. Prothro, Controller, Assistant Secretary and Assistant Treasurer	Wichita, Kansas
Jack Skelton, Assistant Secretary	Wichita, Kansas
J. F. Klassen, Assistant Treasurer	Wichita, Kansas
Verna L. Ridgeway, Assistant Vice President	Wichita, Kansas

KG&E is not owned, controlled or dominated by any alien, any foreign corporation, or any foreign government. KG&E is making this application in its own behalf and not as agent or representative of any other person (except as representative for KCPL and KEPCo in certain matters concerning WCGS before the NRC).

KCPL is a corporation organized and existing under and by virtue of the laws of the State of Missouri, and its principal office is located in Kansas City, Missouri, at the address stated above. KCPL is also authorized to transact business as a public utility in the State of Kansas.

All of KCPL's principal officers and its directors are citizens of the United States. Their names and addresses are as follows:

DIRECTORS

Name	Address
Arthur J. Doyle	Kansas City, Missouri
Cyrus S. Eaton, Jr.	Cleveland, Ohio
William D. Grant	Kansas City, Missouri
Kenneth G. Hovland	Kansas City, Missouri
Robert A. Olson	Kansas City, Missouri

Name	Address
Byron T. Shutz	Kansas City, Missouri
Willis C. Theis	Kansas City, Missouri
Robert K. Zimmerman	Kansas City, Missouri

PRINCIPAL OFFICERS

Name	Address
Robert K. Zimmerman, Chairman of the Board	Kansas City, Missouri
Arthur J. Doyle, President and Chief Executive Officer	Kansas City, Missouri
Kenneth G. Hovland, Senior Vice President	Kansas City, Missouri
Donald T. McPhee, Vice President-System Power Operation	Kansas City, Missouri
Stanley G. Jameson, Vice President-Transmission and Distribution System Operations	Kansas City, Missouri
John A. Mayberry, Vice President-Commercial Operations	Kansas City, Missouri
J. Robert Miller, Vice President-Administration	Kansas City, Missouri
Louis C. Rasmussen, Vice President-Corporate Planning and Finance	Kansas City, Missouri
Donald M. Landes, Vice President-Communications	Kansas City, Missouri
Richard W. Fisher, Controller	Kansas City, Missouri
Lee F. Miller, Treasurer	Kansas City, Missouri
Clare Den Haerynck, Secretary	Kansas City, Missouri
A. Drew Jennings, General Counsel	Kansas City, Missouri
William H. Miller, Director of Human Resources	Kansas City, Missouri
Samuel P. Cowley, Vice President - Corporate Affairs and Chief Legal Officer	Kansas City, Missouri

KCPL is not owned, controlled or dominated by any alien, any foreign corporation, or any foreign government. It is making this application in its own behalf and not as agent or representative of any other person.

KEPCo is a non-profit electric cooperative corporation duly organized, validly existing and in good standing under the Electric Cooperative Act, K.S.A. 17-4601, et seq., and its principal office is located in Topeka, Kansas at the address stated above.

The names and business addresses of KEPCo's trustee representatives and officers, all of whom are citizens of the United States, are as follows:

TRUSTEE REPRESENTATIVES

Twin Valley Electric Cooperative Assn., Altamont, Kansas

L. G. Dulavey, Thayer, Kansas
Dora Boore, Altamont, Kansas

N.C.K. Electric Cooperative, Inc., Belleville, Kansas

Everett Ledbetter, Belleville, Kansas
Raymond Trecek, Cuba, Kansas

Coffey County Rural Electric Cooperative Assn., Burlington, Kansas

Dean Martin, Princeton, Kansas
Lyle Herriott, Burlington, Kansas

Caney Valley Electric Cooperative Association, Inc., Cedar Vale, Kansas

Walter David, Dexter, Kansas
Robert L. Brown, Cedar Vale, Kansas

Sedgwick County Electric Cooperative Assn., Inc., Cheney, Kansas

Jack Hutchinson, Cheney, Kansas
Gene Porter, Viola, Kansas

C & W Rural Electric Cooperative Assn., Inc., Clay Center, Kansas

Charles W. Ellis, Clay Center, Kansas
Raymond James, Clay Center, Kansas

Flint Hills Rural Electric Cooperative Assn., Inc., Council Grove, Kansas

Gerald F. Ridenour, Council Grove, Kansas
Wilmer Tischhauser, Wilsey, Kansas

Victory Electric Cooperative Assn., Inc., Dodge City, Kansas

R. J. Sprenkle, Dodge City, Kansas
Ralph V. Sherer, Mullinville, Kansas

Butler Rural Electric Cooperative Assn., Inc., El Dorado, Kansas

Wilbur C. Reed, Benton, Kansas
Ed Helmer, Burns, Kansas

Smoky Hill Electric Cooperative Assn., Inc., Ellsworth, Kansas

A. D. Paull, Ellsworth, Kansas
Larry D. Kilian, Russell, Kansas

Lyon County Electric Cooperative, Inc., Emporia, Kansas

R. D. Speece, Osage City, Kansas
Larry N. Scott, Emporia, Kansas

Radiant Electric Cooperative, Inc., Fredonia, Kansas

Howard Sell, Fredonia, Kansas
Marvin Freidline, Caney, Kansas

Sekan Electric Cooperative Assn., Inc., Girard, Kansas

Ray Taylor, Bronson, Kansas
Marvin Lewis, Fort Scott, Kansas

Central Kansas Electric Cooperative, Inc., Great Bend, Kansas

Jack D. Goodman, Great Bend, Kansas
Lavern Becker, Russell, Kansas

Brown-Atchison Electric Cooperative Assn., Inc., Horton, Kansas

Dale Bodenhausen, Muscotah, Kansas
Ronald E. Garcher, Horton, Kansas

Ark Valley Electric Cooperative Assn., Inc., Hutchinson, Kansas

Wesley Nunemaker, Langdon, Kansas
Delbert E. Tyler, Hutchinson, Kansas

United Electric Cooperative, Inc., Iola, Kansas

Wesley R. Clendenen, Iola, Kansas
Elmer Nichols, Colony, Kansas

Smoky Valley Electric Cooperative Assn., Inc., Lindsborg, Kansas

Verner E. Lundquist, Lindsborg, Kansas
Gilbert Bengston, Lindsborg, Kansas

Jewell-Mitchell Cooperative Electric Company, Mankato, Kansas

Clarence Beck, Mankato, Kansas
Jim Gouldie, Mankato, Kansas

Leavenworth-Jefferson Electric Cooperative, Inc., McLouth, Kansas

W. A. Ousdahl, Lawrence, Kansas
Fred L. Johnson, McLouth, Kansas

CMS Electric Cooperative, Inc., Meade, Kansas

Otes Allison, Meade, Kansas
H. L. Murphey, Protection, Kansas

Norton-Decatur Cooperative Electric Company, Inc., Norton, Kansas

Phillip A. Lesh, Norton, Kansas
Lynn Morford, Oberlin, Kansas

Ninnescah Rural Electric Cooperative Assn., Inc., Pratt, Kansas

Robert Ahrens, Pratt, Kansas
Frederic Moore, Iuka, Kansas

D. S & O. Rural Electric Cooperative Assn., Inc., Solomon, Kansas

James F. Schmidt, Solomon, Kansas
Nadine Griffin, Abilene, Kansas

P. R. & W. Electric Cooperative Assn., Wamego, Kansas

Kenneth L. Erickson, Wamego, Kansas
Lester Marten, Alma, Kansas

Sumner-Cowley Electric Cooperative, Inc., Wellington, Kansas

Max Kolarik, Caldwell, Kansas
Garland Price, Wellington, Kansas

OFFICERS

President:	Charles W. Ellis Clay Center, Kansas
Vice President:	James F. Schmidt Solomon, Kansas
Secretary:	Phillip A. Lesh Norton, Kansas
Treasurer:	Allen D. Paull Ellsworth, Kansas
Executive Committee Members:	Otes Allison Meade, Kansas
	Wilbur C. Reed Benton, Kansas
	Max Kolarik Caldwell, Kansas
Executive Vice President:	Charles Ross Topeka, Kansas
Legal Counsel:	John Philip Kassebaum Wichita, Kansas

KEPCo is not owned, controlled or dominated by any alien, any foreign corporation, or any foreign government. It is making this application in its own behalf and not as agent or representative of any other person.

e. Class and period of license applied for and use to which facilities will be put

The license hereby applied for is a class 103 operating license as defined by 10 CFR 50.22. It is requested for a period of forty (40) years from the issuance of the WCGS construction permit, expiring on May 17, 2017. Applicants further request such additional source, special nuclear, and by-product material licenses as may be necessary or appropriate to the possession, and operation of the licensed facilities.

The facilities will be used as a part of Applicants' electric utility systems for the generation of electric energy. They will include one pressurized water reactor to be known as "Wolf Creek Generating Station, Unit No. 1". It is expected that this unit will be capable of an output of 3425 MWt (including 14 MWt contribution from reactor coolant pumps) corresponding to a net electrical capability of about 1150 MWe. All physics and core thermal hydraulics information in the attached Final Safety Analysis Report is based upon the reference core design of 3411 MWt. Site parameters, containment, engineered safeguards, and the hypothetical accidents are evaluated for a core output of 3579 MWt. The Westinghouse Electric Corporation will supply the design and fabrication for the first core for the nuclear generating unit.

f. Financial Qualifications of Applicants

The financial information will be supplied in June, 1981; however, copies of the 1978 Annual Reports of the station co-owners are included as part of this document.

g. Regulatory Agencies, Area Newspapers and Trade Journals

The following regulatory agencies have jurisdiction over the rates and services that would be incident to WCGS:

State Corporation Commission of Kansas
State Office Building
Topeka, Kansas 66612

The Public Service Commission of the
State of Missouri
Jefferson Building
Jefferson City, Missouri 65101

Federal Energy Regulatory Commission
825 No. Capitol Street, N.E.
Washington, D.C. 20426

The following is a list of major news publications which circulate in the Applicants' two-state region and will be sufficient to give reasonable notice of this application to any local municipalities, private utilities, public bodies, and cooperatives which might have a potential interest in WCGS:

Topeka Capitol-Journal
6th & Jefferson
Topeka, Kansas 66607

Wichita Eagle-Beacon
825 E. Douglas
Wichita, Kansas 67201

Kansas City Star-Times
1729 Grand Avenue
Kansas City, Missouri 64108

Burlington Daily Republican
Burlington, Kansas 66839

The following is a list of major trade journals which will be sufficient to give reasonable notice of this application on a nation-wide basis:

Public Power
American Public Power Association
Suite 212
2600 Virginia Avenue, N.W.
Washington, D. C. 20037

Public Utilities Fortnightly
Public Utilities Reports, Inc.
Suite 520
1828 L Street, N.W.
Washington, D. C. 20036

Rural Electrification
National Rural Electric
Cooperative Association
1800 Massachusetts Ave., N.W.
Washington, D. C. 20036

Electric Light and Power
Technical Publishing Company
1301 South Grove Avenue
Barrington, Illinois 60010

h. Restricted Data

The application does not contain any Restricted Data or other defense information, and it is not expected that any will become involved. However, Applicants agree that they will appropriately safeguard such information if it does become involved and they will not permit any individual to have access to Restricted Data until the Civil Service Commission shall have made an investigation and a report to the Nuclear Regulatory Commission on the character, associations and loyalty of such individual, and the Nuclear Regulatory Commission shall have determined that permitting such person to have access to Restricted Data will not endanger the common defense and security.

It is requested that all communications pertaining to this application be sent to:

Mr. Glenn L. Koester
Vice President-Operations
Kansas Gas and Electric Company
201 North Market Street
P.O. Box 208
Wichita, Kansas 67201

Additionally it is requested that copies of all such communications be sent to:

Mr. Donald T. McPhee
Vice President-Production
Kansas City Power & Light Company
1330 Baltimore Avenue
P.O. Box 679
Kansas City, Missouri 64101

Mr. Nicholas A. Petrick
Executive Director, SNUPPS
5 Choke Cherry Road
Rockville, Maryland 20850

Mr. Jay Silberg, Esquire
Shaw, Pittman, Potts & Trowbridge
1800 M Street, N.W.
Washington, D.C. 20036

Mr. Joe Mulholland
Manager of Power Supply and Engineering
Kansas Electric Power Cooperative, Inc.
P.O. Box 4267, Gage Center Station
Topeka, Kansas 66604

IN WITNESS WHEREOF, Kansas Gas and Electric Company has caused its name to be hereunto signed by Glenn L. Koester, its Vice President-Operations, and its corporate seal to be affixed hereto by W. B. Walker, its Vice President-Accounting and Secretary, on this 19th day of February, 1980.

KANSAS GAS AND ELECTRIC COMPANY

By Glenn L Koester
Glenn L. Koester
Vice President-Operations

ATTEST:

W. B. Walker
Vice President-Accounting and Secretary

STATE OF KANSAS)
) ss
COUNTY OF SEDGWICK)

Glenn L. Koester, being first duly sworn, on his oath, states that he is Vice President-Operations of Kansas Gas and Electric Company; that he is authorized on the part of said Company to sign and file with the Nuclear Regulatory Commission this application and exhibits attached hereto; that he has read all of the statements contained in such application and the exhibits attached thereto and made a part hereof; and that all such statements made and matters set forth herein are true and correct to the best of his knowledge, information and belief.

Glenn L Koester
Glenn L. Koester

Subscribed and sworn to before me, a Notary Public in and for the State and County above named this 19th day of February, 1980.

Evelyn L. Fry
Notary Public

EVELYN L. FRY NOTARY PUBLIC SEDGWICK CO. KAS.

My Commission expires: August 15, 1981

IN WITNESS WHEREOF, Kansas City Power & Light Company has caused its name to be hereunto signed by Donald T. McPhee, its Vice President-System Power Operation, and its corporate seal to be affixed hereto by Clare Den Haerynck, its Secretary, on this 8th day of February, 1980.

KANSAS CITY POWER & LIGHT COMPANY

By Donald T. McPhee
Donald T. McPhee
Vice President-System Power Operation

ATTEST:

Clare Den Haerynck
Clare Den Haerynck
Secretary

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

Donald T. McPhee, being first duly sworn, on his oath, states that he is Vice President-System Power Operation of Kansas City Power & Light Company; that he is authorized on the part of said Company to sign and file with the Nuclear Regulatory Commission this application and exhibits attached hereto; that he has read all of the statements contained in such application and the exhibits attached hereto and made a part hereof; and that all such statements made and matters set forth herein are true and correct to the best of his knowledge, information and belief.

Donald T. McPhee
Donald T. McPhee

Subscribed and sworn to before me, a Notary Public in and for the State and County above named this 8th day of February, 1980.

Betty Bowsher
(Betty Bowsher) Notary Public

My Commission expires: September 28, 1980

IN WITNESS WHEREOF, Kansas Electric Power Cooperative, Inc. has caused its name to be hereunto signed by Charles W. Ellis, President, and its corporate seal to be affixed hereto by Phillip A. Lesh, Secretary, on this 7th day of February, 1980.

KANSAS ELECTRIC POWER COOPERATIVE, INC.

By Charles W. Ellis
Charles W. Ellis
President

ATTEST:

Phillip A. Lesh
Phillip A. Lesh
Secretary

STATE OF KANSAS)
) ss
COUNTY OF SHAWNEE)

Charles W. Ellis, being first duly sworn, on his oath, states that he is President, Kansas Electric Power Cooperative, Inc.; that he is authorized on the part of said Company to sign and file with the Nuclear Regulatory Commission this application and exhibits attached hereto; that he has read all of the statements contained in such application and the exhibits attached hereto and made a part hereof; and that all such statements made and matters set forth herein are true and correct to the best of his knowledge, information and belief.

Charles W. Ellis
Charles W. Ellis

Subscribed and sworn to before me, a Notary Public in and for the State and County above named this 7th day of February, 1980.

Lois E. Gerhardt
Notary Public

LOIS E. GERHARDT
NOTARY
STATEWIDE
PUBLIC
SHAWNEE COUNTY, KANSAS

My Commission expires: September 13, 1980

APPENDIX A

KANSAS ELECTRIC POWER COOPERATIVE, INC.
MEMBER SYSTEMS

Ark Valley Electric Cooperative
P.O. Box 1246
South Hutchinson, KS 67505

Brown-Atchison Electric Cooperative
P.O. Box 230
Horton, KS 66439

Butler Rural Electric Cooperative
P.O. Box 1242
El Dorado, KS 67042

Caney Valley Electric Cooperative
P.O. Box 308
Cedar Vale, KS 67024

CMS Electric Cooperative
P.O. Box 740
Meade, KS 67864

Coffey County Rural
Electric Cooperative
P.O. Box 229
Burlington, KS 66839

C & W Rural Electric Cooperative
P.O. Box 513
Clay Center, KS 67432

D.S.&O. Rural Electric Cooperative
P.O. Box 286
Solomon, KS 67480

Flint Hills Rural Electric Cooperative
P.O. Box B
Council Grove, KS 66846

Jewell-Mitchell Cooperative
Electric Company
P.O. Box 307
Mankato, KS 66965

Smokey Valley Electric Cooperative
P.O. Box 469
Lindsborg, KS 67456

Leavenworth-Jefferson Electric Cooperative
P.O. Box 70
McLouth, KS 66054

Lyon County Electric Cooperative
P.O. Box 964
Emporia, KS 66801

NCK Electric Cooperative
P.O. Box 309
Belleville, KS 66935

Ninnescah Rural Electric Cooperative
P.O. Box 967
Pratt, KS 67124

Norton-Decatur Cooperative Electric Company
P.O. Box 360
Norton, KS 67654

P.R.&W. Electric Cooperative
P.O. Box 5
Wamego, KS 66547

Radiant Electric Cooperative
P.O. Box 390
Fredonia, KS 66736

Sedgwick County Electric Cooperative
P.O. Box 220
Cheney, KS 67025

Sekan Electric Cooperative
P.O. Box 40
Girard, KS 66743

Smoky Hill Electric Cooperative
P.O. Box 125
Ellsworth, KS 67439

Sumner-Cowley Electric Cooperative
P.O. Box 220
Wellington, KS 67152

Twin Valley Electric Cooperative
P.O. Box 385
Altamont, KS 67330

United Electric Cooperative
P.O. Box 326
Iola, KS 66749

Victory Electric Cooperative
P.O. Box 1335
Dodge City, KS 67801

Central Kansas Electric Cooperative
1025 Patton Road
Great Bend, KS 67530

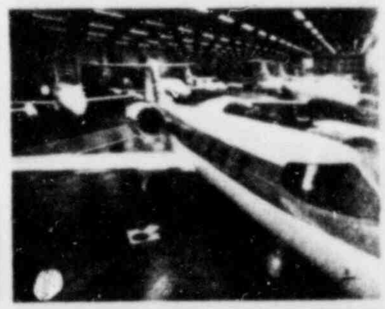
EXHIBIT I

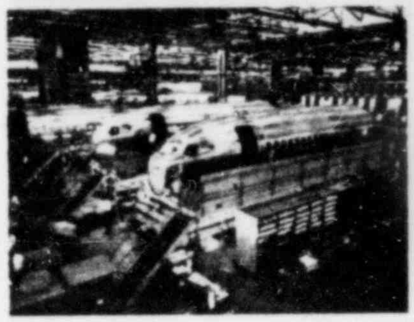
KANSAS GAS AND ELECTRIC COMPANY REPORT TO STOCKHOLDERS 1978

CONTENTS

Cessna Citation jets move along an assembly line in Wichita.

Learjets near compl at the Wic Gates Learjet pl





Jetliner components are built in Wichita by Boeing.

Both military civilian planes built by Beech Aircr

About The Cover

An antique biplane settles to a sunset landing at a country airport near Wichita.

On December 17, 1903, the Wright Brothers launched man into the age of powered flight. Kansas and airplanes have grown up together and we are pleased to acknowledge the Diamond Jubilee Anniversary of this important industry in 1978. Even now, the Wichita plants of Beech, Boeing, Cessna and Gates Learjet turn out two-thirds of the world's craft each year and among th employ 35,000 persons.

Although aircraft are import to Kansas and to KG&E's serv area, the region's economy is markably balanced. Other ma facturing, agriculture a minerals help keep the sta economic base secure.

Kansas' unemployment was nation's lowest in 1978 and 2.7% of the work force at ye end. Trends continue to p toward continued progress the area which KG&E serves.

HIGHLIGHTS FOR 1978

	1978	1977	% Increase Over 1977	1968	10 Year Annual Compound Growth Rate
Operating Revenues	**$238,459,676**	$196,235,824	21.5	$ 60,808,297	14.6
Net Income	**$ 28,964,461**	$ 24,650,034	17.5	$ 9,840,509	11.4
Earnings Per Share of Common Stock	**$2.28**	$2.28	—	$1.91	1.8
Annual Common Stock Dividend Rate (Year End)	**$1.90**	$1.80	5.6	$1.36	3.4
Available Capability (Kilowatts)	**2,031,000**	2,026,000	6.2	1,278,000	4.7
System Peak (Kilowatts)	**1,532,600**	1,423,400	7.7	923,400	5.2
Average Use Per Residential Customer (Kilowatt-Hours)	**10,136**	9,413	7.7	5,842	5.7
Average Price Per Kilowatt-Hour (Residential)	**3.78¢**	3.43¢	10.2	2.09¢	6.1
Number of Customers at End of Year	**217,649**	212,491	2.4	183,779	1.7
Total Utility Plant (Net)	**$753,786,668**	$639,405,763	17.9	$194,350,648	14.5

MANAGEMENT LETTER

Our goals remain the same, but change dominates society and our company.

Change continues to dominate both our society and company. Still our goals in 1978 continued to be to:

- Maintain adequate, reliable service for our customers at equitable rates consistent with costs.
- Offer investors a return consistent with the risk they take with their savings.
- Provide employees with good, safe working conditions, equitable pay and equal opportunity.
- Operate in a socially responsible way.

Even though we were operating in a climate of change in 1978, revenues and net income increased. Earnings per average share of common stock were $2.28, the same as in 1977, although almost 1.7 million new shares were issued during the year.

Common stock dividends were increased by 2½¢ per quarter effective with the final payment for the year. The annual rate now is $1.90 compared with $1.80 previously. This was the 23rd time in as many years when common stock dividends have been increased.

One major change in 1978 was adoption by the federal government of the National Energy Act. Although it may be years before its full impact is felt, it emphasized again the need to construct power plants that can use fuel other than natural gas.

Before the early 1970s, almost our entire production of electricity was in plants that used gas as fuel. But the Energy Act generally outlaws the use of gas in large boilers like ours after the 1980s. And that change dictates that we build new plants where other fuels like coal or uranium can be used.

Actually, we had begun years ago to plan plants that can use fuels other than gas. In 1978 we completed our third modern coal-fueled facility, the first unit at Jeffrey Energy Center which we own jointly with three other utilities. That plant adds 136 megawatts of coal capability to our system and brings to 908 megawatts our total coal-fueled generating capability. As recently as 1972 our coal-fueled capability was only 47 megawatts.

Three other coal-fueled units still are to be completed. One of them, to be in use in 1980, is under construction. The other two are still being planned for completion later in the 1980s. All three will be owned in partnership with other electric utilities.

To help assure our customers of reliable electric energy, we also are constructing a nuclear plant to be in use by 1983. Work was 27% complete at the end of the year. We plan to own 41½% of that plant's 1,150 megawatt capacity.

Although our new plants are needed largely to help offset the fuel shortage caused by the scarcity of natural ga some growth also plays a ro in making future plans. Du ing last summer's heat ou system peak increased almo 8%. Energy sold during th year to customers we serv directly also was up 8%.

Financing the new faciliti we must have to meet custom ers' needs remains a challeng First mortgage bonds, pre ferred stock and commo stock all were issued durin 1978. Both Moody's and Stan dard & Poor's changed to A from AA and AA− their rat ings of company bonds durin 1978.

To provide more flexibility i meeting our needs for capita a $100 million 5-year loan wa arranged with a group of for eign and domestic banks. D ing the loan's first two yea money is borrowed from a re volving fund. Any balanc after two years becomes a 3 year term loan. We borrowe $50 million under this loa agreement in 1978. Interest i calculated based on the Irvin Trust prime rate and the fed eral funds rate.

Having new facilities in oper ation has resulted in highe operating costs. In turn, tha dictates a need for rate relief

Our rates were increased onl slightly in 1978 — less tha 1%. That was in mid-year or orders from the Kansas Cor poration Commission which also made permanent a 9% in crease that had been grantec on an interim basis in 1977.

In December we requested a $38.9 million retail rate in crease, $21.4 million of it on

Ralph P. Fiebach, chairman of the board and president, speaks at the annual meeting of stockholders.

an emergency interim basis. Based on our understanding of federal anti-inflation guidelines, we believe the proposed increase complies. However, if further study indicates a change is needed, we'll make the change.

Hearings were completed in 1978 on a request for a $5.3 million increase in wholesale rates. However, at year's end the Federal Energy Regulatory Commission had not issued its ruling on the request which was filed in September 1977. Rural electric cooperatives and municipally owned electric utilities are the customers generally affected by the proposed change.

One of our major efforts in 1978 continued to be improving efficiency in our own operations and in the use of energy by our customers. In fact, the two often go hand in hand.

By managing the use of electricity in such a way that customers more fully utilize our investment in production and distribution equipment, we can operate more profitably and help hold down costs that ultimately are paid by customers. As a very real additional benefit, the national goal of wise energy use also is served.

Through research and aggressive promotion of control strategies, including conservation, we work to improve the company's system load factor — the means used to measure the efficiency with which our facilities are used. Continued long-term improvement is an important goal of the company.

Our service area remained economically strong in 1978. In the Wichita metropolitan area, the work force was 203,100 at the end of 1978, up 11,150 from a year earlier. Unemployment at the end of the year was 3.1% of the work force, well below the national average. The company gained more than 5,000 customers, bringing to more than 23,500 the number gained in the past five years. Indications are that growth will continue in 1979.

One change was made on the board of directors in 1978. G. M. Ross, of Newton, retired president of Ross Industries, retired as a director after serving since 1952. We appreciate his many contributions. His successor is Wilson Cadman, executive vice president of the company.

Our great strength is our people. Supervisors and other employees have proved their loyalty, dedication and value many times during the past year. For that effort and support we are particularly grateful. We also appreciate very much the support and understanding of our stockholders.

We believe the future of the company is good and we will continue to work toward serving the interests of our owners, employees, customers and the communities we serve.

On behalf of the board of directors,

Ralph P. Fiebach

Ralph P. Fiebach
Chairman of the Board
and President

February 12, 1979

FINANCIAL RESULTS

Net income was up $4.3 million. For the 23rd time in as many years common stock dividends were increased.

The ball beats the goalkeep at an indoor soccer gan in the Kansas Coliseu at Wichita. Like many oth large new facilities 320,000 square foot com is electrically heate

Operating revenues increased $42.2 million to $238.5 million in 1978. Greater sales, higher rates and increases in fuel adjustment charges accounted for the increase.

Net income was $29 million, up $4.3 million over 1977. During the year $134 million was invested in new facilities so while net income increased, the rate of return on investment actually decreased.

Earnings per average outstanding share of common stock in 1978 were $2.28, the same as in 1977. This level was maintained even though the average number of shares outstanding increased 20%.

Common stock dividends were raised 2½¢ per quarter effective with the final payment of the year. This was the 23rd time in the past 23 years that the rate was raised. The new annual rate is $1.90 compared with $1.80 at the end of 1977.

Revenues from all categories of customers increased. Residential revenues were up 21 to $73.7 million. Commerci revenues increased 17% t $53.6 million and industri revenues of $73.8 million we 21% over 1977.

Electricity sold to other util ties produced revenues $35 million compared wit $26.8 million the precedin year. There has been increa ing reliance on our service b municipal utilities that ofte find they can buy electricit for less than they can genera it with their own plants.

Customers we serve directl used 7.1 billion kilowatt-hou in 1978, an increase of 8% over 1977. Residential usage was up 10%, commercial sales increased 5% and industrial use increased 9%. Unusually warm summer weather and extremely cold winter weather both contributed to this increase. Total sales of electricity in 1978, including that sold to other utilities, was up 11% over 1977.

Operating expenses were up 22% to $199.5 million. Increased fuel costs continued to be the largest contributor to the gain.

Fuel cost $102.1 million, up 43% from 1977. Higher fuel prices and increased generation both affected the total spent for fuel.

Power purchased from other ities decreased from $14.5 million in 1977 to $4.2 million in 1978. We buy power from other utilities in emergencies and when it is cheaper to buy than to generate. Depending upon the cost of available fuel, purchased power often benefits our customers by helping hold down fuel costs and customers' bills.

Maintenance costs in 1978 were $15.3 million, an increase of 39% over 1977.

Wages and benefits charged to operation increased 9% in 1978. They amounted to $18.6 million.

Taxes for the year were $30.9 million, up $4.4 million from 1977.

KG&E's Diversified Industrial Revenues
(Thousands of dollars)

	1978	1977	% Increase Over 1977
ENERGY PRODUCTION			
31% of total			
Petroleum Refining	**$ 13,257**	$ 10,592	25.2
Petroleum and Gas Production	**4,154**	3,647	13.9
Pipeline Pumping	**4,169**	3,629	14.9
Coal Mining	**600**	618	(3.0)
Subtotal	**22,180**	18,486	19.9
NATURAL RESOURCE			
29% of total			
Chemical	**13,579**	10,750	26.3
Sand, Stone, Clay and Cement Products	**5,901**	4,966	18.8
Plastics	**2,020**	1,630	23.9
Subtotal	**21,500**	17,346	23.9
MANUFACTURING			
24% of total			
Aircraft	**7,529**	5,861	28.4
Machinery	**5,588**	4,695	19.0
Metal Fabricating	**2,687**	2,259	18.9
Other Manufacturing Production	**1,642**	1,401	17.2
Subtotal	**17,446**	14,216	22.7
AGRICULTURAL, FOOD AND KINDRED PRODUCTS			
11% of total			
Grain Mill Products	**3,111**	2,739	13.6
Prepared Foods	**2,035**	1,768	15.1
Meat Products	**2,552**	2,157	18.3
Dairy Products	**377**	336	12.2
Subtotal	**8,075**	7,000	15.4
SERVICE RELATED INDUSTRIES			
5% of total	**3,647**	2,930	24.5
TOTAL INDUSTRIAL REVENUES	**$ 72,848**	$ 59,978	21.5

FUEL

For the first time since 1937, natural gas accounted for less than half the fuel we used in our power plants.

Rail lines bring unit trains filled with coal from Wyoming mines to Jef[illegible] Energy Center in Kansas.

As planned, our use of natural gas as power plant fuel continued to decline in 1978. During the year it accounted for only 42% of the fuel we used to operate our plants compared with 53% in 1977 and 99% as recently as 1972.

While gas usage declined, coal use increased. With three new coal-fueled generating units in service, one of them for less than half the year in 1978, coal provided 45% of the electricity we generated for our customers to use. The remaining 13% was generated using residual oil as fuel.

Changing fuels also changes the economics of power production. In the past, gas was the most widely-used fuel because of its low cost. But no more. Coal is cheaper and the lowest-cost electricity we produce now comes from coal-fueled units. Our three post-1970 coal units in 1978 generated electricity at fuel costs of about 9 mills per kilowatt-hour while our lowest-cost gas-fueled kilowatt-hour cost about 13 mills in 1978.

Uranium promises to benefit consumers because of its low cost compared with other fuels. By 1983 when Wolf Creek Station comes on line, we expect the cost of uranium, per British thermal unit, to be much less than the cost of other fuels available to us.

About two-thirds of the gas we had available in 1978 was intrastate gas produced in Kansas. This gas has not been subject to curtailment under federal rules. However, the new National Energy Act forbids the use of gas to fuel large boilers under most circumstances after the end of the 1980s.

Additional gas from out o[illegible] state continues to be availabl[illegible] at times. However, no ga[illegible] has been available from inter[illegible] state pipelines during winte[illegible] months.

Residual oil can be used in ou[illegible] gas-fueled plants. However, [illegible] is more expensive, involve[illegible] more maintenance, handlin[illegible] and storage facilities and has [illegible] greater environmental impact

Although we strive to mini[illegible] mize our oil use, it is an im[illegible] portant alternative fuel an[illegible] will continue to be in th[illegible] future. Part of our needs ar[illegible] met by spot market purchase[illegible] and part under contract with a[illegible] area refinery. Company storag[illegible] capacity is 1,070,000 barrels.

Coal for existing and planne[illegible] plants is being purchased un[illegible] der favorable long-term con[illegible] tracts. One unit uses co[illegible] mined in eastern Kansas [illegible]

A hunter awaits morning duck flights at La Cygne Generating Station. Some 5,000 acres of land and water have been turned to state and local government for public recreation.

Bulldozers work to restore mined land to its original contour near La Cygne Station.

Waste motor oil was test burned as fuel in 1978. But it proved to be impractical to use for economic and environmental reasons.

western Missouri. Two others use Wyoming coal transported by unit train. Three additional units also will use Wyoming coal for which contracts already have been signed. These contracts extend well into the 21st century.

Uranium will fuel the generating unit being built at Wolf Creek Generating Station. KG&E and its partners have a 20-year contract with Westinghouse Electric Corporation to supply uranium for fuel. However, Westinghouse has announced it will not fully honor the contract because of rising uranium prices.

As a result, we sued to require Westinghouse to honor its contract as did a number of other utility companies. Many of those suits were consolidated and tried as one case in which a federal judge already has ruled that Westinghouse cannot escape its obligation. Our case and two others are being tried separately with the trial to begin in October.

Because of the legal questions surrounding the Westinghouse contract, KG&E and Kansas City Power & Light Company formed a subsidiary called Utility Fuel Company to develop additional uranium supplies. In May 1978, the first uranium from a Cobb Nuclear Corporation mine in New Mexico was shipped to a conversion facility. This was the first fuel acquired for Wolf Creek through Utility Fuel Company.

Considerable research is being done both nationally and locally in an effort to find new fuels or to improve the efficiency with which present fuels are used.

KG&E has been involved in research relating to the use of wind as an energy resource and in lessening the environmental impact of coal. A test burn of used motor oil also was made during the summer. But the cost and environmental impact are presently too great to use it as even a supplemental energy resource.

The company has also been involved with a group of other Kansas utilities in exploring the use of stored compressed air to operate turbine-generators during peak use periods in much the same way that water is stored in a pumped storage hydro-electric plant. This could make more efficient use of generating facilities and permit greater use of large new facilities such as a nuclear plant, thus conserving fossil fuels. This study now is in its second phase.

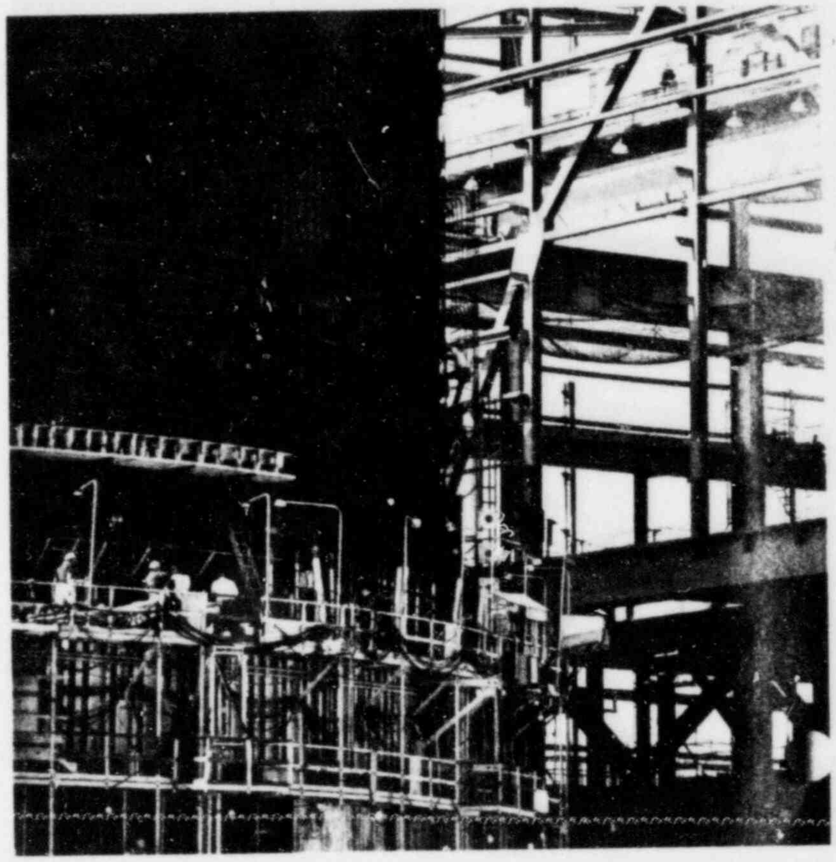
Through support of the Electric Power Research Institute, the company also is involved in several other fuel research projects involving nuclear fusion, magnetohydrodynamics, fluidized bed coal combustion and solar generation.

Continued changes in fuel availability and rising energy costs will have a major impact on our operations for several years. Not only are fuel costs continuing to go up, but the additional investment necessary to use resources like coal and uranium to operate power plants has a major effect on the company and its customers.

CONSTRUCTION

Our expenditures in 1978 were a record $134 million, mostly for new generating facilities.

Construction of Wolf Creek Generating Station was 27% complete at the end of the year.



A record $134 million was spent in 1978 for construction. Previous record was $115 million invested in 1976. Our 1979 construction investment is expected to total $133 million.

In the next five years we expect construction expenditures to total $594 million. Construction costs the past five years were $489 million.

Most of this money is needed to pay the cost of building coal and uranium-fueled generating facilities required to offset the loss of natural gas as a generating fuel and to meet the growing demands of customers throughout our service area.

Bitter weather over much of the country in 1977 and the coal strike of 1978 showed why we must develop more than one energy resource. In states that relied almost wholly on struck coal mines for fuel, genuine hardship existed. Where generating plants using uranium or another fuel were available, the hardship was eased. Thus we are planning both coal and uranium fueled plants.

End of year status of major construction projects was:

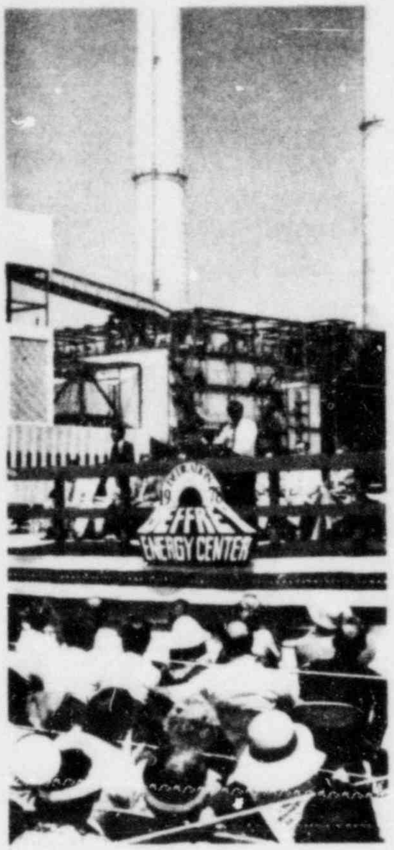
• Wolf Creek Generating Station, scheduled for operation in 1983, was 27% complete. Work was on schedule. The construction permit for this 1,150,000 kilowatt uranium-fueled unit was issued by the Nuclear Regulatory Commission in May 1977. Wolf Creek is owned jointly by KG&E and Kansas City Power & Light Company. Several Kansas cooperatives also have signed a letter of intent to buy 17% of the plant. We will be responsible for operation and will own 41.5% of the plant.

Wolf Creek is one of five nearly identical nuclear plants being constructed as part of the Standardized Nuclear Unit Power Plant System (SNUPPS). Standardization is intended to reduce the amount of time and money required for designing, licensing and constructing nuclear power plants.

KG&E has advised the Nuclear Regulatory Commission that reactor base mat concrete samples tested 90 days after being poured did not meet design criteria.

Later tests by the Portland Cement Association tend to confirm that the concrete strength does meet design specifications. However, the NRC says more information is needed before the matter can be resolved. Additional independent tests are being made by PCA and KG&E has retained

Vice President Walter Mondale was featured speaker at the dedication of Jeffrey Energy Center in 1978.



an independent consultant to review the matter.

Based on information available now — including the advice of the plant's contractor and architect-engineer and our consultant — the company believes base mat concrete does meet design criteria and that the matter will be resolved without material adverse effect on the company. But if it should not be resolved to the satisfaction of NRC, construction could be delayed and the cost increased. However, the final outcome cannot yet be determined.

• Jeffrey Energy Center Unit No. 1 was completed in July 1978. This is the first of four 680,000 kilowatt coal-fueled units being constructed by The Kansas Power and Light Company. KG&E will own 20% of each of the units for a total of 544,000 kilowatts. The second unit is scheduled to become operational in 1980, the others in the middle 1980s.

• Purchase of right-of-way began in 1978 for a new 345 kv transmission line between Wolf Creek Generating Station and Rose Hill Substation near Wichita. Construction on this 98-mile line is to begin in 1981.

These new facilities that are needed to meet customers' needs do increase the cost of providing service. Thus our needs are carefully monitored and our forecasts revised as needed to minimize construction. Completion dates can be and are changed to meet changing needs.

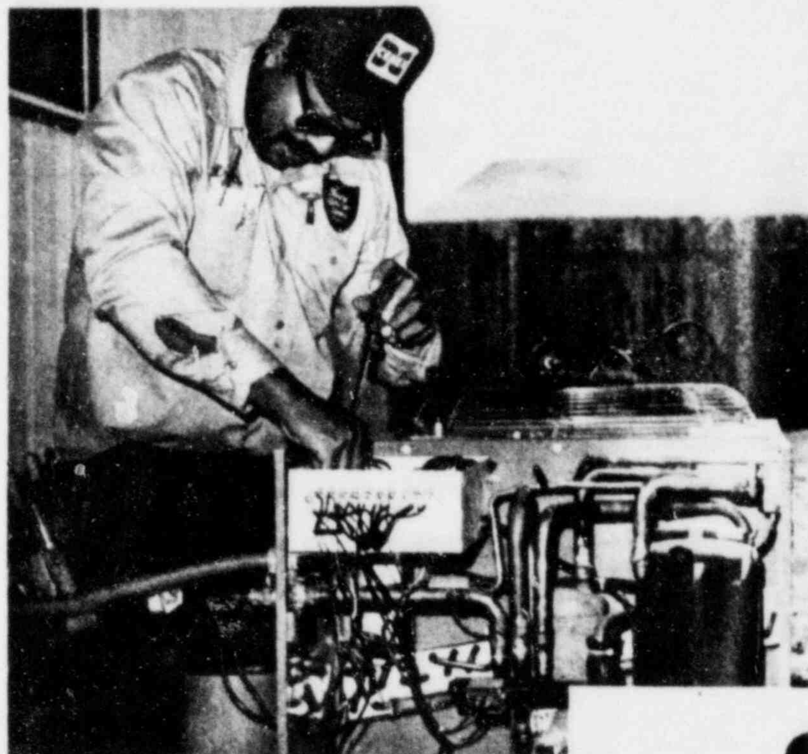
Plants We're Building and Planning

Plant	Fuel	Capacity (MW) Total	Company's Share
Jeffrey Energy Center			
Unit No. 2	Coal	680	136
Unit No. 3	Coal	680	136
Unit No. 4	Coal	680	136
Wolf Creek Generating Station			
Unit No. 1	Uranium	1,150	477

LOAD MANAGEMENT

Finding ways to control the time when electricity is used is one way we are working at becoming more efficient.

A radio-controlled switch is installed on an air conditioner part of a test designed to control peak demand for electric power



How can energy be used more efficiently? How can we most efficiently use our over $700 million investment in generating capacity, lines and other facilities? Both questions relate to load management.

Demand for electricity changes according to time of year as well as time of day. This uneven demand means equipment needed to serve high-demand periods is not fully utilized at other times. Our objective is to level off the high and low demand periods to use our investment more efficiently.

Since it is not practical to store large amounts of electricity, generating plants and other facilities must be constructed to meet high peak electricity needs. If peaks are reduced, less generating capacity ultimately will be required and construction and maintenance costs reduced.

The hardest demand fluctuation to manage exists among residential users. For example, the peak electricity use in a day is usually between 4 to 8 p.m. as most workers return home from their jobs. On an annual basis, the highest demand period for more than 20 years has been during the hottest part of the summer when air conditioning is widely used. Winter months, except at times of severe cold, are relatively low demand periods.

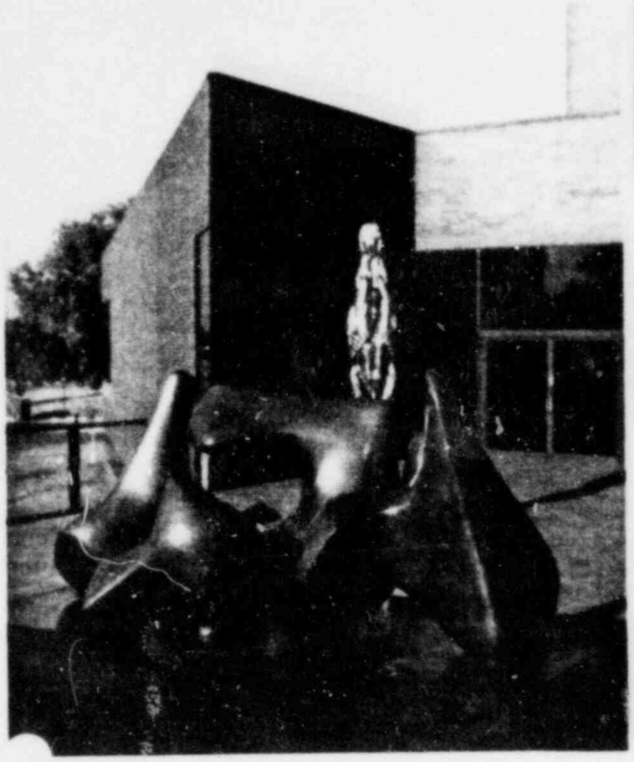
In 1978 we experienced record summer high temperatures with an abnormally cold winter. The result demonstrated the difficulties in controlling electricity demand. Use of electricity soared with the high summer temperatures, creating a new peak demand of 1,532,600 kilowatts, almost 8% above the 1977 peak. Lower winter temperatures also increased demand with the winter peak 6% over the previous winter. In the past 5 years the summer peak has increased by an average of 5% yearly and the winter peak by an average of 6%.

The more rapid growth of the winter peak helped the company's "load factor" — the measure of system-use efficiency — improve from 50% in 1974 to 53.6% in 1977. Growth of the summer peak in 1978 caused the load factor to drop back to 53.5%, but we continue to work toward long-term improvement.

Several activities are designed to control both the daily and annual peak demand for electricity. Creating consumer awareness of how load management affects them receives continuous attention. Advertising encourages consumers to delay high energy use tasks until after the traditional peak use time of day. Conservation is urged through many media.

More than 100 northwest Wichita homes were included in a summer program to determine if air conditioners could be controlled by radio signal to reduce the high demand peak. Each air conditioner was controlled by the company so the unit would run only 45 minutes an hour and so only 75% of the units would operate at any one time. The objective was to determine if houses could be comfortably cooled while limiting the demand air conditioning placed on our system.

An outdoor sculpture garden is part of the new Wichita Art Museum. Electric heating in museum helps improve the company's annual load factor.



Students work on a science project in electrically heated Cherryvale High School that was completed in 1978.

The test was generally successful and will be extended to include a group of small commercial customers in the summer of 1979.

Rate structures influence demand for electricity, and the Kansas Corporation Commission has granted KG&E authority to test several rate patterns. One such rate is designed to learn if customers will use less electricity or adjust the time when electricity is used if they receive a lower rate for energy used during such low demand periods as night and early morning.

Among places where these rates are being tested are two homes which are cooled during the day with ice produced at night. Performance during the 1978 air conditioning season was satisfactory. Testing will continue, especially in regards to economic advantages for the customer.

Results of a 12-month test using solar energy to heat water revealed the need for careful engineering. More than $1,250 in materials was installed but only $3 per month was saved in electrical usage. Modifications will be made in an effort to develop a system that is cost beneficial for the owner.

Two projects planned for the summer of 1979 also are aimed at reducing the summer electricity demand peak. In one, heat from air conditioning refrigerant gases will be used to heat water for household purposes. Another test will determine the effectiveness of water mist to help cool refrigerant gases in conventional cooling systems. The system could reduce electricity needed for cooling.

With implementation of the National Energy Act, many of our conservation and efficiency goals will become matters of law. Although it still is too early to predict the exact steps we must take, we expect to be devoting even more resources to this area in the future. The Kansas Corporation Commission already is actively promoting conservation.

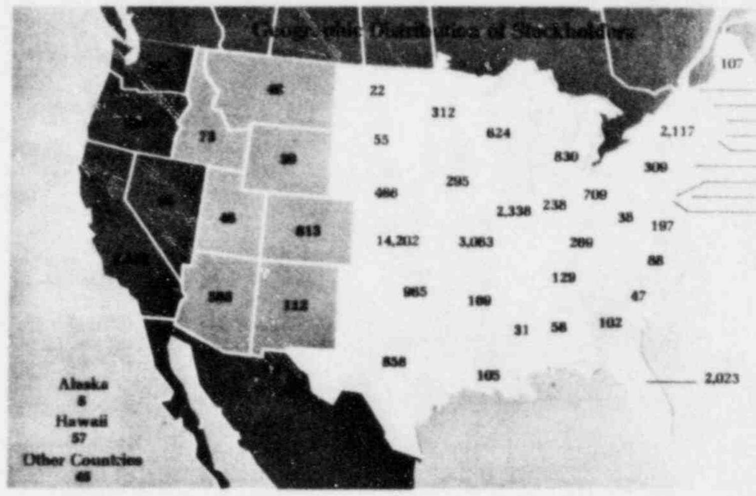
Our customers have demonstrated a willingness to conserve energy through proven techniques and to assist in research. But, the demand for electricity continues to grow for two reasons: We added 5,158 new customers in 1978 and the average residential customer increased annual usage from 9,413 kwh in 1977 to 10,136 kwh in 1978.

Financing

Sales of securities and a novel borrowing plan helped raise almost $120 million in 1978.

To continue meeting customers' needs for service, construction expenditures are at a record level and the need for new capital remains high. The company in 1978 sold both stock and bonds and arranged bank loans which together amounted to $119.7 million:

- $10 million in 8⅛% preferred stock was sold in March.
- $30 million in 8⅞% first mortgage bonds were sold, also in March.
- 1.6 million shares of common stock were sold in November at a price of $18 per share. Proceeds were about $28 million.
- An additional 97,193 shares of common stock were sold to participants in the dividend reinvestment plan for about $1.8 million.
- $50 million was borrowed under a term loan with a group of domestic and foreign banks with interest based on the prime rate and federal funds rate.



The 5-year bank loan represents a new approach to financing being used by the company to provide more flexibility in meeting our needs. Under the agreement, the company can borrow up to $100 million as a revolving loan for a two-year period. At the end of the two years, any outstanding balance becomes a three-year term loan. Another $50 million in addition to that already borrowed is available to the company under terms of the loan.

A series of meetings with analysts and securities dealers in several major cities was continued in 1978. With the need for capital remaining high, the company is providing data to keep the investment community informed of company operations and progress. Plans are to continue these meetings in the coming year.

Participation in the Dividen Reinvestment Plan continue to grow during 1978.

Dividends on participants stock are automatically rein vested each quarter in newl issued common stock at 95 of market price. Participa also may invest as much a $5,000 in addition each quar ter. That buys stock at marke price but without a brokerag fee. Shares purchased unde the plan in 1978 were mor than two and a half times th number in 1977 when the pla was available only for tw quarters.

Details of the plan can be ob tained by writing the Secre tary, KG&E, P. O. Box 208 Wichita, KS 67201.

Market Prices and Dividend Rates of Stocks Listed on National Exchanges

Type and Exchange	1978				1977			
Stock Market Statistics	**4th Qtr.**	**3rd Qtr.**	**2nd Qtr.**	**1st Qtr.**	**4th Qtr.**	**3rd Qtr.**	**2nd Qtr.**	**1st Qtr.**
Common Stock – NYSE								
Market Price – High	$19¼	$21	$20⅛	$21	$21⅝	$22⅛	$21⅝	$22
– Low	17¾	18¾	18½	19¾	19⅞	21	20⅜	20⅜
Dividend Rate – Per Share	.475	.45	.45	.45	.45	.44	.44	.44
4½% Preferred – ASE								
Market Price – High	48	51½	51¾	50¾	52½	55	54	54
– Low	44	46	46	50	50¼	50¼	50	50
Dividend Rate – Per Share	1.125	1.125	1.125	1.125	1.125	1.125	1.125	1.125

Regulation

Two commissions have major responsibility for regulating KG&E rates and practices.

There were 32,670 KG&E common stockholders at the end of 1978, an increase of 4,341 over the 28,329 at the close of 1977. In addition, there were 5,619 preferred stockholders, about the same as in the previous year. They live in all 50 states as well as in some foreign countries. No one person or family owns as much as 1% of the company's stock.

Ten foreign and U. S. banks are loaning the company [illegible]0 million, a novel form [illegible] financing that gives the company more flexibility in meeting capital needs.

Regulatory bodies are playing a growing role in the operations of utility companies.

The company's rates and many of its practices are regulated by the Kansas Corporation Commission, a three member group appointed by the governor, and by the Federal Energy Regulatory Commission whose members are chosen by the president.

Rising energy costs have greatly increased the caseload of these agencies. And new legislation, particularly the National Energy Act which was passed late in 1978, are giving regulators still more duties and authority although the responsibilities arising from the Energy Act still are not well defined.

Kansas commissioners in 1978 approved a retail rate increase of $16.3 million for KG&E. Included in that total is making permanent a $14.1 million interim increase that had become effective in July 1977. We had requested new rates totaling $32.9 million including the interim increase.

The commission's ruling on the interim case had been challenged in a series of lawsuits brought by a large industrial customer. The district court has upheld the legality of the rate change, but that ruling has been appealed.

In December we requested a $38.9 million increase in retail rates, $21.4 million of it as an emergency interim increase. Principal reason for needing the new rates is the cost of owning and operating our $67 million interest in Jeffrey Energy Center, the new coal-fueled generating unit that went into service in July.

Our understanding of President Carter's anti-inflation guidelines indicates that our request complies. If further study indicates that an adjustment is needed, it will be made.

Not heard from yet is the FERC which has not announced a decision on the company's request for a $5.3 million increase in wholesale rates. Included in this case was an allegation by a group of the municipal and cooperative customers of "price squeezing"—manipulation by the company of its rates so the wholesale customers' retail rates would be noncompetitive. We have denied these allegations and feel they have no merit. Our request was filed in September 1977, and hearings were concluded late in 1978. Delays of this kind are expensive to the company.

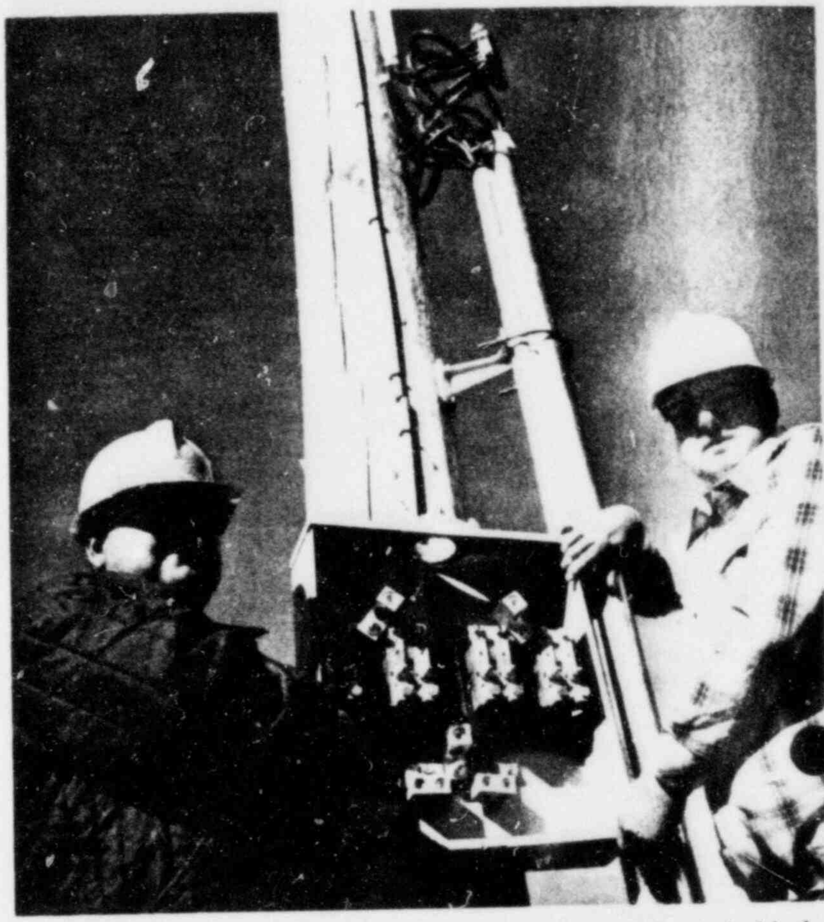
Although cities do not directly regulate company operations, they do award franchises. During 1978, 20-year franchises were renewed in four cities the company serves, all having populations from 10,000 to 20,000. Those four are the cities of Arkansas City, El Dorado, Fort Scott, and Pittsburg.

Complaints filed with regulators by customers are one measure of the company's customer relations. That number remains low and we work to maintain harmony with those we serve. The company's relatively low rates are one factor in helping to achieve customer satisfaction. Edison Electric Institute's last study of electric rates for 1978 indicates that 184 electric companies charged more for 750 kilowatt-hours in a month than KG&E while only 41 charged less.

People

Employees continue to be an important factor in KG&E's success.

Two line department employees shared a $2,500 suggestion award for devising a lower-cost way to conn overhead and undergro electric lines.



Employee productivity continues to be a major factor in the success of KG&E.

High productivity in part is the result of equipping employees with efficient equipment and modern tools. There is almost $600,000 invested in equipment and tools for each employee's job compared with $170,000 a decade earlier.

Increasing productivity also has meant that the number of employees has increased at a much lower rate in the past 10 years than kilowatt-hour sales which have increased 74%.

Employee innovation is another factor in the company's efficiency. Twelve employees were recognized in 1978 under the Employee Cost Reduction Suggestion Plan. For the first time, a suggestion earned the top monetary payment provided for in the program of $2,500. The award was shared by two Wichita Line Department employees — Earl Herndon, line subforeman with 27 years of KG&E service, and Harvey Freeman, a journeyman lineman, a 13-year employee. The men developed a more effective system for connecting underground and overhead lines.

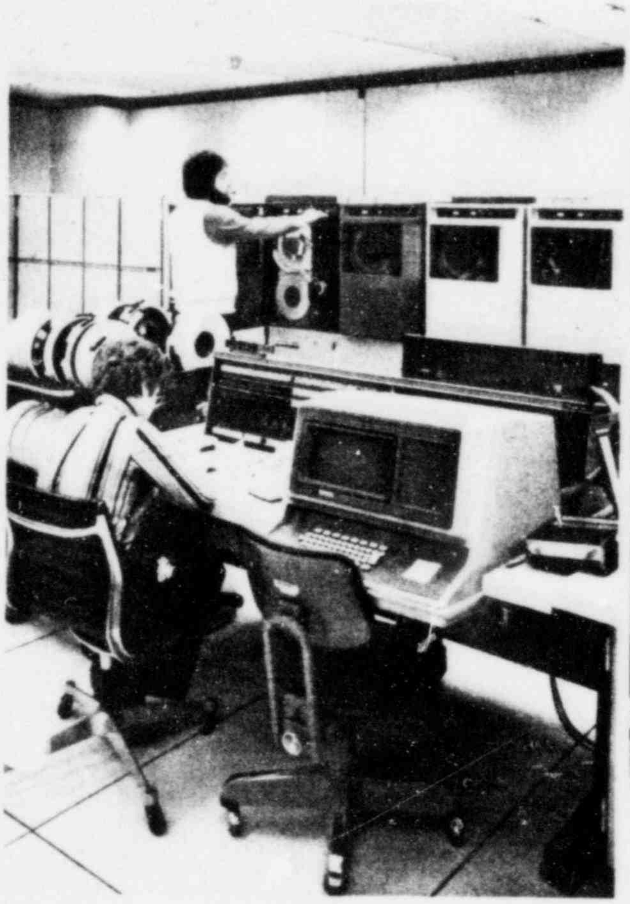
During 1978, 1 of every 5 employees was promoted. Continued training, education and communication aid employees in self improvement and better job performance. Training sessions are held regularly. A tuition reimbursement plan encourages employees to take advantage of formal educational opportunities while they continue their jobs.

More than two-thirds of our people have more than five years experience with the company. Nearly 300 have been with KG&E 25 years or longer. Low turnover reflects good morale and is a positive asset for the company.

The safety record of KG&E employees remains good. At our Ripley Generating Station there has not been a lost-time accident since the plant became operational in 1938. During the past 10 years, KG&E people have ranked among the four safest similar-sized utility work groups in the nation each year and have held the title as the safest during three of those years. We believe one measure of professionalism of our people is reflected in their safe performance.

The electric utility industry today faces many challenges of a social and political as well as an economic nature. Management sets a high priority upon keeping employees informed about issues and events which affect the company and their jobs. Employees receive weekly and monthly communications from the

Computers increase productivity of skilled employees. Computer facilities were updated in 1978.



A student learns welding in a class at Wolf Creek Station. These classes provide trained employees for construction work at the plant.

company and all employees are involved in information meetings during the year.

Efforts also are being made to build understanding between the company and customers. Week night meetings where senior managers and officers are available to talk with customers are in their second year. Over a three-year period, all residential customers will be invited to attend.

KG&E employees are known in their home communities and have a solid reputation for being actively involved. They volunteer time, money, and effort for community improvements and aid the less fortunate. This tradition of community betterment and humane acts is one which the company proudly supports and encourages.

There is one change to report on the board of directors of the company. At the September meeting of the board, G. M. Ross, of Newton, announced his retirement from the board after having served since 1952. Wilson K. Cadman, executive vice president of the company, was appointed to succeed Mr. Ross.

On March 1, Eldred D. Prothro became controller, assistant secretary and assistant treasurer. W. B. Walker, who had served as vice president, secretary, and controller, became vice president-accounting and secretary. Mr. Prothro joined KG&E in 1960 and has been in accounting since that time.

We were saddened by the untimely death of John Hansberry, vice president-engineering, in August. Bernard Ruddick, vice president transmission and distribution since 1973, was reassigned as vice president-engineering.

KANSAS GAS AND ELECTRIC COMPANY

Management's Discussion and Analysis of the Income Statement

During the three years ended December 31, 1978, the following changes in operating revenues had a significant effect upon the company's results of operations:

Revenue Increase (Decrease) Over Corresponding Prior Period

	(Millions of Dollars) 1976	1977	1978
Increase in General Business	$ 3	$ 6	$10
Fuel Recovery	12	25	14
Rate Increases	3	13	13
Sales to Other Utilities	(1)	9	5
Total	$17	$53	$42

Growth in kilowatt-hour sales during the period has been affected by energy conservation by customers and economic conditions. Growth in kilowatt-hour sales, particularly to residential and commercial customers, was diminished in 1976 by a warm winter and a cool summer and was enhanced in 1978 by a cold winter and a hot summer.

Operating expenses, other than fuel expense, for 1977 and 1978 increased primarily because of commercial operation of La Cygne Unit No. 2 in May 1977 and Jeffrey Energy Center Unit No. 1 in July 1978.

The company has a fuel adjustment rider applicable to all of its rate schedules. Fuel costs per million Btu were 58.5¢ in 1975, 67.2¢ in 1976, 99.3¢ in 1977 and 109.3¢ in 1978. Effective September 1, 1974, when the company began experiencing a sharp increase in fuel cost, it adopted deferred fuel cost accounting to achieve a better matching of fuel cost and related revenue. Effective in August 1978, in accordance with an order of the State Corporation Commission of Kansas, the co pany eliminated deferred f accounting and commen billing fuel costs on an es mated basis currently.

Depreciation has increas approximately $2.2 million d to changes in depreciatio rates, as allowed by the Kan sas Corporation Commissio effective July 1, 1977, and du to increases in electric plan in service creating increases of approximately $3 million and $2.3 million annual depreciation as a result of placing in service La Cygne Unit No. 2 and Jeffrey Energy Center Unit No. 1, respectively.

Allowance for funds used during construction has varied significantly because of fluctuation in the amount of construction work in progress.

Interest charges and preferred dividends increased substantially during the period because securities were issued to finance the record construction program and because the increase in interest and preferred dividend rates.

See page 24 for a summary of operations in 1968-78.

Auditors' Opinion

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

We have examined the balance sheets of Kansas Gas and Electric Company as of December 31, 1978 and 1977 and the related statements of income, retained earnings, and of source of funds for construction for the years then ended. 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.

As discussed in Note 2 to the financial statements, the Company was granted an interim rate increase in 1977 and collected certain revenues subject to refund. The rate increase was made permanent by the State Corporation Commission of Kansas in 1978, but a customer filed a lawsuit regarding the interim rate increase. The ultimate outcome of this proceeding cannot be determined at this time.

In our opinion, subject to the possible effect of the litigation discussed in the preceding paragraph, such financial statements present fairly the financial position of the Company at December 31, 1978 and 1977 and the results of its operations and the source of its funds for construction for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

January 25, 1979
Wichita, Kansas

Deloitte Haskins & Sells

Statement of Income for the Years Ended December 31

	1978	1977
	(Thousands of dollars)	
Operating Revenues (Note 2)	**$ 238,460**	$ 196,236
Operating Expenses:		
Fuel	**96,017**	73,826
Deferred fuel (Note 3)	**6,127**	(2,461)
Purchased power	**4,162**	14,523
Other operation	**25,062**	22,267
Maintenance	**15,292**	11,041
Depreciation	**21,924**	17,729
Taxes — other than income taxes	**12,207**	11,036
Income taxes (Note 8)	**18,697**	15,473
Total operating expenses	**199,488**	163,434
Operating Income	**38,972**	32,802
Other Income and Deductions:		
Allowance for funds used during construction — other	**8,716**	7,644
Income taxes — net (Note 8)	**(38)**	(47)
Miscellaneous — net	**73**	91
Total other income and deductions	**8,751**	7,688
Income Before Interest Charges	**47,723**	40,490
Interest Charges:		
Interest on long-term debt	**23,746**	20,660
Other interest	**1,815**	961
Amortization of debt premium, discount and expense — net	**197**	126
Allowance for funds used during construction — borrowed	**(6,999)**	(5,907)
Total interest charges	**18,759**	15,840
Net Income	**28,964**	24,650
Preferred Stock Dividends	**7,084**	6,471
Earnings Applicable to Common Stock	**$ 21,880**	$ 18,179
Average Shares of Common Stock Outstanding	**9,615,051**	7,990,579
Earnings Per Average Share of Common Stock	**$2.28**	$2.28

See notes to financial statements.

Balance Sheet December 31, 1978 and 1977

Assets	1978	1977
	(Thousands of dollars)	
Electric Plant at Original Cost:		
Plant in service	**$719,458**	$635,363
Less accumulated provision for depreciation	**160,673**	140,775
Net plant in service	**558,785**	494,588
Construction work in progress	**188,869**	141,452
Nuclear fuel	**6,133**	3,366
Total electric plant — net	**753,787**	639,406
Other Property and Investments — at cost	**180**	188
Current Assets:		
Cash (Note 5)	**2,393**	1,647
Special deposits	**3,910**	3,706
Temporary cash investments	**7,200**	
Accounts receivable — net	**16,745**	14,251
Refundable income taxes (Note 8)		3,249
Fuel — at average cost	**20,650**	18,072
Materials and supplies — at average cost	**9,046**	7,170
Prepayments and other current assets	**422**	1,0[illegible]
Total current assets	**60,276**	49,194
Deferred Debits:		
Unamortized debt expense	**4,152**	3,861
Deferred fuel (Note 3)	**1,347**	7,474
Other	**2,635**	2,571
Total deferred debits	**8,134**	13,906
Total	**$822,377**	$702,694

See notes to financial statements.

Liabilities	1978	1977
	(Thousands of dollars)	
Capitalization:		
Common stock, without par value, authorized 14,000,000 shares; outstanding, 11,054,503 shares and 9,357,310 shares, respectively (Note 6)	**$151,336**	$121,656
Retained earnings	**91,015**	87,224
Common stock equity	**242,351**	208,880
Preferred stock, including premium (Note 6)	**93,993**	83,993
Long-term debt (Note 7)	**374,071**	295,392
Total capitalization	**710,415**	588,265
Current Liabilities:		
Short-term borrowings (Note 5)		21,700
Long-term debt due within one year	**3,000**	5,000
Accounts payable	**20,061**	15,882
Customer deposits	**1,200**	982
Taxes accrued	**9,684**	9,649
Interest accrued	**7,862**	7,176
Dividends declared	**1,821**	1,618
Other current liabilities	**92**	61
Total current liabilities	**43,720**	62,068
Deferred Credits:		
Accumulated deferred income taxes (Note 1)	**38,775**	30,981
Accumulated deferred investment tax credit	**27,558**	20,246
Customer advances for construction	**1,026**	689
Other	**619**	184
Total deferred credits	**67,978**	52,100
Reserve for Injuries and Damages	**264**	261
Total	**$822,377**	$702,694

Statement of Retained Earnings for the Years Ended December 31

	1978	1977
	(Thousands of dollars)	
Balance at Beginning of the Year	$ 87,224	$ 83,642
Net Income	28,964	24,650
Total	116,188	108,292
Deduct:		
Cash Dividends:		
Preferred stock	7,084	6,471
Common stock – $1.825 in 1978; $1.77 in 1977	17,944	14,318
Capital Stock Expense	145	279
Total	25,173	21,068
Balance at End of the Year	$ 91,015	$ 87,224

Statement of Source of Funds for Construction for the Years Ended December 31

	1978	1977
	(Thousands of dollars)	
Source of Funds		
From Operations:		
Net income	$ 28,964	$ 24,650
Non-cash charges (credits) to net income:		
Depreciation	21,924	17,729
Deferred income tax and investment tax credit	18,711	16,570
Allowance for funds used during construction (AFC)	(15,715)	(13,551)
Funds from operations	53,884	45,398
Dividends	25,028	20,789
Funds retained in business	28,856	24,609
From Financing:		
Long-term debt proceeds	81,458	34,815
Long-term debt redemption	(5,000)	
Preferred stock	10,000	
Common stock	29,680	54,750
Increase (decrease) in short-term borrowings	(21,700)	(7,550)
Funds from financing	94,438	82,015
(Increase) decrease in working capital (other than short-term borrowings)	(5,730)	(3,540)
Other – net	7,470	(7,027)
Total Funds Used for Construction (excludes AFC)	$125,034	$ 96,057

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies

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

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

Allowance for Funds Used During Construction — Allowance for funds used during construction (AFC), a non-cash item of non-operating income, is defined in the applicable regulatory system of accounts as the net cost during the period of construction of borrowed funds used for construction purposes and a reasonable rate on other funds when so used.

This allowance has been added to all major Construction projects at an annual compound rate of 7.3% for 1978 and 7.2% for 1977. As these rates approximate a net of tax rate, they yield the same result as would be obtained by using a gross rate and recording the tax effect as a deferred item.

Depreciation — For accounting purposes, the Company is depreciating the original cost of property by the straight-line method over its estimated remaining service life, as determined by independent engineers. Depreciation provision stated as a percent of original cost of depreciable property was 3.4% for 1978 and 3.3% for 1977.

Income Taxes — In the calculation of income taxes, the Company (i) uses liberalized depreciation for additions since 1954 and the ADR system for additions since 1972, and (ii) utilizes other tax benefits as permitted by the Internal Revenue Code, consisting principally of differences in straight line depreciation and the deduction currently for interest and taxes capitalized for book purposes. Deferred taxes are provided for those items included in (i) above as approved by the Kansas Commission, and for the amortization of expenses in connection with bond issue refundings. Beginning in 1977 AFC is recorded in Electric Plant on a net basis. However, an amount equivalent to the income tax effect on the borrowed funds portion of the allowance for funds used during construction is charged to deferred taxes under operating expenses and credited to allowance for funds used during construction.

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

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

Deferred Fuel Costs — The Company's rate schedules include a fuel adjustment clause which permits recovery of increases in fuel costs over base period costs. In August 1978, in accordance with an Order of the Kansas Commission, the Company eliminated deferred fuel accounting and commenced billing fuel costs on an estimated basis currently. Prior to August 1978, increases in fuel costs were recovered approximately two months after such increases had been incurred and the Company deferred the additional fuel costs incurred until such amounts were billed. Wholesale customers are still on a two month lag, but deferred fuel accounting for these accounts has also been eliminated.

2. Revenues — On July 1, 1977, the Company requested a temporary rate increase of $16.8 million (subsequently amended to $15.5 million) based on a historical test year ended May 31, 1977. On July 22, 1977, the Kansas Commission issued an order granting the Company an interim annual rate increase of $14.1 million which was collected by the addition of a uniform percentage surcharge to each customer's bill. The Company's application for permanent rate relief, filed in September 1977, requested a permanent rate increase of $30.5 million, including the $14.1 million interim increase previously granted. The Commission issued an order June 8, 1978 permitting the Company to increase its rates an additional $2.2 million representing a total increase of $16.3 million. An industrial customer has appealed the interim rate case order from the District Court, where the Company prevailed, to the Kansas Court of Appeals and the matter is pending. Revenues for the year ended December 31, 1978 and December 31, 1977, include $7.5 million and $6.2 million, respectively, collected under the interim rate increase, which are subject to litigation.

3. Deferred Fuel Cost — In a September 1977 order, the Kansas Commission allowed the Company to recover through a surcharge the deferred fuel at May 31, 1977 over twelve months. The amount unrecovered in connection with the above at December 31, 1977 amounted to $2,439,146. Deferred

(Continued on page 22)

fuel expense for FERC jurisdictional customers at December 31, 1977 amounted to $1,323,528 and this was amortized during 1978. In an order effective August 1978, the Kansas Commission allowed the Company to collect over twelve months its jurisdictional deferred fuel costs since May 1977 and eliminate deferred fuel accounting. The deferred fuel costs at December 31, 1978 and 1977 applicable to periods after May 31, 1977 are $1,347,064 and $3,711,373, respectively.

4. Retirement Plan — The Company has a noncontributory retirement plan for all employees. The total cost for 1978 and 1977 was $1,958,928 and $1,710,539, respectively, which includes amortization of prior service costs over a ten-year period. Of these amounts, $470,998 and $419,492 were included in plant construction costs. The Company's policy is to fund pension costs accrued currently. Unfunded past service cost at December 31, 1978 was approximately $3,900,000. The actuarially computed value of vested benefits at November 30, 1978 exceeded the market value of the plan assets on that date by approximately $3,800,000.

5. Short-Term Borrowings — The Company has bank lines-of-credit aggregating $54 million at December 31, 1978. Generally, in lieu of compensating balances, a fee of less than 8% of prime is permitted. Occasionally, average compensating balances, based on bank ledgers, of 10% are required. There are no legal restrictions placed on the withdrawal of these funds.

The Company draws upon the bank lines-of-credit and sells commercial paper to obtain short-term construction funds. There were no short-term borrowings at December 31, 1978. The maximum amount outstanding during the year was $38,150,000 on March 20, 1978. The average interest cost for the year was approximately 9.1% based on a daily average outstanding loan balance of $18,550,000.

6. Capital Stock — A summary of changes in Common Stock during 1978 and 1977 follows:

	Shares Outstanding	Amount (Thousands of dollars)
Balance January 1, 1977	6,716,775	$ 66,906
Additional shares sold	2,600,000	53,902
Dividend Reinvestment Plan	40,535	848
Balance December 31, 1977	9,357,310	121,656
Additional shares sold	1,600,000	27,824
Dividend Reinvestment Plan	97,193	1,856
Balance December 31, 1978	11,054,503	$151,336

Cumulative Preferred Stock at December 31 1978 and 1977 consisted of the following:

	1978 (Thousands of dollars)	1977
4½%, $100 par value; authorized and outstanding, 82,011 shares	$ 8,201	$ 8,20
Serial, $100 par value; authorized, 255,000 shares:		
4.28% series, outstanding 45,000 shares	4,500	4,50
4.32% series, outstanding 60,000 shares	6,000	6,00
7.44% series, outstanding 150,000 shares	15,000	15,00
Serial Preferred stock, without par value, authorized 6,000,000 shares:		
$2.42 series, outstanding 800,000 shares	20,000	20,00
$8.66 series, outstanding 300,000 shares	30,000	30,00
$8.125 series, outstanding 100,000 shares	10,000	
Premium on Preferred Stock	292	29
Total	$93,993	$83,99

The $2.42 Series and $8.125 Series have mandatory sinking fund obligations beginning on Apr 1, 1980 and 1989, respectively. The minimum requirements in the number of shares for the $2.4 Series and $8.125 Series are 40,000 and 3,333 pe year, respectively, with the maximum being 80,00 and 6,666, respectively. The sinking fund obligations are designed to retire the $2.42 Series b April 1, 1999 and the $8.125 Series by April 1 2019.

7. Long-Term Debt — Long-term debt at December 31, 1978 consisted of the following:

	Amount (Thousands of dollars)
First Mortgage Bonds:	
2¾% series, due 1979	$ 3,000
3⅜% series, due 1982	12,000
3⅝% series, due 1983	10,000
3⅜% series, due 1985	10,000
3⅜% series, due 1986	7,000
4⅝% series, due 1991	7,000
5⅝% series, due 1996	16,000
8½% series, due 2000	35,000
8⅛% series, due 2001	35,000
7⅜% series, due 2002	25,000
9⅝% series, due 2005	40,000
8⅜% series, due 2006	25,000
8½% series, due 2007	25,000
6% series, due 2007	10,000
5⅞% series, due 2007	21,9
8⅞% series, due 2008	30,00
Total	311,940

Guarantee of pollution control revenue bonds — 5¾% series, due 2003	15,000
n bank loan	50,000
Unamortized premium and discount — net	131
Less-Current maturities of long-term debt	(3,000)
Total	$374,071

The 6% Series and the 5⅞% Series, due 2007, are pledged as collateral for Pollution Control Revenue Bonds issued by Kansas municipalities.

The term bank loan is provided through an agreement with fourteen domestic and foreign financial institutions providing for up to $100 million. The loan agreement is comprised of a two-year revolving credit and a three year term loan with right of prepayment at any time without penalty. The effective interest rate on this borrowing was 12.5% at December 31, 1978.

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

	1978	1977
Statutory Federal income tax rate	48%	48%
Deduct income tax effects of timing differences:		
Allowance for funds used during construction	9	10
Taxes and pensions capitalized	3	3
Other items — net (no one item makes up more than 2%)	—	—
Effective Federal income tax rate	36%	35%

Income taxes as recorded in the Statement of Income are:

	1978	1977
	(Thousands of dollars)	
Operating expenses:		
Currently payable —		
Federal	$(1,085)	$(1,715)
State	1,071	618
Deferred — Federal	6,772	7,319
State	1,022	1,104
Deferred — tax effect of AFC — borrowed	3,605	3,043
Investment tax credit — net (Note)	7,312	5,104
Total	18,697	15,473
Other income and deductions:		
Currently payable —		
Federal	33	41
State	5	6
Total	38	47
Income tax expense — net	$18,735	$15,520

e: Included in the 1977 Investment tax credits — net is $3,249,000 in refundable income taxes available for carryback to prior years.

At December 31, 1978, the Company has unused investment tax credits of approximately $12 million available for carryforward to future years.

9. Replacement Cost (Unaudited) — The impact of the rate of inflation experienced in recent years has resulted in replacement costs of productive capacity that are significantly greater than the historical costs of such assets reported in the Company's financial statements. In compliance with reporting requirements. estimated replacement cost information will be disclosed in the Company's annual report to the Securities and Exchange Commission on Form 10-K.

10. Construction Budget — The construction budget for 1979, as approved by the Board of Directors, is $133,295,280. The Company has substantial purchase commitments in connection with its construction program.

11. Financing — On January 16, 1979, the Company issued $14.5 million of First Mortgage Bonds, 6.8% Series due 2004. The bonds were pledged as collateral for Pollution Control Bonds issued by the City of St. Marys, Kansas.

12. Other Information — See pages 8 and 13 for Wolf Creek base mat and rate application information.

13. Financial Statistics (Unaudited)
(Thousands except per share)

1978	4th Qtr.	3rd Qtr.	2nd Qtr.	1st Qtr.
Operating Revenues	$53,609	$70,235	$52,150	$62,466
Operating Income	7,412	13,652	7,578	10,330
Net Income	4,374	10,808	5,747	8,035
Earnings Applicable to Common	2,554	8,987	3,926	6,413
Average Shares Outstanding	10,255	9,427	9,402	9,377
Earnings Per Share	$0.25	$0.95	$0.42	$0.68

1977	4th Qtr.	3rd Qtr.	2nd Qtr.	1st Qtr.
Operating Revenues	$50,793	$64,586	$40,658	$40,199
Operating Income	7,765	12,645	5,499	6,893
Net Income	5,137	9,497	3,647	6,369
Earnings Applicable to Common	3,519	7,880	2,029	4,751
Average Shares Outstanding	8,757	8,138	8,117	6,950
Earnings Per Share	$0.40	$0.97	$0.25	$0.68

KANSAS GAS AND ELECTRIC COMPANY

Comparative Financial Statistics (Thousands)

	1978		1977		1976		1975	
Electric Operating Revenues:								
Residential	**$ 73,683**		$ 60,849		$ 47,120		$ 42,333	
Commercial	**53,588**		45,890		35,930		32,135	
Industrial	**72,848**		59,978		44,828		38,000	
Public street and highway lighting	**2,034**		1,688		1,399		1,301	
Sales for resale — municipals and cooperatives	**19,177**		16,197		10,889		8,362	
General business	**221,330**		184,602		140,166		122,131	
Sales for resale — other electric utilities	**15,794**		10,580		1,728		3,149	
Total sales of electricity	**237,124**		195,182		141,894		125,280	
Other	**1,336**		1,054		879		886	
Total electric operating revenues	**238,460**		196,236		142,773		126,166	
Operating Expenses:								
Fuel	**96,017**		73,826		42,658		39,273	
Deferred fuel	**6,127**		(2,461)		(2,182)		(2,427)	
Purchased power	**4,162**		14,523		9,459		2,824	
Other operation	**25,062**		22,267		18,954		16,505	
Maintenance	**15,292**		11,041		8,208		7,345	
Depreciation	**21,924**		17,729		13,765		13,092	
Taxes other than income taxes	**12,207**		11,036		9,134		8,911	
Income taxes	**18,697**		15,473		13,783		13,031	
Total operating expenses	**199,488**		163,434		113,779		98,554	
Operating Income	**38,972**		32,802		28,994		27,612	
Other Income and Deductions:								
AFUDC — other (a)	**8,716**		7,644		—		—	
AFUDC (7½% in 1976-1970, 6½% in 1969, 6% in 1968)	**—**		—		9,992		5,090	
Income taxes — net	**(38)**		(47)		3,171		1,899	
Miscellaneous — net	**73**		91		158		(76)	
Income Before Interest Charges	**47,723**		40,490		42,315		34,525	
Interest Charges:								
Interest on bonds	**23,746**		20,660		17,102		13,324	
Other interest	**1,815**		961		1,859		2,716	
Amortization of debt premium, discount and expense — net	**197**		126		81		39	
AFUDC — borrowed (a)	**(6,999)**		(5,907)		—		—	
Net Income	**28,964**		24,650		23,273		18,446	
Preferred Stock Dividends	**7,084**		6,471		4,537		3,572	
Earnings Applicable to Common Stock	**$ 21,880**		$ 18,179		$ 18,736		$ 14,874	
Shares of Common Stock Outstanding (End of Year)	**11,055**		9,357		6,717		5,517	
Earnings per Average Share of Common Stock	**$2.28**		$2.28		$2.88		$2.91	
Cash Dividends Paid per Share On Common Stock (b)	**$1.825**		$1.77		$1.70		$1.61	
Capitalization: (Amount and Percent)								
Long-term debt (less current maturities)	**$374,071**	**52.7**	$295,392	50.2	$262,854	52.8	$230,052	56.[illegible]
Preferred stock including premium	**93,993**	**13.2**	83,993	14.3	83,993	16.9	53,993	13.[illegible]
Common equity:								
Common stock	**151,336**		121,656		66,906		45,738	
Retained earnings	**91,015**		87,224		83,642		76,352	
Total common equity	**242,351**	**34.1**	208,880	35.5	150,548	30.3	122,090	30.[illegible]
Total capitalization	**$710,415**	**100.0**	$588,265	100.0	$497,395	100.0	$406,135	100.[illegible]
Short-term Borrowings (End of Year)	**$ —**		$ 21,700		$ 29,250		$ 26,525	
Embedded Interest Cost of Long-Term Debt	**7.36%**		7.12%		7.13%		6.98%	

(a) See Note 1 to Notes to Financial Statements.

(b) 1978 year-end annual rate $1.90 per share.

1974		1973		1972		1971		1970		1969		1968	
1,603		$ 27,675		$ 25,615		$ 24,208		$ 24,156		$ 21,902		$ 19,820	
24,294		21,403		19,949		18,644		17,934		16,553		15,259	
27,740		21,612		19,574		18,660		18,266		18,003		17,508	
1,123		978		905		829		765		714		664	
5,502		4,368		3,742		3,417		3,272		2,841		2,481	
90,262		76,036		69,785		65,758		64,393		60,013		55,732	
5,314		3,008		3,589		4,843		5,210		6,568		4,578	
95,576		79,044		73,374		70,601		69,603		66,581		60,310	
778		660		581		549		554		506		498	
96,354		79,704		73,955		71,150		70,157		67,087		60,808	
22,331		16,624		14,198		13,952		13,385		13,024		10,712	
(404)		—		—		—		—		—		—	
2,426		2,138		2,718		1,378		1,886		2,014		1,807	
14,862		12,879		11,687		11,194		10,494		9,762		8,964	
6,289		5,064		3,723		3,349		3,586		2,747		2,679	
11,525		9,925		7,962		7,599		7,133		6,750		6,469	
8,411		6,812		8,338		8,935		8,328		7,906		7,499	
7,[illegible]84		7,061		7,920		8,174		9,394		10,360		9,303	
72,724		60,503		56,546		54,581		54,206		52,563		47,433	
23,630		19,201		17,409		16,569		15,951		14,524		13,375	
—		—		—		—		—		—		—	
1,362		2,830		5,199		2,951		1,365		406		78	
374		889		1,573		854		459		191		48	
21		(32)		80		42		(112)		(179)		(111)	
25,387		22,888		24,261		20,416		17,663		14,942		13,390	
11,329		11,118		10,046		7,5[illegible]2		5,343		3,344		3,344	
2,564		263		228		448		505		592		233	
28		27		19		11		1		(28)		(28)	
—		—		—		—		—		—		—	
11,466		11,480		13,968		12,425		11,814		11,034		9,841	
1,937		1,937		1,686		821		821		821		821	
$ 9,529		$ 9,543		$ 12,282		$ 11,604		$ 10,993		$ 10,213		$ 9,020	
4,717		4,717		4,717		4,717		4,717		4,717		4,717	
$2.02		$2.02		$2.60		$2.46		$2.33		$2.17		$1.91	
$1.56		$1.53		$1.49		$1.44		$1.41		$1.37		$1.33	
$179,868	56.9	$179,877	57.3	$165,053	55.6	$140,188	55.7	$105,133	49.7	$ 70,427	40.8	$ 86,453	46.7
33,993	10.8	33,993	10.8	33,993	11.5	18,966	7.5	18,966	8.9	18,966	11.0	18,966	10.3
31,770		31,770		31,770		31,770		31,770		31,770		31,770	
70,388		68,217		65,891		60,680		55,868		51,526		47,774	
102,158	32.3	99,987	31.9	97,661	32.9	92,450	36.8	87,638	41.4	83,296	48.2	79,544	43.0
$316,019	100.0	$313,857	100.0	$296,707	100.0	$251,604	100.0	$211,737	100.0	$172,689	100.0	$184,963	100.0
$ 42,021		$ 12,275		$ 4,300		$ 7,850		$ 15,255		$ 13,660		$ 4,950	
.33%		6.33%		6.37%		6.17%		5.52%		3.83%		3.83%	

Comparative Electric Statements

	1978	1977	1976	1975
Sales in Kilowatt-Hours (Thousands):				
Residential	**1,947,538**	1,771,645	1,671,470	1,635,
Commercial	**1,402,986**	1,330,807	1,257,613	1,204,99
Industrial	**2,679,630**	2,465,928	2,351,631	2,268,20
Public street and highway lighting	**62,808**	62,085	60,740	58,60
Sales for resale — municipals and cooperatives	**965,187**	888,553	726,546	687,54
General business	**7,058,149**	6,519,018	6,068,000	5,854,72
Sales for resale — other electric utilities	**921,338**	695,285	97,951	247,71
Total kilowatt-hours sold	**7,979,487**	7,214,303	6,165,951	6,102,43
Customers at End of Year:				
Residential	**194,773**	190,174	187,013	180,77
Commercial	**18,970**	18,510	18,246	18,91
Industrial	**3,392**	3,311	3,181	2,54
Public street and highway lighting	**413**	396	374	32
Sales for resale — municipals and cooperatives	**91**	90	89	8
General business	**217,639**	212,481	208,903	202,63
Sales for resale — other electric utilities	**10**	10	10	1
Total electric customers	**217,649**	212,491	208,913	202,64
Residential:				
Average kwh per customer	**10,136**	9,413	9,090	9,15
Average revenue per customer	**$383,49**	$323.29	$256.26	$236.8
Average revenue per kwh (cents)	**3.78**	3.43	2.82	2.5
Kilowatt-Hours Generated and Purchased (Thousands):				
Generated (net after station use)	**8,130,424**	6,732,339	5,878,673	6,194,
Purchased	**334,683**	947,973	802,413	372,33
Total	**8,465,107**	7,680,312	6,681,086	6,566,70
Less: Sales for resale — other electric utilities	**921,338**	695,285	97,951	247,71
Net	**7,543,769**	6,985,027	6,583,135	6,318,98
Company use, line loss, etc.	**485,620**	466,009	515,135	464,26
Energy sold — general business	**7,058,149**	6,519,018	6,068,000	5,854,72
Average BTU per Net Kilowatt-Hour Generated	**10,802**	11,048	10,806	10,84
Average Fuel Cost per Million BTU (cents)	**109.324**	99.256	67.153	58.47
Available Capacity (Kilowatts)	**2,031,000**	2,026,000	1,718,000	1,718,00
Maximum Demand (Kilowatts) (Exclusive of sale to other utilities)	**1,532,600**	1,423,400	1,387,000	1,337,40
Utility Plant at Original Cost (Thousands):				
Beginning of year	**$780,181**	$676,554	$563,988	$478,01
Capital expenditures	**137,144**	106,565	115,124	88,28
Retirements	**2,865**	2,938	2,558	2,31
End of year	**914,460**	780,181	676,554	563,98
Accumulated provision for depreciation	**160,673**	140,775	124,963	113,13
Net utility plant	**$753,787**	$639,406	$551,591	$450,85
Employees at Year-End	**1,385**	1,340	1,315	1,

*Decreased because of a reduction in firm power purchases

1974	1973	1972	1971	1970	1969	1968
1,455,571	1,420,678	1,306,894	1,218,515	1,210,616	1,074,492	948,168
1,086,213	1,088,392	1,027,931	950,848	911,967	821,203	735,588
2,233,936	2,045,851	1,887,252	1,797,720	1,782,629	1,779,093	1,733,075
57,123	55,472	52,443	49,657	47,049	44,943	42,947
636,368	547,324	503,616	461,229	468,477	391,893	350,011
5,469,211	5,157,717	4,778,136	4,477,969	4,420,738	4,111,624	3,809,789
380,239	347,549	505,515	737,016	1,109,211	1,423,658	786,856
5,849,450	5,505,266	5,283,651	5,214,985	5,529,949	5,535,282	4,596,645
177,162	172,896	169,761	166,697	165,668	165,424	163,508
18,698	18,573	18,411	18,048	17,923	17,849	17,736
2,462	2,381	2,345	2,327	2,302	2,303	2,297
248	181	177	167	165	160	157
84	82	81	78	77	74	73
198,654	194,113	190,775	187,317	186,135	185,810	183,771
10	8	8	8	8	8	8
198,664	194,121	190,783	187,325	186,143	185,818	183,779
8,338	8,317	7,792	7,343	7,325	6,545	5,842
$181.02	$162.02	$152.73	$145.88	$146.15	$133.40	$122.11
2.17	1.95	1.96	1.99	2.00	2.04	2.09
5,945,844	5,544,119	5,428,111	5,469,259	5,785,520	5,692,076	4,723,762
354,699	386,562	359,501	124,350	155,299	189,245	224,230
6,300,543	5,930,681	5,787,612	5,593,609	5,940,819	5,881,321	4,947,992
380.239	347,549	505,515	737,016	1,109,211	1,423,658	786,856
5,920,304	5,583,132	5,282,097	4,856,593	4,831,608	4,457,663	4,161,136
451.093	425,415	503,961	378,624	410,870	346,039	351,347
5,469,211	5,157,717	4,778,136	4,477,969	4,420,738	4,111,624	3,809,789
11,284	11,058	10,710	10,480	10,374	10,345	10,410
33.284	27.116	24.423	24.341	22.303	22.118	21.784
1,728,000	1,728,000	1,318,000	1,318,000	1,318,000	1,318,000	1,278,000
1,324,600	1,201,900	1,137,300	1,079,400	1,076,600	998,400	923,400
$432,059	$397,790	$347,961	$306,801	$273,137	$255,068	$247,335
48,094	36,506	51,799	43,196	35,662	20,578	10,760
2,142	2,237	1,970	2,036	1,998	2,509	3,027
478,011	432,059	397,790	347,961	306,801	273,137	255,068
101,817	91,839	83,644	77,317	71,226	65,369	60,717
$376,194	$340,220	$314,146	$270,644	$235,575	$207,768	$194,351
1,290	1,269	1,238	1,240	1,263	1,237	1,200

Officers

(including their ages and titles)

Ralph P. Fiebach, 61
Chairman of the Board and President

George E. Billings, 64
Vice President - Area Development

Wilson K. Cadman, 51
Executive Vice President

Dennis L. Evans, 44
Vice President - Customer and Community Services

Howard J. Hansen, 57
Vice President - Finance

Glenn L. Koester, 53
Vice President - Operations

Glen L. Montague, 59
Vice President - Administrative Services

Robert L. Rives, 45
Vice President - System Services

Bernard Ruddick, 55
Vice President - Engineering

W. B. Walker, 58
Vice President - Accounting and Secretary

R. E. Tate, 62
Treasurer

E. D. Prothro, 46
Controller, Assistant Secretary and Assistant Treasurer

Jack Skelton, 48
Assistant Secretary

J. F. Klassen, 49
Assistant Treasurer

Verna L. Ridgeway, 51
Assistant Vice President

Directors

(and the year they were elected)

Robert A. Brown (1953)
Arkansas City, President, The Home National Bank of Arkansas City

A. Dwight Button (1976)
Wichita, Chairman of the Board, The Fourth National Bank and Trust Company, Wichita

Wilson K. Cadman (1978)
Wichita, Executive Vice President of the Company

C. T. Carter (1968)
Los Angeles, Vice President, Pipeline Transportation, Atlantic Richfield Company

C. Q. Chandler (1974)
Wichita, Chairman of the Board and President, First National Bank in Wichita

Martin K. Eby (1957)
Wichita, Chairman of the Board, Martin K. Eby Construction Co., Inc.

G. W. Evans (1947)
Wichita, Consultant and retired Chairman of the Board of the Company

Ralph P. Fiebach (1967)
Wichita, Chairman of the Board and President of the Company

Ralph Foster (1970)
Wichita, General Counsel for the Company

George K. Mackie, Jr. (1965)
Pittsburg, Chairman of the Board, The Clemens Coal Company

Glen L. Montague (1974)
Wichita, Vice President - Administrative Services of the Company

Clifton C. Otto (1953)
Fort Scott, retired Chairman of the Board, The Western Insurance Companies

Dwane L. Wallace (1953)
Wichita, Senior Consultant, Cessna Aircraft Company

Robert L. Williams (1968)
Wichita, owner of Imperial Oil Company

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

Form 10-K

The Company's Form 10-K i filed with the Securities and Ex change Commission and is avai able from that agency or fro the Secretary of the Compan Box 208, Wichita, Kansas 6720

Fiscal Agents

Preferred Stock: Transfer Agen First National Bank in Wichit Registrar, The Fourth Nation Bank and Trust Company, Wic ita.

Common Stock: Transfer Agent First National Bank in Wichi and Irving Trust Company, Ne York; Registrars, The Fourth Na tional Bank and Trust Compan Wichita, and Registrar and Tran fer Company, New York. Liste N.Y.S.E., ticker symbol, KGE.

Bonds: Trustee, Registrar an Paying Agent, Morgan Guaran Trust Company of New York.

Annual Meeting

The annual stockholders' mee ing will be held at the Gener Office of the Company, Wichit Kansas, May 23, 1979. Proxi for this meeting will be solicite by the management. A prox statement will be mailed to stoc holders about April 27, 1979.

This report is prepared primari for the information of stockhol ers of the company and is n transmitted in connection wi the sale of any securities or off to buy any securities.

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

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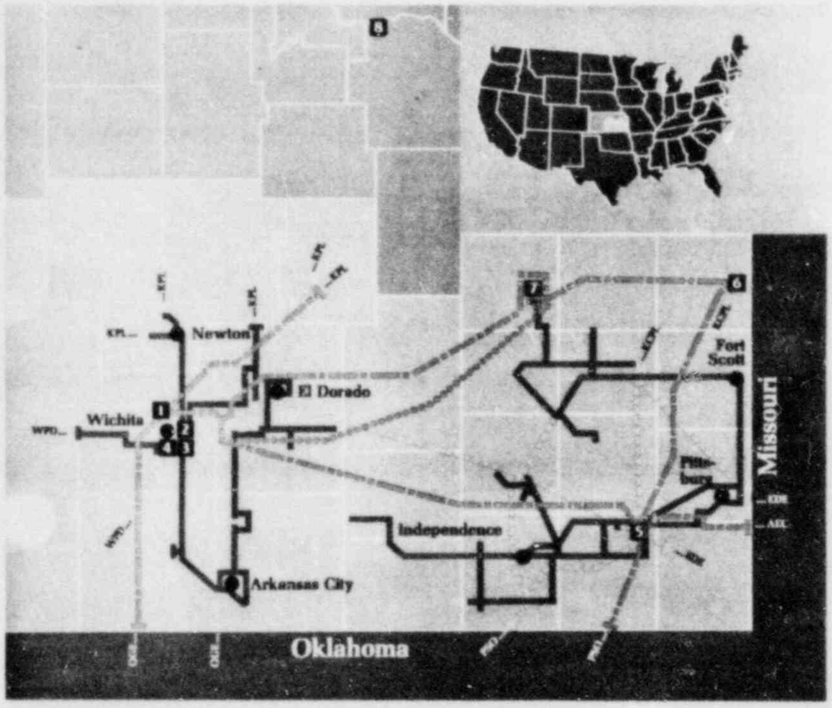
Built early in the 19th century to protect what then was the nation's western frontier, Fort Scott now has been restored as a historic landmark. The old fort is located in the City of Fort Scott, a modern eastern Kansas city served by the company.

SERVICE AREA



KG&E provides electric service to approximately 218,000 retail customers in southeastern Kansas including the Wichita Metropolitan Area.

Wholesale service is provided to 25 communities and to 8 rural electric cooperatives. The company owns no gas properties and has no gas operations.

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

Interconnected Utilities

Associated Electric Cooperative, Inc. – AEC

The Empire District Electric Company – EDE

Kansas City Power & Light Company – KCPL

The Kansas Power and Light Company – KPL

Oklahoma Gas and Electric Company – OGE

Public Service Company of Oklahoma – PSO

Western Power Division of Central Telephone & Utilities Corporation – WPD

Generating Stations and Capability

1. Gordon Evans Steam Electric Station, 507.8 mw
2. Ripley Steam Electric Station, 88.3 mw
3. Wichita Steam Electric Station, 22.8 mw
4. Murray Gill Steam Electric Station, 334.3 mw
5. Neosho Steam Electric Station, 116.2 mw
6. La Cygne Steam Electric Station,* 725 mw
7. Wolf Creek Generating Station,* 477 mw (under construction)
8. Jeffrey Energy Center,* 136 mw

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

Map Legend

Division Headquarters Cities

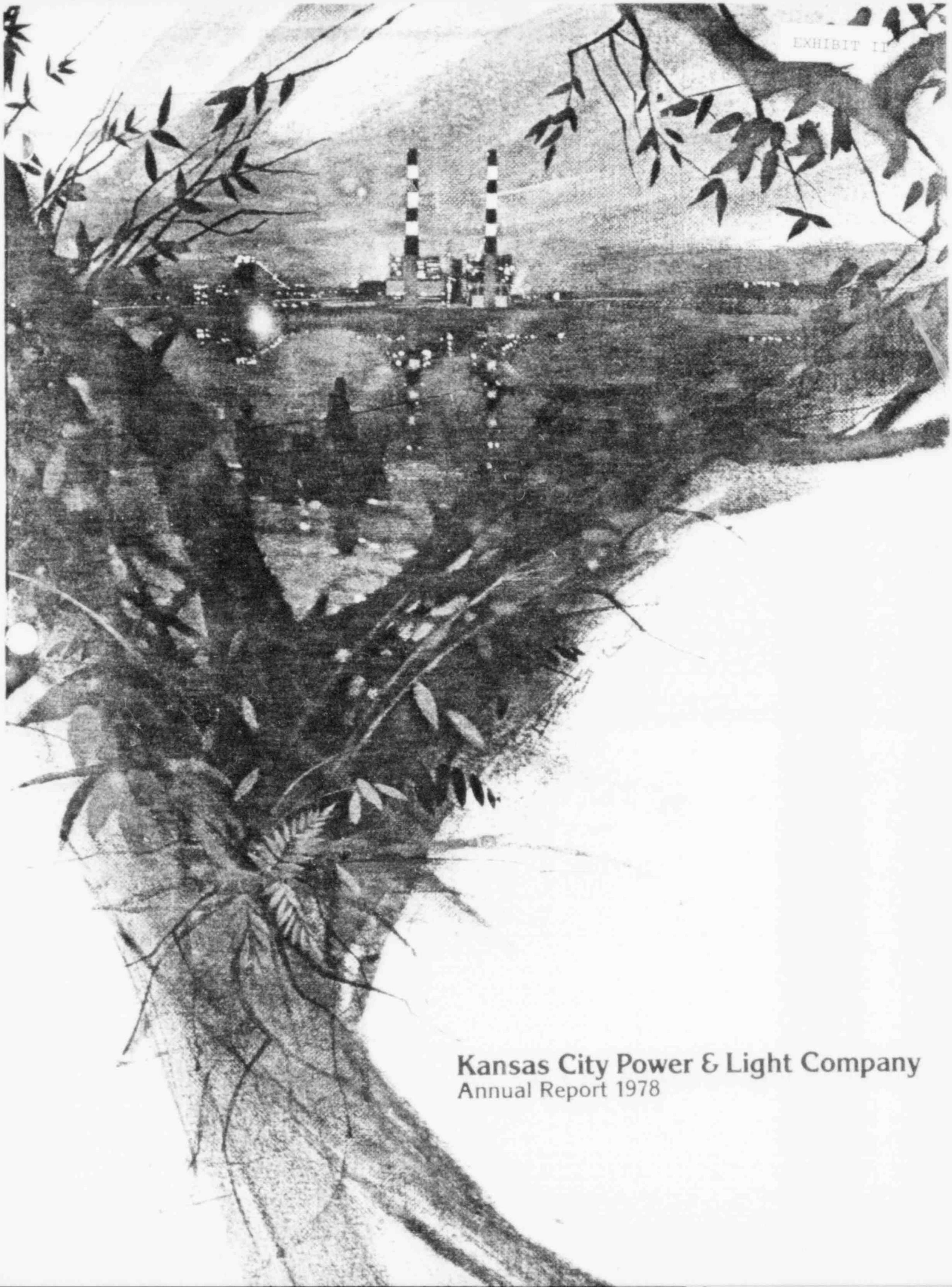
Electric Lines, 345 kv

Electric Lines, 138 and 161 kv

Electric Lines, 69 kv

Electric Lines Authorized

Electric Interconnections



Kansas City Power & Light Company
Annual Report 1978

KCPL

Annual Meeting of Shareholders

The Annual Meeting of Shareholders will be held on Tuesday, April 24, 1979, at 10 a.m., 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 the holders of record of the Company's Common Stock as of the close of business on March 5, 1979, who will be the shareholders entitled to vote at the meeting.

Dividend Reinvestment and Stock Purchase Plan

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

On the Cover

Sunrise at La Cygne Lake, as depicted in this interpretive painting, suggests the compatibility between a major power plant and its environment. While the 2,600-acre lake's main purpose is to serve as a radiator for the 1,450-megawatt La Cygne Station, it was hoped from the beginning that public enjoyment of the lake and surrounding land would be possible. Through the cooperation of Linn County, Kansas, and the Kansas Fish and Game Commission, public use easement agreements were signed in June, 1978, covering 5,500 acres of land and water. The agreements provide for the development over a five year period of a park and wildlife management area and facilities for camping, picnicking, hiking, hunting and fishing.

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

Kansas City Power & Light Company Annual Report 1978

Key Events of the Year

Earnings climb to $3.55 a share
Iatan, Wolf Creek units construction on schedule
Record 138-day strike
Management audit finds strengths, makes recommendations
Environmental program completed
Ownership in Iatan 1 reduced to 70 percent
New financing tools employed
2,170 shareholders enroll in dividend reinvestment program

Financial Highlights

	1978	1977
	(thousands)	
Operating revenues	**$ 318,663**	$ 272,041
Cost of fuel	**87,318**	72,588
Net interchange and purchased power expense	**(2,599)**	(9,302)
Employees wages and benefits charged to operations	**52,183**	53,605
Federal, state and local taxes	**63,577**	53,304
Interest on long-term debt	**32,217**	26,856
Allowance for funds used during construction (AFDC)	**23,293**	13,496
Net income	**42,924**	32,283
Preferred, preference and common dividends declared	**33,644**	28,223
Earnings retained in business	**9,280**	4,060
Earnings per average common share	**$ 3.55**	$ 3.01
Dividends per common share	**$ 2.56**	$ 2.46
Average number of common shares	**9,644,321**	8,216,133

Selected Statistics

	1978	1977
Electric Plant Data		
Construction expenditures including AFDC (000's)	**$ 188,652**	$ 167,287
Gross investment per revenue dollar	**3.16**	3.53
Fuel Data		
Percent of coal to total fuel burned	**88.1%**	87.4%
Cost per MMBTU (coal)	**74.3¢**	61.5¢
Cost per MMBTU (all fuel)	**87.8¢**	74.4¢

Contents

To the Shareholders:

For the Company, 1978 brought into sharper focus the challenge of financing record construction activities during a time of high inflation and expanding regulatory controls. Power plant construction expenditures will peak in 1979. While we believe we have faced this test with a creative program, we look forward to the relaxed financial demands of the early 1980's.

Earnings for 1978 were $3.55 a share, a significant increase over the $3.01 earned in 1977 despite 1.4 million additional average shares outstanding. As a consequence of the heavy construction program, a major portion of the increased earnings resulted from the allowance for funds used during construction.

Also contributing to the improved earnings were higher revenues resulting from rate increases granted in late 1977 and greater kilowatt hour sales reflecting particularly the increased demands for power created by a cold period early in 1978 and an unusually hot September.

On February 7, 1978, the Board of Directors increased the quarterly dividend on the Company's common stock from 61-1/2 cents to 64 cents a share, the equivalent of $2.56 annually. This marked the 19th dividend increase in the last 20 years.

On July 1, the three local unions representing the Company's 2,150 bargaining unit employees went on strike and did not return to their jobs until November 16. This 4-1/2 month strike, the longest in the Company's history, impacted operations for the year and resulted in both deferment of some major maintenance projects and delays in achieving planned Company-wide programs.

Throughout the strike, service was maintained by management and temporary employees with little, if any, inconvenience to customers. We are proud of this outstanding achievement by our management employees and mindful of their many personal sacrifices. We are also aware, however, of the severe impact of a strike on our bargaining unit employees and their families.

In November, the Company received the final report and recommendations on the management audit conducted by Booz-Allen & Hamilton as ordered by the Missouri Public Service Commission. In our opinion, the audit was comprehensive and presented an objective and helpful analysis of current operations and many constructive ideas for improving operating performance. We have set up a department and undertaken a formal program to further analyze the report's recommendations and to implement those that promise beneficial returns.

In an effort to seek imaginative ways of combating high financing costs and to meet interim financing needs, the Company departed from conventional financing approaches in 1978 with a private sale of preference stock and by entering the Eurodollar market for an unsecured, limited-term loan. In another move to provide the most economical source of funds, a secured line-of-credit was established utilizing a field warehousing arrangement to finance current coal and oil inventories through the use of bankers acceptances.

Robert K. Zimmerman *Arthur J. Doyle*

1978 saw the completion of required environmental modifications to existing power plants to bring them in compliance with now effective air quality control regulations. This program, begun a decade ago, has required a significant cash outlay for which there is no increase in the capability or reliability of the Company's systems.

Construction progressed according to schedule on Iatan Station and the Wolf Creek nuclear project. With commercial operation of Iatan scheduled for early 1980, the major cash outlays that have been required for power plant projects during the last few years will peak in 1979 and be considerably reduced in the 1980-1985 period.

In retrospect, meeting the challenges of the current era have strengthened the Company. The continuing economic and public pressures have caused your management to adapt and adjust. In so doing, we have developed a more flexible, competent and responsive organization. As a consequence, we believe the Company will be better prepared to face the new and unknown challenges of the future.

March 5, 1979
For the Board of Directors,

Robert K. Zimmerman — Arthur J. Doyle

Chairman of the Board — President

1978 In Review

Operations

Essential Operations Maintained During Strike

The longest strike in the Company's history concluded on November 16 when bargaining unit employees returned to work after 138 days. The 2,150 employees, represented by three local unions of the International Brotherhood of Electrical Workers, walked out July 1, 1978, following a breakdown in negotiations of wages and fringe benefits for the final year of existing three-year contracts.

Throughout the strike, some 500 management and about 150 temporary employees performed essential operating and customer service assignments. All power plants were manned and met four successive new customer peak load demand records. Line extensions and construction work were completed for service to all customers who were ready for occupancy. Customer service and billing functions were adequately performed. About 70 per cent of residential customers read their own meters during the strike.

We also employed about 300 temporary construction workers to finish installation of major air pollution control equipment at Hawthorn Station in order to meet a mandatory December, 1978, deadline.

New plant construction schedules were unaffected by the long strike, but considerable maintenance work at existing plants was deferred.

Wage Settlements Within Guidelines

The strike ended after employees accepted final offers by the Company for the third year of the existing contracts and for one-year extensions expiring June 30, 1980.

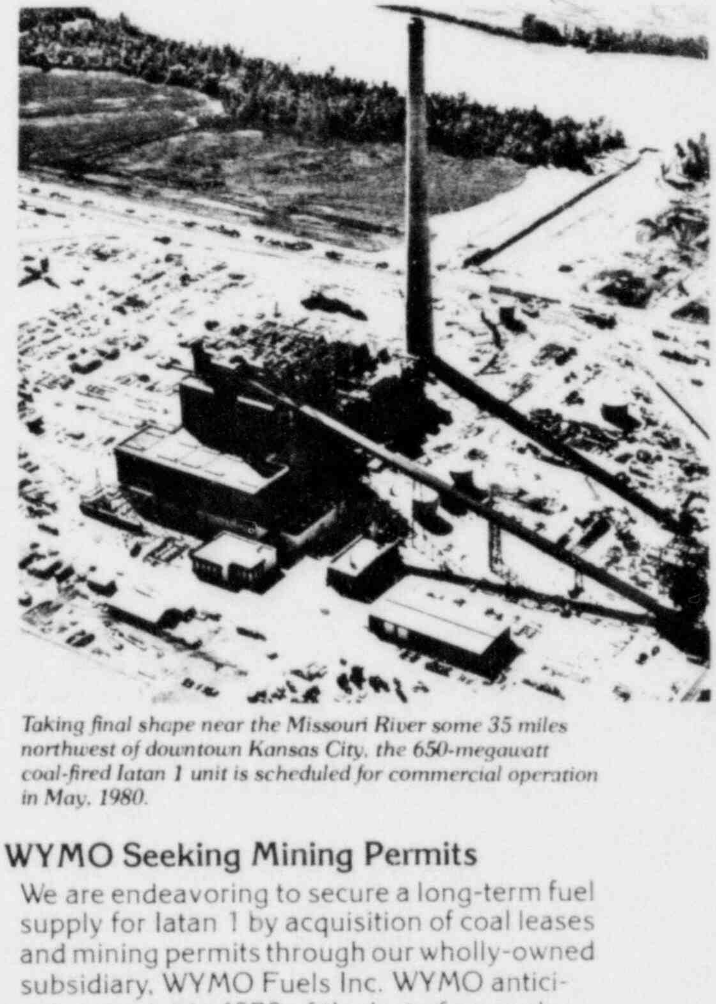
The two-year contracts call for total annual wage and benefit increases of 7.2 per cent and 7 per cent for both Locals 412 (power plant workers) and 1464 (linemen and outside workers) and 6.2 per cent and 6 per cent for Local 1613 (office and clerical workers). The overall settlements were within Federal wage guidelines.

Iatan 1 Nearly Finished

In late 1979, we expect to begin trial operation of the 650-megawatt Iatan 1 generating unit, now over 70 per cent complete. Commercial operation is planned for May, 1980. The unit, similar in design to La Cygne 2, will burn up to 2.4 million tons of low-sulfur coal annually and is equipped with an electrostatic precipitator to control particulate emissions.

Total cost of our 70 per cent share is projected at $2?5 million, excluding the allowance for funds used during construction. Ownership is shared with St. Joseph Light & Power Company (SJLP)—18 per cent, and The Empire District Electric Company (EDE)—12 per cent.

Iatan's initial 15-month coal requirement is covered under an agreement and extension options with Amax Coal Company, supplier of coal for La Cygne 2 under a long-term contract. Coal deliveries will begin in August, 1979, with two Company-owned 110-car unit trains. A third train will be added when the unit reaches commercial operation.

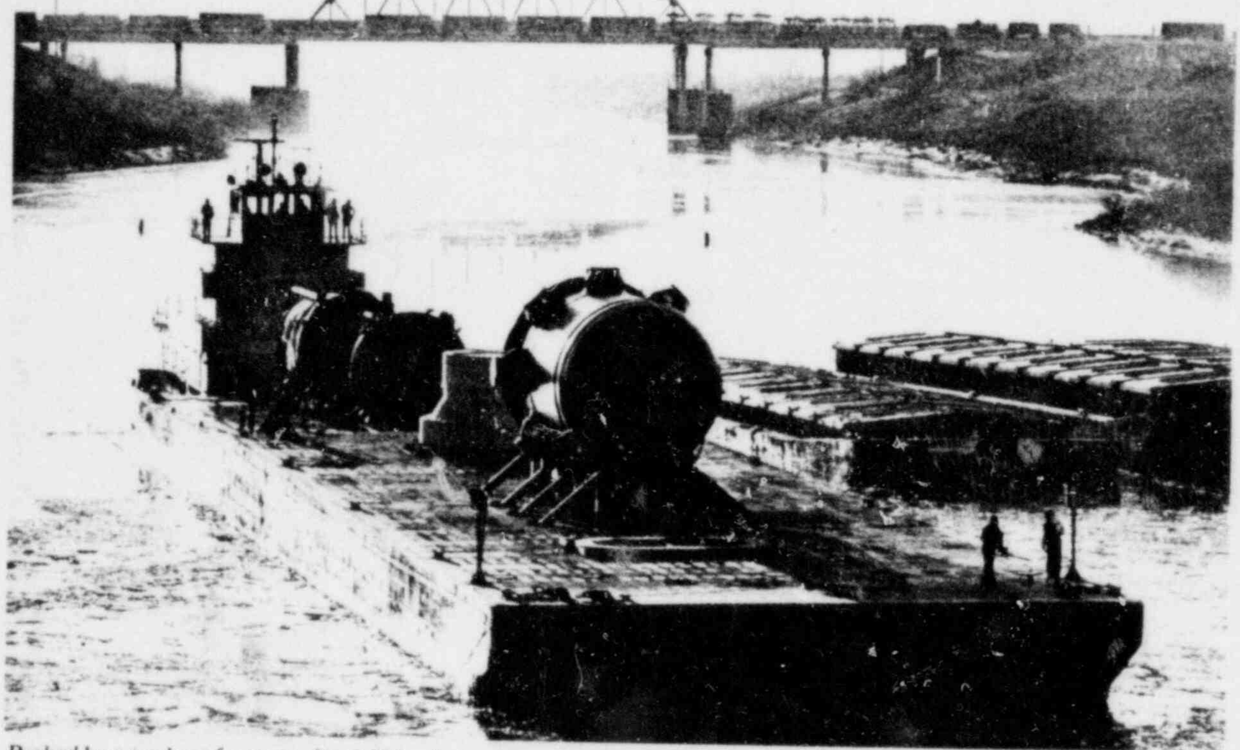


Taking final shape near the Missouri River some 35 miles northwest of downtown Kansas City, the 650-megawatt coal-fired Iatan 1 unit is scheduled for commercial operation in May, 1980.

WYMO Seeking Mining Permits

We are endeavoring to secure a long-term fuel supply for Iatan 1 by acquisition of coal leases and mining permits through our wholly-owned subsidiary, WYMO Fuels Inc. WYMO anticipates receipt in 1979 of the last of several State permits needed to commence mining coal on a 640-acre State lease containing estimated recoverable reserves of 44 million tons in Wyoming's Powder River Basin. The subsidiary has also applied for Federal coal leases on portions of 4,360 acres of adjacent lands owned by WYMO with reserves estimated at 200 million tons.

Company investments at year-end in the capital stock of WYMO totaled about $5.3 million. It is anticipated that mining operations on WYMO's properties would be carried out through a joint venture or contract arrangement which would assure the Company of a long-term, reliable supply of low-sulfur coal.



Pushed by a tug boat for most of its 1,500-mile journey, the 350-ton Wolf Creek reactor vessel arrived at the Port of Catoosa, Oklahoma, in early January, 1979. The barge carried the vessel from Chattanooga, Tennessee, over several waterways. The 40-foot-long vessel, which made the last leg of the trip by specially designed railroad car, will house the nuclear fission elements to generate heat for steam production.

Wolf Creek Construction on Schedule

Construction of the Wolf Creek nuclear generating unit continued on schedule and reached 25 per cent of completion in 1978. The 1,150-megawatt unit is targeted for commercial operation in 1983. The Company and Kansas Gas and Electric Company (KG&E) share ownership equally, but have committed to sell a 17 per cent interest to a group of Kansas electric cooperatives. KG&E has construction responsibility for the unit.

Major work began in May, 1977, on the project, one of five under construction which is being built to the Standardized Nuclear Unit Power Plant System (SNUPPS) design of power block facilities. The SNUPPS agreement was developed in 1973 by five electric utilities to expedite the lengthy licensing process and realize substantial cost savings through utilization of common design.

Cost of our presently planned 41.5 per cent share, totaling 477 megawatts, is estimated at $349 million, excluding the allowance for funds used during construction and nuclear fuel.

The project occupies a 10,500-acre site near Burlington, Kansas, and is the State's largest planned generating unit and its first nuclear unit. Construction employment has reached a peak of 2,450 workers.

In October, 1978, KG&E advised the Nuclear

Now about 25 per cent completed, the Wolf Creek project occupies a 10,500-acre site near Burlington, Kansas. It is the State's largest planned generating unit and is targeted for commercial operation in 1983.

Regulatory Commission (NRC) that the reactor base mat concrete samples tested 90 days after being poured did not meet design criteria.

Later tests by the Portland Cement Association (PCA) tend to confirm that the concrete strength does meet design specifications. KG&E has retained an independent consultant to review the matter and additional independent tests are being made by PCA.

Based upon the information available now—including the advice of the plant's contractor, architect/engineer and our consultant—the Company believes that the base mat concrete does meet design criteria and the matter will be resolved without material adverse effect on the Company. If it should not be resolved to the satisfaction of the NRC, construction could be delayed and the cost increased. However, the final outcome cannot yet be determined.

Nuclear Fuel Agreements

Westinghouse Electric Corporation is under contract to supply Wolf Creek's nuclear fuel requirement for 20 years. In 1975, Westinghouse notified the Company that it would not meet its commitment to supply uranium with respect to the initial core and the first six reloads because price increases made it commercially impracticable to do so. Consequently, the Company and KG&E filed a legal action in Federal district court in Kansas against Westinghouse for declaratory judgment and damages.

In proceedings involving the Company and other utilities, a Federal court in Virginia ordered Westinghouse to apply uranium presently held or controlled by it to the fulfillment of its supply contracts with the utilities, including the Company. As a result of that order, the Company expects Westinghouse will deliver up to 700,000 pounds of the 1,200,000 pound uranium requirement for the initial core. Cobb Nuclear Corporation of Albuquerque, New Mexico has contracted to supply the balance. The Company and KG&E are negotiating with other uranium suppliers to cover the remaining expected shortfall in Westinghouse deliveries.

The liability of Westinghouse under its Wolf Creek contract has yet to be determined. However, in related uranium supply contracts not involving the Company, the Virginia court recently ruled that Westinghouse was not excused from its contractual obligations to supply uranium to ten other utilities.

New Production Records

A new one-hour net system peak of 2,097 megawatts was established on August 25, 1978. This represented an increase of 5.9 per cent over the record set in 1977, and also surpassed three other records set in July and August, 1978. A new winter season peak of 1,286 megawatts was established December 6, 1978, and was exceeded on January 8, 1979, when the net one-hour system peak demand reached 1,312 megawatts.

The coal-fired La Cygne 2 unit continued its outstanding performance in 1978. La Cygne 2 went on line in May, 1977, and is owned equally with KG&E. The new unit was available 86 per cent of the time and operated at 70 per cent of capacity, well above traditional performance for like-sized units in the industry. The Company's one-half share of the unit's output represented almost 23 per cent of total generation in 1978.

Management Audit Completed

A report of a management audit of the Company conducted by Booz-Allen & Hamilton was submitted to the Missouri Public Service Commission (MPSC) in November. The audit began in August, 1977, and covered every department in the Company.

The audit report recognized the Company has made "major strides toward meeting the difficult challenges in today's utility environment." The report emphasized steps already in progress to strengthen overall operating efficiency and highlighted our strengths in the areas of system adequacy and reliability, favorable fuel price and supply situations, a generally good public image and innovative and aggressive leadership.

The report listed 82 recommendations for improving operations, some of which had already been adopted. The remaining recommendations are under analysis by the newly-formed Operational Analysis and Development Department, which will initiate action plans so that implementation of cost-effective improvements will be accomplished. We are confident that the comprehensive recommendations, when put into effect, will have a meaningful benefit to the efficiency of our overall operations.

In the Energy Control Center, computers monitor power plant operations, are used for remote control of substation switching and eventually will control generating units.

Programs Implemented to Improve Efficiency

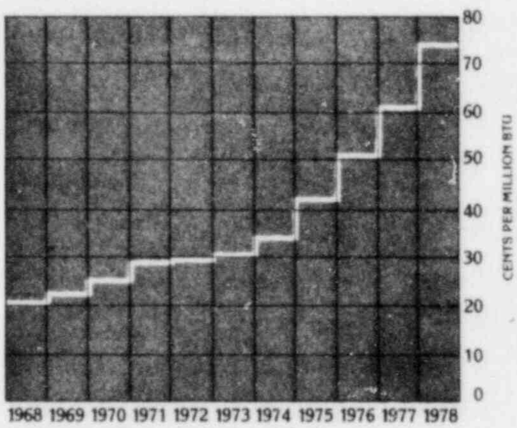
Of concern has been a decline in generating efficiency due to the aging of several units, use of low-grade coals and operation of air quality control devices. The Company has implemented several programs to improve generating unit thermal efficiency, increase unit output and establish better control over ever-rising production maintenance costs.

One such application is a power dispatch computer installed during 1977 and 1978. The computer monitors substation loads and power plant operations and, when fully operational, will perform economic analyses in selection of the most cost effective generating units to meet system requirements at any particular time.

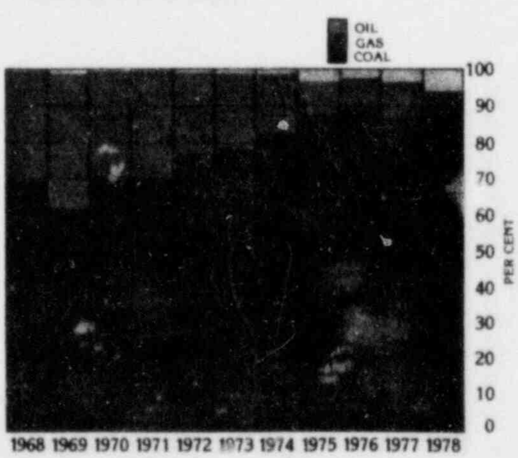
Coal Major Base Load Fuel

Because all of KCPL's base-load generation is already coal-fired, the Company will not face any of the fuel conversion problems confronting many electric utilities. Coal generated 88 per cent of all electricity produced in our system in 1978. Natural gas and oil each provided six per cent of total fuel requirements and were utilized mainly for peaking, auxiliary, pilot and flame stabilization purposes.

AVERAGE COAL COST



SOURCE OF FUEL BURNED



Eleven coal-fired units burned 4.6 million tons of coal in 1978 at an average cost of 74.29 cents per million Btu, 21 per cent over 1977. Long-term coal contracts normally cover 96 per cent of total coal requirements. During the 1978 strike by the United Mine Workers, the Company covered delivery shortfalls from stockpiles.

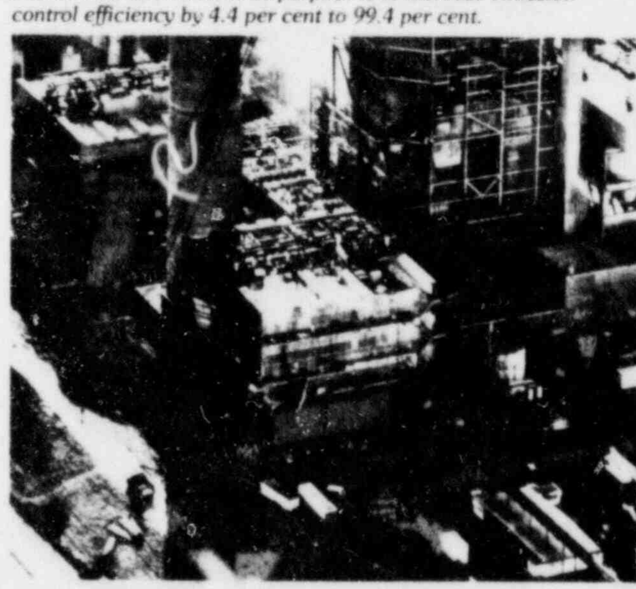
The Company burned 967,000 barrels of oil in 1978 as compared to 736,000 barrels in 1977. About one-third of the increase was related to increased peaking requirements and replacement of natural gas, with the balance due to sales of energy to other utilities. The average price of oil increased six per cent, from $2.50 per million Btu in 1977 to $2.66 in 1978.

Natural gas declined in availability during 1978 and we burned only 6.5 million mcf, 1.9 million less than in 1977. The average cost of gas in 1978 was $1.18 per million Btu, about the same as the previous year.

Environmental Program Completed

In 1978, we completed our program, begun in the early 1970s, to achieve compliance with environmental regulations affecting all existing power plants. The milestone event was completion of the new Hawthorn 5 electrostatic precipitator designed to remove 99.4 per cent of particulate emissions at a construction cost of $24.9 million. The precipitator which it replaced had a design control efficiency of 95 per cent and was installed in 1969.

The high cost of clean air is dramatized by the Hawthorn 5 electrostatic precipitator, completed in December, 1978. The tandem installation on each side of the smokestack is six times the size of the original precipitator built in 1969. It cost almost $25 million. Its purpose is to increase emission control efficiency by 4.4 per cent to 99.4 per cent.



Our comprehensive program to comply with stringent, ever-tightening air quality standards includes: the use of more environmentally acceptable low-sulfur coal and the installation of either wet scrubbers or precipitators on all coal-burning boilers to control particulate and sulfur dioxide emissions as necessary. The Company's total expenditure for air and water quality control since 1969 is now $90.3 million.

The electrostatic precipitator for the Iatan 1 unit under construction is a modified version of that used at La Cygne 2. The Company's 70 per cent share of the precipitator's cost is $20 million. The device is designed to remove 99.4 per cent of particulate matter and represents 10 per cent of the plant's total cost.

Demand Curtailment Contract Signed with Armco

A demand curtailment contract with Armco, Inc., our largest customer, went into effect in October, 1978. The contract calls for mandatory reduction by Armco of its electric load of up to 100 megawatts as requested by the Company. Such curtailment will reduce our summer peak capacity responsibility by 120 megawatts, including reserve requirements. Reductions at Armco's option are also provided for in the contract to limit use of higher cost of fuels or purchased power. Should the steelmaker elect not to accept the requested optional reduction, Armco will bear the excess fuel costs involved.

For Armco, the pact will help lower energy costs per ton of steel produced and improve steel production efficiency.

La Cygne Lake Opened for Recreation

Through the cooperation of Linn County, Kansas, and the Kansas Fish and Game Commission, 5,500 acres of land and water at the La Cygne generating station are under development for public use. Agreements signed in June, 1978, provided for the development of a 600-acre park on the west side of the lake by Linn County, and establishment of a 4,900-acre wildlife management area by the Fish and Game Commission.

Beginning March 1, 1979, portions of these lands were opened for public use and over the next few years facilities will be developed for fishing, hiking, sailboating, seasonal hunting and canoeing.

The wildlife management area will allow for growth and control of fish, game and bird populations. Much of the land area including part of the county park, will be encouraged to revert back to its natural state.

This is the second program of planned public use made possible by the Company. The 1,500-acre Montrose Station cooling lake together with adjacent lands have been operated under lease by the Missouri State Conservation Commission since 1957. The Commission maintains a year-round staff, operates a fishing marina and camping facilities, and conducts both fish and wild game management programs. The public facilities average over 70,000 visitor days each year.

Business Expansions

Crown Center, the nationally recognized 25-square-block "City within a City" development of Hallmark Cards, Incorporated, near downtown Kansas City, continues to enlarge with the construction of a 750-room Hyatt Regency Hotel, scheduled to open in 1980. The privately-financed urban renewal project already includes a 730-room luxury hotel, office complexes, 85 retail shops, eight restaurants, a meeting and audio-visual center and 245 apartment and condominium units.

When completed in the late 1980s, the 85-acre development will contain more than 50 new buildings for living, working, shopping, recreation and entertainment. The entire complex has become a major attraction for the City's growing national reputation as a convention center.

In 1978, our Customer Service Center was expanded to handle increased customer calls, now totaling almost one million per year. Answers are expedited through a computerized customer information retrieval system.

Other facilities under construction in the Greater Kansas City area are a 1.2-million square-foot regional distribution center addition by Sears Roebuck & Co. and a 1.1-million square-foot shopping mall in southeastern Kansas City, both scheduled to open in 1980.

Several major area companies announced expansions during the year including: Employers Reinsurance Corporation and Black & Veatch Consulting Engineers, both constructing all-electric office buildings, and the Union Wire Rope division of Armco, Inc. which is expanding facilities for wire rope and strand production by 30 per cent.

Energy Management

The Commercial Operations Department has developed programs for all customers focusing on energy management techniques to control both energy usage and costs. The two major objectives of this effort are to control peak demand and develop off-peak load.

Through instructive advertising and group presentations, the program stresses use of energy efficient appliances, proper insulation and conservation practices to help manage usage. The Company also makes available technical information to all customers, provides energy management training programs for industrial and commercial customers and works closely with home builders and contractors to encourage installation of energy conserving features in new homes.

A stepped-up research effort in 1979 will set the stage for testing the effectiveness of peak-time interruption of air conditioning and of voluntary reduction of consumption during "peak alerts." Also, in conjunction with local builders, we will analyze the effectiveness of energy-efficient designs and building materials based on data from homes supplied with energy from both conventional and alternative systems.

Communications Programs Accelerated

The impacts of continuing high inflation on electric bills, of pressures from consumer and environmental movements and of anti-nuclear interests, all have created significant communications challenges for the Company. To address these challenges, we have increased information efforts to all key publics.

In order to establish understanding among customers for what has been happening to their electric bills, we have developed an "Energy Dialogue" program which involves a provocative newspaper advertising series and stepped-up speakers bureau activity and personal contacts with opinion leaders. Under "The Subject is Energy" program, we have made available without charge an up-to-date catalogue of materials for students and teachers, including lesson plans, classroom helps and seminars on energy related subjects.

Through expanded annual and quarterly reports, we are communicating more information about the Company to shareholders and the investment community. We have increased personal contacts with elected and appointed officials through a new legislative affairs section with responsibilities for both the state and federal governmental levels.

Recognizing the importance of employees to the communications process, we have established programs to increase the upward and downward flow of information within the Company.

The Company's customer information program concentrates on ways customers can help reduce summer peak demand.

Corporate and Finance

Higher Rates, Increased Sales Boost Revenues

Total operating revenues reached $318.7 million in 1978, up $46.6 million or 17.1 per cent for the year.

Three factors contributed to this substantial gain. The full-year effect of rate increases granted in November, 1977, of 6.9 per cent in Missouri and 14.8 per cent in Kansas accounted for $20.1 million of the increase. Approximately $10.8 million was attributable to the recovery of fuel cost increases experienced during the year.

The remaining $15.7 million resulted from a slight increase in steam heat revenues and an overall increase of 5.8 per cent in kilowatt hour sales which totaled 8.4 billion in 1978 compared to 7.9 billion a year ago. Electric sales gains by classification were: residential, 8 per cent; commercial, 3.3 per cent and industrial, 7.2 per cent.

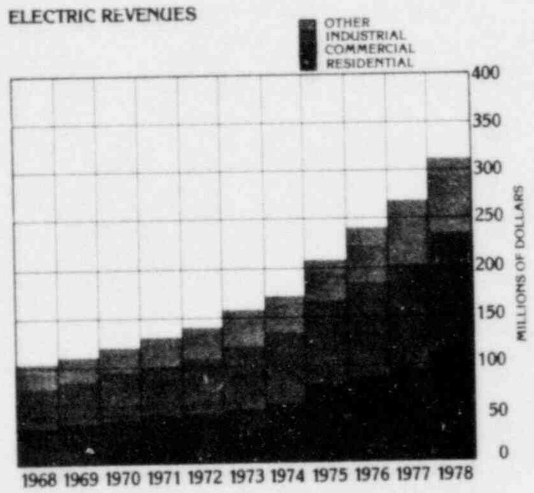
Fuel Leads Operating Expenses

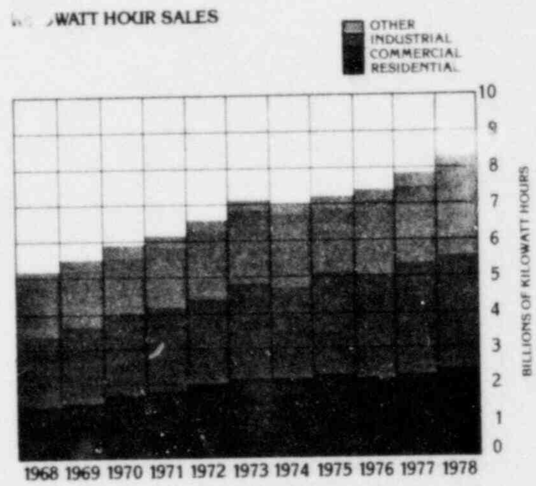
Total operating expenses of $263.6 million were $38.6 million above 1977, an increase of 17.2 per cent.

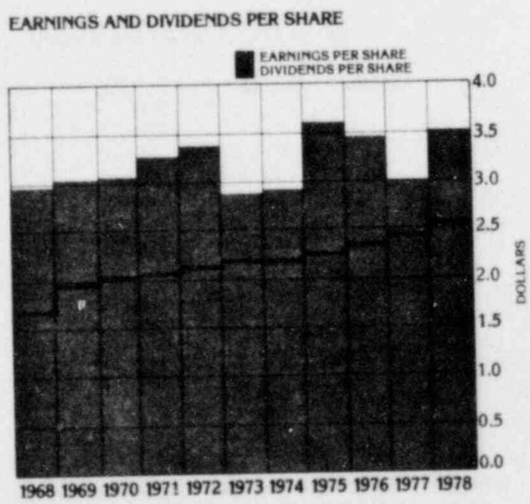
Fuel expense for the year of $90.6 million, the largest expense item, was $15.9 million or 21.3 per cent higher than a year ago. Of this increase, $13.1 million was related to higher unit fuel costs. The average cost of fuel burned in 1978 was 87.8 cents per million Btu, compared to 74.4 cents in 1977.

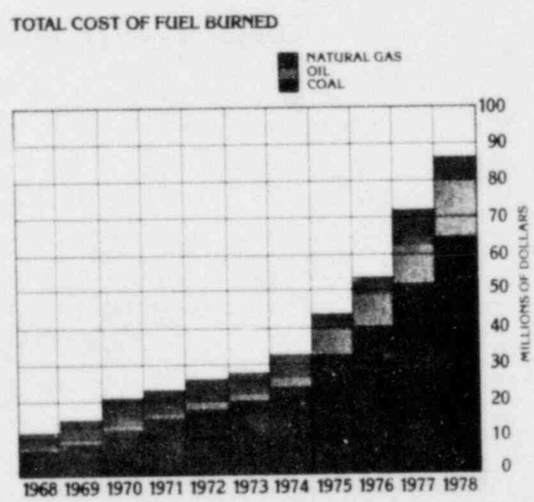
The credit to production expense for net interchange sales to other utility systems was $2.6 million in 1978 compared to $9.3 million in 1977 because of increased purchases of interchange energy necessary to meet increased kilowatt hour sales.

Tax expense in 1978 of $64.6 million was up $10 million from 1977, mainly due to the impact of higher revenues on gross receipts tax payments and increased property and income taxes. Depreciation expense of $33.2 million was $2.8 million higher in 1978 as a result of property additions during the year.









Other operation expenses of $47.4 million increased a modest $2.3 million.

Maintenance expense has been increasing steadily in recent years in conjunction with the Company's heavier reliance on coal for fuel, the increased maintenance requirements of older coal-fired plants, and the sizeable upkeep needs of air quality control equipment mandated by governmental regulations. While maintenance expense in 1978 of $30.4 million represented an increase of only $860,000 from 1977, substantial scheduled power plant maintenance work was postponed during the strike.

Earnings Climb to $3.55

Total interest charges in 1978 were $34.5 million, up $6.3 million for the year, and preferred and preference dividends of $8.7 million were $1.2 million higher than 1977. The effect of the income credit for the allowance for funds used during construction in 1978 was $23.3 million, up $9.8 million from 1977.

These factors combined to produce earnings available for common stock of $34.2 million, or $9.5 million more than 1977. Earnings per average common share in 1978, based on 1.4 million additional average shares outstanding, were $3.55 compared to $3.01 in 1977.

Missouri, Kansas Rate Orders

On March 5, 1979, the Missouri Public Service Commission granted the Company an increase in retail electric revenues of $26.3 million, including gross receipts taxes, or approximately 12.4 per cent annually. The increase, which will become effective March 16, was about 63 per cent of the amount requested in April, 1978, based upon the test year ending June 30, 1978, and adjusted for known changes through January, 1979.

Pending before the Kansas Corporation Commission (KCC) is a final phase in rate proceedings originally filed in November, 1976. The KCC in November, 1977, temporarily granted $9.9 million of the $18.9 million, or 28.3 percent, increase originally requested, based on a fully projected test year ending June 30, 1978. In April, the KCC ordered $9.4 million of the temporary increase to become permanently effective.

In filings in November, 1978, to substantiate Kansas revenue requirements based on actual results of the test year, we requested authority to make permanent the additional $500,000 from the temporary order and to increase rates by the $9 million remaining from the original application. Both requests were considered at hearings begun on February 26, 1979, and a final order from the KCC is expected soon.

Federal wage and price guidelines as applied to regulated utilities are presently being reviewed by the Council on Wage and Price Stability. Although the guidelines are voluntary, interpretations by the state regulatory commissions and the resulting impacts on requests for rate relief are unknown at this time.

Fuel Adjustment Actions

We currently have a fuel adjustment schedule effective in Missouri which permits recovery on a timely basis of increases in the cost of coal burned and the fuel cost component of interchange energy purchased from coal and natural gas sources.

On February 2, 1979, the MPSC ordered each regulated electric utility in Missouri to adopt a new fuel adjustment schedule based on its estimated annual cost of all fuels, using an average fuel adjustment factor for each billing period during the year with provisions for adjustment during the following year. The order, unanimously approved by the Commission, became effective on February 16, 1979, and will be implemented by the Company after hearing. While the new procedure will permit recovery of increased unit costs of fuels, it will require extremely accurate fuel cost forecasting. An annual audit and formal hearing are required before implementation of any change in the fuel adjustment.

In Kansas, an energy adjustment schedule enabling the Company to recover substantially all increases in the costs of all fuels burned and the energy cost component of purchased power, became effective on March 1, 1978. The new procedure eliminates delays in cost recovery experienced in the former method and is based on estimates of fuel cost increases subject to monthly adjustment.

Ownership in Iatan 1 Reduced to 70 Per Cent

On July 31, 1978, we closed agreements with two Missouri utilities which reduced our ownership interest in Iatan 1 to 70 per cent, or 455 megawatts, and our cash outlay for construction from $246 million to $205 million. The transactions included an increase of an additional 3 per cent ownership by St. Joseph Light & Power Company, bringing its interest to 18 per cent, or 117 megawatts, and a transfer of a 12 per cent ownership interest, or 78 megawatts, to The Empire District Electric Company.

This action was related to a series of events which added nearly 300 megawatts to our projected capacity availability in the early 1980s, including: an MPSC order in June, 1977, requiring SJLP to reduce its agreed ownership share in Iatan 1 from 25 to 15 per cent; the fact that the City of Independence, Missouri, will not acquire a previously reserved 101 megawatts in the Iatan and Wolf Creek units; and execution of a demand curtailment contract with Armco, Inc., reducing our annual peak capacity responsibility by 120 megawatts.

Talks have been terminated with Nebraska Public Power District concerning any sale by the Company of an ownership interest in Wolf Creek 1, due to Nebraska State legislative restrictions prohibiting out-of-state ownership. Still under consideration by NPPD is a possible participation power purchase of 200 megawatts from Wolf Creek for a two-year period beginning in May, 1983.

1978 Construction Totals $170.8 Million

The 1978 construction program required a cash outlay of $170.8 million, substantially below the $213 million forecast, but still a record for the Company. The difference between actual and forecast expenditures largely related to the reduction of ownership in Iatan 1. Approximately 30.9 per cent or $52.7 million of the 1978 requirements came from internal funds. The remaining $118.1 million was financed mainly from five external sources.

In March, 1.2 million shares of common stock were sold through underwriters to the public at $28.25 per share. At competitive bidding in June, the Company sold $25 million of first mortgage bonds, 9¼% Series, due 2008. Proceeds were used to refund $9.6 million of maturing 2⅞% Series bonds with the balance applied to the construction program.

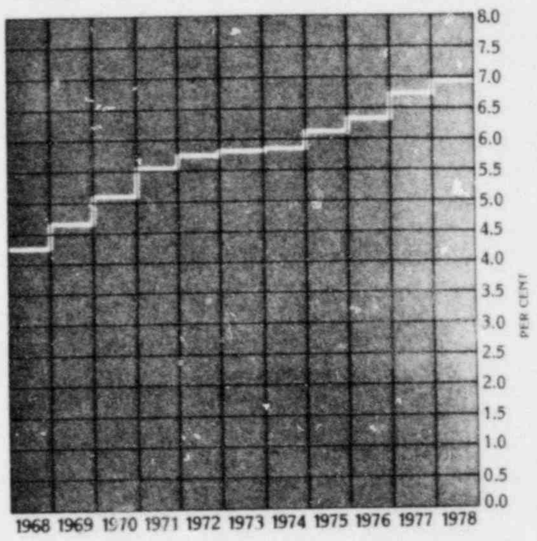
Environmental Bonds Issued for Iatan, Hawthorn Work

In July, $31 million of environmental improvement revenue bonds were issued through the Missouri State Environmental Improvement Authority to finance construction of air pollution control facilities at both Hawthorn and Iatan stations. The issues, both 6⅞% Series due 2008, included $21.8 million for the Iatan electrostatic precipitator and $9.2 million of additional funds for replacement of the Hawthorn 5 precipitator.

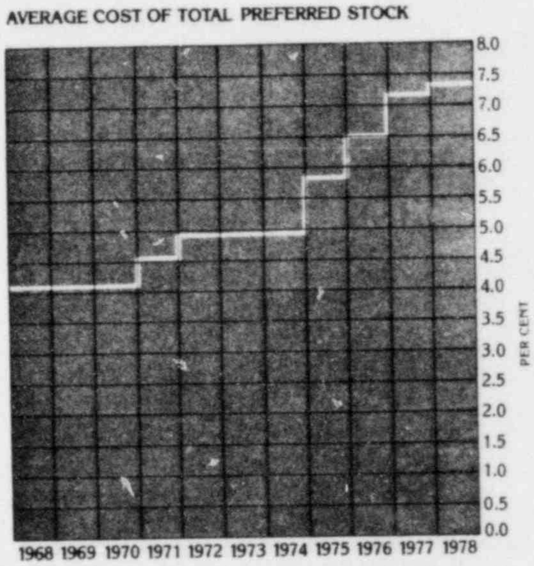
New Financing Tools: Eurodollar, Preference Stock, Bankers Acceptances

Looking ahead to a welcome lull in the construction program and a corresponding decline in capital needs in the next few years, we developed three new sources for construction funds in 1978. In November, agreements were completed in London establishing an 18-month, $50 million line-of-credit with a group of international banks. The Eurodollar agreement provides for use of unsecured

AVERAGE COST OF TOTAL LONG-TERM DEBT



AVERAGE COST OF TOTAL PREFERRED STOCK



funds based on the three-month London Inter-Bank Offered Rate, traditionally lower than the U.S. floating prime rate. In going overseas, we will be able to reduce commitment fees and avoid compensating balances required by U.S. banks. The Company drew $21 million against this line-of-credit in December, 1978.

Also in December, 250,000 shares of $8.00 Cumulative Preference Stock, the first series of a new class of stock authorized by stockholders in May, 1978, were privately placed with a group of eight institutional buyers. The issue is non-redeemable through December 1, 1981, but is subject to a mandatory sinking fund requirement on December 1 in the years 1983 through 1988. The issue sold at $100 per share to yield 8 per cent.

Another line-of-credit opened with Citibank, N.A., utilizes a field warehousing arrangement to finance fuel inventories through the use of bankers acceptances. This agreement, finalized in January, 1979, provides for loans up to $40 million secured by coal and fuel oil inventories.

At December 31, 1978, total capitalization of $972.8 million was represented by 51.7 per cent long-term debt, 14.5 per cent preferred and preference stock and 33.8 per cent common stock.

Future Construction Program to Decline

As forecast three years ago, 1979 is the last year of record expenditures in the current five-year construction program and construction needs are projected to decline through 1983. The cash outlay for the 1979 program is preliminarily estimated at $190.8 million and $578.3 million is targeted for the five years, excluding the allowance for funds used during construction.

2,170 Shareholders Reinvest Dividends

The Dividend Reinvestment and Stock Purchase Plan has enrolled 2,170 shareholders since implementation in July. Under this plan, shareholders may have dividends from common, preferred and preference stock reinvested automatically in new shares of KCPL common stock at a 5 per cent discount. Participants may also invest cash together with reinvested dividends or may invest cash for purchase of new common shares at market value.

In 1978, 36,038 new shares were purchased for common and preferred shareholders who reinvested $664,120 in dividends and made optional cash payments of $229,400. The proceeds were applied to the construction program.

A prospectus detailing the plan may be obtained by writing to Manufacturers Hanover Trust Company, Dividend Reinvestment Department, P.O. Box 24850, Church Street Station, New York, New York 10242, or to Miss Clare Den Haerynck, Secretary, Kansas City Power & Light Company, 1330 Baltimore Avenue, Kansas City, Missouri 64141.

Annual Meeting Draws Record Attendance

Over 140 shareholders attended the 1978 Annual Meeting of Shareholders on April 25 at the Company's corporate headquarters in downtown Kansas City, Missouri. More than 80 per cent of the 8,647,092 shares eligible were represented either in person or by proxy.

At the meeting, shareholders reelected nine directors and approved the appointment of Arthur Andersen & Co., as independent public accountants for 1978. The meeting adjourned and reconvened May 30, 1978, at which time votes representing more than 75 per cent of outstanding shares approved an amendment to the Articles of Consolidation authorizing four million shares of Cumulative Preference Stock. This stock is not subject to coverage restrictions as is preferred stock and provides more flexibility in financing the construction program.

The 1979 Annual Meeting is scheduled for 10 a.m. Tuesday, April 24, 1979, in the Company's downtown offices, 1330 Baltimore Avenue, Kansas City, Missouri.

Management Changes

On May 2, 1978, the Board of Directors elected Arthur J. Doyle president of the Company. He succeeds Robert K. Zimmerman, who continues as chairman of the board and chief executive officer. Mr. Doyle joined the Company in 1973 as general counsel after representing the Company as independent legal counsel for 24 years. He was elected a vice president in May, 1973, to the board in 1976 and was named executive vice president in May, 1977.

William D. Webb, former corporate secretary, was named assistant vice president of communications and was succeeded by Clare Den Haerynck, former assistant secretary. Mr. Webb came to KCPL in 1958 and became corporate secretary in 1960.

Miss Den Haerynck's career with the Company began in 1951. She held positions in various departments prior to joining the corporate secretary's office in 1968. She became assistant secretary in 1974.

William H. Miller joined the Company in November, 1978, as director of human resources. Mr. Miller was formerly with Dayton Power and Light Company where he had full corporate responsibility for all personnel and labor relations activities.

A record number of shareholders attended the 1978 Annual Meeting.

Financial Statements

Kansas City Power & Light Company

Summary of Operations

	Year ended December 31				
	1978	1977	1976 (thousands)	1975	1974
Operating revenues	**$ 318,663**	$ 272,041	$ 238,540	$ 210,318	$ 172,048
Operating expenses					
Operation and maintenance	**165,809**	140,006	115,220	102,749	73,387
Depreciation	**33,174**	30,356	24,629	21,867	20,648
General taxes	**38,511**	35,519	31,822	28,537	25,207
Income taxes	**26,137**	19,144	20,529	16,495	15,204
Total operating expenses	**263,631**	225,025	192,200	169,648	134,446
Operating income	**55,032**	47,016	46,340	40,670	37,602
Allowance for equity funds used during construction	**12,543**	7,592	3,983	2,119	511
Other income and deductions (net)	**(874)**	(39)	185	1,715	642
Income before interest charges	**66,701**	54,569	50,508	44,504	38,755
Interest charges	**(34,527)**	(28,190)	(24,220)	(21,256)	(19,604)
Allowance for borrowed funds used during construction—credit	**10,750**	5,904	4,022	3,356	1,062
Net income	**42,924**	32,283	30,310	26,604	20,213
Preferred and preference dividend requirements	**8,719**	7,545	5,124	4,019	2,842
Earnings available for common stock	**$ 34,205**	$ 24,738	$ 25,186	$ 22,585	$ 17,371
Average common shares outstanding	**9,644,321**	8,216,133	7,211,536	6,247,092	5,947,092
Earnings per average common share	**$ 3.55**	$ 3.01	$ 3.49	$ 3.62	$ 2.92
Cash dividends per common share	**$ 2.56**	$ 2.46	$ 2.34	$ 2.26	$ 2.20

Management's Discussion and Analysis of Summary of Operations

Operating Revenues:

Operating revenues increased significantly both in 1978 and in 1977. A large portion of the increase in operating revenues for each year was a result of a prior year electric rate increase, effective May, 1976 and November, 1977, and increased fuel costs recovered through fuel adjustment clauses. Increased energy usage, resulting in part from the severe winter of 1977-78 and increased air cooling loads during the summer of 1978, accounted for the balance of the 1978 revenue increase.

Operating Expenses:

A 138-day strike in 1978 caused variations in the Company's operating conditions. As a result, operation and maintenance expenses in 1978 may not be directly comparable to those in 1977.

Increased operating expenses offset to a large extent the increased revenues in 1978 and almost entirely offset the increased revenues in 1977. Higher fuel prices and increased electric generation resulted in increased fuel costs which were a significant factor in the higher cost of operations for each year.

In 1978, increased kilowatt hour sales, the purchase of economy energy and a major unit outage due to installation of improved air quality control equipment resulted in increased purchases of interchange energy. Consequently, net interchange sales decreased in 1978 and contributed to the increased operating expenses.

The continuing rise in the cost of performing maintenance work at generating stations and a general wage increase of 7.5% in 1977 resulted in a significant increase in the cost of maintenance for 1977. During 1978, the postponement of noncritical maintenance work during the strike resulted in only a nominal increase in total maintenance expense over 1977.

The MPSC and the KCC approved higher depreciation rates which became effective July 1, 1976. The combination of these higher rates and increased amounts of depreciable property caused higher depreciation expense both in 1977 and in 1978.

Taxes:

General taxes increased in 1977 and in 1978 primarily due to increased gross receipts taxes on higher operating revenues in each year. An increased property tax base and higher tax rates resulted in increased property taxes.

Income taxes in 1978 increased as a result of greater taxable income during that year and the normalization of the tax effect of the debt component of a greater amount of the allowance for funds used during construction (AFDC). Although net income increased in 1977, that increase reflected an increase in the equity component of AFDC, a non-taxable item of net income. Therefore, in 1977, the Company's taxable income decreased and resulted in a reduction in income taxes for the year.

Allowance for Funds Used During Construction:

Continued construction expenditures at Iatan Unit 1 and Wolf Creek Unit 1 have resulted in increases in AFDC both in 1977 and in 1978.

Interest Charges, Dividend Requirements and Other:

Financing requirements for the continuing construction program resulted in the issuance of long-term debt in May and December, 1976, October and November, 1977, and June and July, 1978, as well as an increase in average short-term indebtedness. These increased borrowings, together with higher interest rates, have resulted in increased interest expense both in 1977 and in 1978. Additional preferred stock was issued in December, 1976, and August, 1977, which increased preferred dividend requirements both in 1977 and in 1978.

Kansas City Power & Light Company

Balance Sheets

Assets

		December 31 1978	1977
		(thousands)	
Utility Plant, at original cost (Notes 1, 3 and 9)	Electric	$ 993,381	$ 946,472
	Steam heat	4,897	4,774
		998,278	951,246
	Less-Reserves for depreciation	275,304	245,882
		722,974	705,364
	Construction work in progress (Note 6)	331,092	194,635
		1,054,066	899,999
Investments and Nonutility Property (Note 1)		6,029	4,371
Current Assets	Cash (Note 2)	9,517	7,970
	Special deposits	11,328	3,142
	Customer accounts receivable, less reserves of $863,000 and $579,000	23,656	19,287
	Other receivables	10,236	11,399
	Federal income tax refund receivable	68	12,540
	Fuel inventories, at cost (Note 1)	27,788	27,987
	Materials and supplies, at cost (average basis)	14,746	11,573
	Prepayments	1,337	1,233
		98,676	95,131
Deferred Charges		7,989	9,313
		$1,166,760	$1,008,814

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

Liabilities

		December 31 1978	1977
		(thousands)	
Capitalization (See statements)	Common stock—authorized 16,000,000 shares, without par value —9,961,794 and 8,647,092 shares outstanding—stated value	**$ 182,047**	$ 146,029
	Retained earnings (Note 4)	**143,447**	134,167
	Capital surplus	**3,144**	3,288
		328,638	283,484
	Cumulative preferred stock	**116,156**	116,316
	Cumulative preference stock	**25,000**	—
	Long-term debt	**503,044**	426,803
		972,838	826,603
Current Liabilities	Notes payable to banks (Note 2)	**—**	19,000
	Unsecured commercial notes	**10,000**	—
	Current maturities of long-term debt	**—**	9,569
	Accounts payable	**32,459**	32,098
	Accrued taxes	**7,935**	5,167
	Accrued interest	**7,483**	6,208
	Dividends declared	**2,617**	2,147
	Accrued payroll and vacations	**6,491**	5,230
	Accrued fuel costs	**6,469**	1,651
	Other	**2,508**	2,523
		75,962	83,593
Reserves and Deferred Credits	Deferred income taxes (Note 1)	**72,079**	63,470
	Deferred investment tax credits (Note 1)	**44,186**	33,635
	Other	**1,695**	1,513
		117,960	98,618
Commitments and Contingencies (Notes 6 and 7)			
		$1,166,760	$1,008,814

Kansas City Power & Light Company

Statements of Income

		Year ended December 31 1978	1977
		(thousands)	
Operating Revenues (Notes 1 and 5)	Electric	$ 313,787	$ 267,432
	Steam heat	4,876	4,609
		318,663	272,041
Operating Expenses (Note 1)	Operation		
	Fuel	90,628	74,718
	Interchange power (net)	(2,599)	(9,302)
	Other	47,421	45,094
	Maintenance	30,359	29,496
	Depreciation	33,174	30,356
	Taxes (See statements)		
	Income	26,137	19,144
	General	38,511	35,519
		263,631	225,025
Operating Income		55,032	47,016
Other Income and Deductions	Allowance for equity funds used during construction (Note 1)	12,543	7,592
	Miscellaneous--net of income taxes	(874)	(39)
		11,669	7,553
Income Before Interest Charges		66,701	54,569
Interest Charges	Long-term debt	32,217	26,856
	Short-term notes	1,969	1,066
	Allowance for borrowed funds used during construction—credit (Note 1)	(10,750)	(5,904)
	Other	341	268
		23,777	22,286
Yearly Results	Net income	42,924	32,283
	Preferred and preference dividend requirements	8,719	7,545
	Earnings available for common stock	$ 34,205	$ 24,738
	Average number of common shares outstanding	9,644,321	8,216,133
	Earnings per average common share	$ 3.55	$ 3.01

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

Kansas City Power & Light Company

Statements of Sources of Funds for Gross Property Additions

		Year ended December 31 1978	1977
		(thousands)	
Funds Provided From Operations	Net income	$ 42,924	$ 32,283
	Less dividends declared	33,644	28,223
	Earnings retained in business	9,280	4,060
	Items not requiring current use of funds		
	Depreciation	33,174	30,356
	Deferred income taxes	12,990	12,323
	Investment tax credit (net)	9,793	18,697
	Allowance for equity funds used during construction	(12,543)	(7,592)
		52,694	57,844
Funds Provided From Outside Financing	Issuance of long-term debt	77,000	71,940
	Issuance of cumulative preferred stock	—	22,000
	Issuance of cumulative preference stock	25,000	—
	Issuance of common stock	36,018	32,291
		138,018	126,231
	Retirement of long-term debt	(9,569)	(19,500)
	Increase (decrease) in short-term notes payable	(9,000)	13,000
	Net change in special deposits	(8,186)	(822)
		111,263	118,909
Other Funds Provided (Used)	Sale or disposition of property	—	3,643
	(Increase) decrease in receivables, less reserves	9,266	(19,114)
	(Increase) decrease in fuel inventory	199	(7,008)
	Increase (decrease) in accrued taxes	2,768	(2,739)
	Increase in accounts payable	361	16,594
	Allowance for equity funds used during construction	12,543	7,592
	Increase in materials and supplies	(3,173)	(2,417)
	Increase in other investments	(1,683)	(1,944)
	Other current liabilities	4,983	747
	Other (net)	(500)	(3,822)
		24,764	(8,468)
Gross Property Additions		$188,721	$168,285

Kansas City Power & Light Company

Statements of Capit ·l Stock, Capital Surplus and Retained Earnings

	Common Stock	Cumulative Preferred Stock	Cumulative Preference Stock	Capital Surplus	Retained Earnings
Year ended December 31, 1977 (thousands)					
Balance, December 31, 1976	$113,738	$ 96,476	$ —	$ 1,781	$130,107
Net income for the year 1977	—	—	—	—	32,283
Dividends declared					
Cumulative preferred stock	—	—	—	—	(8,304)
Common stock—$2.46 per share	—	—	—	—	(19,919)
Expense related to $2.33 preferred stock issue, December 1, 1976	—	—	—	(19)	—
Issue of 1,100,000 shares of common stock, May 24, 1977	32,291	—	—	(92)	—
Issue of 800,000 shares of $2.20 cumulative no par preferred stock, August 4, 1977	—	20,000	—	(774)	—
Premium on issuance of 800,000 shares of $2.20 cumulative no par preferred stock	—	—	—	2,000	—
Purchase and cancellation of 1,600 shares of 4% cumulative preferred stock	—	(160)	—	59	—
Amortization of capital stock expense	—	—	—	333	—
Year ended December 31, 1978 (thousands)					
Balance, December 31, 1977	146,029	116,316	—	3,288	134,167
Net income for the year 1978	—	—	—	—	42,924
Dividends declared					
Cumulative preferred stock	—	—	—	—	(8,580)
Cumulative preference stock	—	—	—	—	(472)
Common stock —$2.56 per share	—	—	—	—	(24,592)
Issue of 1,200,000 shares of common stock, March 22, 1978	32,940	—	—	(98)	—
Issue of 78,664 shares of common stock for the Employees' Stock Ownership Plan	2,185	—	—	(5)	—
Issue of 36,038 shares of common stock for the Dividend Reinvestment and Stock Purchase Plan	893	—	—	(22)	—
Issue of 250,000 shares of $8.00 cumulative preference stock, December 6, 1978	—	—	25,000	(80)	—
Purchase and cancellation of 1,600 shares of 4% cumulative preferred stock	—	(160)	—	61	—
Balance, December 31, 1978 (Note 4)	$182,047	$116,156	$ 25,000	$ 3,144	$143,447

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

Kansas City Power & Light Company

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

		December 31 1978	1977
		(thousands)	

Cumulative Preferred Stock (Note 3)

		1978	1977
$100 Par Value—Authorized 561,557 and 563,157 shares—outstanding:	3.80%—100,000 shares	$ 10,000	$ 10,000
	4% — 41,557 and 43,157 shares	4,156	4,316
	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 Cumulative Preferred Stock		$116,156	$116,316

Cumulative Preference Stock (Note 3)

		1978	1977
No Par—Authorized 4,000,000 shares—outstanding:	$ 8.00—250,000 shares	$ 25,000	$ —

Long-Term Debt (Note 3)

		1978	1977
First Mortgage Bonds	Regular issues		
	2-7/8% series due 1978	$ —	$ 9,569
	2-3/4% series due 1980	11,972	11,972
	8-7/8% series due 1981	25,000	25,000
	3-1/4% series due 1983	9,506	9,728
	3-1/4% series due 1985	16,000	16,000
	5% series due 1990	20,000	20,000
	4-3/4% series due 1995	15,000	15,000
	5-3/4% series due 1997	30,000	30,000
	6-3/4% series due 1998	25,000	25,000
	7-1/8% series due 1999	26,000	26,000
	9-1/8% series due 2000	35,000	35,000
	7-3/4% series due 2001	27,000	27,000
	7-5/8% series due 2002	30,000	30,000
	8-7/8% series due 2006	40,000	40,000
	8-1/8% series due 2006	30,000	30,000
	8-1/2% series due 2007	30,000	30,000
	9-1/4% series due 2008	25,000	—
	Pledged in support of pollution control bonds		
	5-7/8% series due 2007	41,940	41,940
	6-7/8% series due 2008	31,000	—
Guaranty of Pollution Control Bonds	5-3/4% series due 2003	15,000	15,000
Loan Agreement	Due May, 1980	21,000	—
	Unamortized premium and discount (net)	(1,374)	(837)
		503,044	436,372
	Less current maturities of long-term debt	—	9,569
Total Long-Term Debt		$503,044	$426,803

Kansas City Power & Light Company

Statements of Taxes

		Year ended December 31 1978 (thousands)	1977
Income Tax Expense Currently payable (Refundable)	Federal	$ 2,697	$(11,744)
	State	1,674	636
Deferred	Federal (net)		
	Depreciation differences and other	7,040	8,654
	Debt component of AFDC	4,838	2,734
	State (net)	1,112	935
Investment tax credit	Provision	11,126	19,703
	Amortization	(1,333)	(1,006)
	Total income tax expense (Note 1)	27,154	19,912
	Less income tax expense included in other income	1,017	768
	Income tax expense applicable to operating income	26,137	19,144
General Tax Expense	Property and real estate	18,382	17,204
	Gross receipts	17,620	15,923
	Other	2,509	2,392
	Total general tax expense	38,511	35,519
Total Tax Expense Applicable to Operating Income		$ 64,648	$ 54,663

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

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

Allowance For Funds Used During Construction (AFDC): AFDC, a noncash item, represents the net cost of borrowed funds used for construction purposes and a reasonable rate upon other funds when so used. It is charged to construction work in progress during the period of construction. When a construction project is placed in service, the related AFDC becomes a part of the original cost of the completed plant which is used to establish rates for utility charges under established regulatory rate practices.

The Federal Energy Regulatory Commission (FERC) has established a formula for computing the maximum AFDC rate. This formula has been used to determine the 1978 and 1977 rates. The rates used to compute AFDC, compounded semi-annually, were 9.02% (6.95% net of tax) for 1978 and 8.8% (6.9% net of tax) for 1977. (See "Income Taxes" below.)

Depreciation and Maintenance: Provisions for depreciation of electric plant and steam heat plant are computed on a straight-line basis pursuant to rates ordered by the Public Service Commission of the State of Missouri (MPSC). Approximate annual composite rates were as follows:

	Year Ended December 31 1978	1977
Electric	3.62%	3.61%
Steam heat	3.76%	3.68%

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 buildings and similar items are also not significant.

Retirement Plans: The Company has group annuity plans for its employees, including officers, providing for benefits upon retirement, normally at age 65. The Company is obligated to fund benefits of the plan applicable to its management employees. Contracts with the three local unions of the International Brotherhood of Electrical Workers provide for stated payments by the Company to a trust fund, whose trustees are responsible for administration of the pension fund. The Company's policy is to fund pension costs accrued. The Company's liability for past service costs is not significant.

The annual costs of the plans were $4,700,000 and $5,331,000 for the years 1978 and 1977, respectively.

Revenue and Expense Recognition: The Company utilizes cycle billing and records revenue billed to its customers when meters are read. Residential and small commercial and industrial electric customers are billed bimonthly while large commercial and industrial electric customers and steam heat customers are billed monthly. Cost of service rendered is recognized as incurred. (See Note 5).

Income Taxes: The Company generally normalizes the effects of the differences in tax depreciation and book depreciation. Deferred taxes have been provided for this difference in tax depreciation except for the effect of accelerated depreciation on Missouri property acquired prior to 1972. Accelerated depreciation methods include the use of shorter "Guideline" lives and 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 credited to income as these timing differences reverse.

The tax effect of the allowance for borrowed funds used during construction, is being normalized in accordance with rate orders issued by the regulatory commissions of the States of Missouri and Kansas. Under such orders, the accumulated deferred income taxes are offset against construction work in progress rather than being shown as a reserve on the balance sheet. The tax effects of certain other costs which are capitalized on the books, including pension costs and taxes, are not normalized. Under regulatory practices of the Commissions to which the Company is subject, it is expected that income taxes not provided for currently will be recoverable through revenues when such taxes become due.

The Company's effective income tax rates are computed by dividing total income tax expense by the sum of such tax expense and net income. The following table reconciles the effective tax rates to the statutory Federal income tax rate:

	Year Ended December 31	
	1978	1977
Effective income tax rate as reported	**38.7%**	38.1%
Allowance for equity funds used during construction, not taxable income	**8.6**	7.0
Differences between book and tax depreciation	**(.9)**	(.3)
Amortization of investment tax credits	**1.9**	1.9
Taxes and pension costs capitalized	**1.8**	2.2
State income taxes	**(1.9)**	(1.5)
Other	**(.2)**	.6
Statutory Federal income tax rate	**48.0%**	48.0%

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, 1978, the Company had unused investment tax credits of approximately $9,400,000 which will be available to reduce Federal income taxes payable through 1985.

Notes to Financial Statements (continued)

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

Fuel: Prior to January 1, 1978, the Company's fuel inventories were priced on a first-in, first-out basis. Since January 1, 1978, fuel inventories have been priced on an average cost basis. The effect of this change on net income for 1978 was not significant.

2. Short-term Borrowings

The Company borrows funds primarily for construction purposes from banks under line-of-credit agreements and through the sale of commercial paper. These borrowings are normally arranged on a 30 to 90 day basis at the prime rate then in effect. In connection with the bank loan agreements, the Company has informally agreed to maintain an operating account or a minimum average deposit with the banks. Such amounts are expressed as percentages of the line-of-credit available and the amount of outstanding loans. There are no legal restrictions placed on the withdrawal of these funds. The table below sets out information related to these borrowings during the periods.

	Year Ended December 31	
	1978	1977
Short-term borrowings:		
Maximum amount	**$45,000,000**	$36,500,000
Monthly average	**24,167,000**	17,350,000
Unused lines-of-credit, end of period	**56,500,000**	36,000,000
Minimum average deposit requirements	**6,850,000**	6,700,000
Interest rates:		
Weighted daily average	**8.1%**	6.6%
End of period	**10.4%**	7.8%

3. Capital Stock, Bonds and Other Long-term Debt

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, 1978	Restricted Redemption Date	Stated Minimum Interest or Dividend Cost
3.80%	$103.70	–	–
4%	102.25	–	–
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%

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 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.

Scheduled maturities and sinking fund requirements for long-term debt are as follows:

Year	Bonds Maturing	Sinking Fund Requirements	Sinking Fund Unfulfilled
1979	$ —	$430,000	$160,000
1980	11,972,000	280,000	160,000
1981	25,000,000	280,000	160,000
1982	—	280,000	266,000
1983	9,506,000	160,000	160,000

Annual sinking fund requirements of $160,000 may be met by pledging property additions taken at 60% of cost or fair value to the Company, whichever is less.

The holders of the Company's Common Stock approved, on May 30, 1978, an amendment to the Company's Articles of Consolidation to create a new class of 4,000,000 shares of preference stock, without par value. The preference stock is senior to the Common Stock, but junior to the preferred stock, with respect to dividends and distributions upon any liquidation of the Company.

In December, 1978, the Company issued 250,000 shares of $8.00 Cumulative Preference Stock, non-convertible, with stated value of $100 per share. This stock 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 of the years 1983 through 1988 are mandatory.

On May 2, 1978, the Company's Board of Directors approved the issuance and sale of up to 350,000 shares of additional Common Stock to participants in the Company's Dividend Reinvestment and Stock Purchase Plan. Such Plan became effective July 13, 1978.

The Company has arranged a $50,000,000 line-of-credit through a group of international banks. This agreement provides for the use of unsecured intermediate-term funds at fluctuating interest rates based on the three-month London Inter-Bank Offered Rate plus a commitment fee of 1/4% per annum on any unused portion of the line-of-credit. This loan agreement, which does not require compensating balances, expires on May 30, 1980. On December 29, 1978, the Company received a $21,000,000 advance under the terms of this agreement, at the rate of 12-1/4%.

In January, 1979, the Company began using a two year financing arrangement with Citibank, N.A. This arrangement enables the Company to borrow up to $40,000,000 through bankers acceptances by collateralizing its coal and oil inventories.

4. Dividend Restrictions

Retained earnings at December 31, 1978, included $30,000,000 which was not available for cash dividends on common stock under the provisions of the Articles of Consolidation.

5. Rate Matters

The Company has fuel adjustment schedules in its effective rate tariffs in both Missouri and Kansas. An energy cost adjustment schedule approved by the Kansas Corporation Commission (KCC) effective March 1, 1978, provides procedures for the recovery of energy costs based on monthly estimated costs and sales, with any over or under recovery to be adjusted in a subsequent month. On February 2, 1979, the MPSC issued an order which provides for each Missouri electric utility to file new fuel adjustment schedules utilizing a formula prescribed in the order. A fuel adjustment factor, which includes the cost of all fuels, will be established for a 12-month period based upon projected fuel costs and kilowatt hour sales during that period. Any over or under recovery of fuel costs will be considered in the subsequent year's fuel adjustment schedule. The Company's present Missouri fuel adjustment schedule remains in effect until a new fuel adjustment schedule is filed with and approved by the MPSC.

In January, 1979, the Company began recording recoverable or refundable revenues under the terms of the Kansas schedule and will adopt comparable accounting in Missouri upon acceptance by the MPSC of the Company's new fuel adjustment schedule.

On April 19, 1978, the Company filed an application with the MPSC to increase retail electric service revenues by approximately $41.7 million, or 19.5%. The Company expects to receive an order in this case by March 17, 1979.

Notes to Financial Statements (continued)

On November 5, 1976, the Company filed an application with the KCC to make effective new Kansas retail electric rate schedules designed to increase annual revenues by approximately $18.9 million, or about 28.3%, based on projected data for the twelve months ending June 30, 1978. Approximately $9.9 million of this request was authorized by an interim order from the KCC and new temporary retail electric service rate schedules were put into effect by the Company on November 16, 1977. On April 13, 1978, the KCC permitted the Company to permanently place into effect 95% of the temporary increase.

A hearing to consider the Company's request to make the remainder of the interim increase permanent will be held on February 26, 1979, at which time the Company's request for the approximately $9,000,000 of increased revenues originally sought but not granted by the previous order will also be considered.

6. Commitments and Contingencies

Total construction commitments at December 31, 1978, approximated $269 million. The Company is participating with other electric utilities in joint construction of fossil fuel and nuclear generating plants. At December 31, 1978, construction commitments of $226 million and actual expenditures of $148 million, including nuclear fuel and AFDC, relate to Wolf Creek Unit 1, which is jointly owned with Kansas Gas and Electric Company (KG&E). Construction commitments of $25 million and actual expenditures of $167 million relate to Iatan Unit 1, which is jointly owned with St. Joseph Light & Power Company (SJLP) and The Empire District Electric Company (EDE).

An application has been made before the Nuclear Regulatory Commission (NRC) for an operating license for Wolf Creek Unit 1. On May 17, 1977, the NRC issued a permit for the construction of Wolf Creek Unit 1 and has indicated that it will undertake generic rule-making procedures with respect to nuclear waste disposal and reprocessing and that licenses will continue to be issued, but on a conditional basis subject to final court review. The Company assumes a risk of loss in proceeding with the construction of Wolf Creek Unit 1, pending results of the generic rule-making. KG&E has advised the NRC that certain sample tests of the concrete base mat for the nuclear reactor at Wolf Creek Unit 1 did not meet one of the quality control design criteria approved by the NRC. (See "Wolf Creek Construction" page 4, for additional information on this subject).

On July 31, 1978, the Company reduced its ownership in Iatan Unit 1 from 85% to 70%, through a 3% increase in the ownership of SJLP and a transfer of a 12% ownership to EDE. As a result of these transactions, which were made at prices based upon the Company's approximate cost, the Company recovered $23 million of its previous construction expenditures and reduced its total obligation for the construction of this unit by approximately $41 million.

7. Litigation

On August 25, 1977, Peabody Coal Company (Peabody) filed a petition for declaratory judgment and damages asking the Court to construe certain provisions of several contracts under which Peabody supplies coal to the Company. The suit seeks reformation of the contracts, together with alleged actual damages of some $46,000,000 and punitive damages of $150,000,000. It is the opinion of the Company that the suit for damages is without merit.

During strikes by Company bargaining unit employees in 1974 and 1978, the Company suspended payment of its contribution to the Unions' health, welfare and annuity plans. As of December 31, 1978, the amount of contributions withheld amounted to $2,035,000. Although the unions have contested suspension of the 1974 payments, it is the opinion of the Company that it will have no liability for any of these amounts.

8. Quarterly Operating Results (Unaudited)

1978	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
		(thousands)		
Operating revenues	$ 74,978	$ 68,973	$ 96,864	$ 77,848
Operating income	12,713	10,081	18,341	13,897
Net income	8,821	7,266	15,459	11,378
Preferred and preference dividend requirements	2,145	2,145	2,145	2,284
Earnings per average common share	$ 0.76	$ 0.52	$ 1.34	$ 0.91
Average common shares outstanding	8,780,513	9,916,965	9,922,590	9,941,401
1977				
Operating revenues	$ 64,254	$ 60,315	$ 81,437	$ 66,035
Operating income	12,187	7,765	15,143	11,921
Net income	9,497	3,988	10,756	8,042
Preferred dividend requirements	1,707	1,707	1,985	2,146
Earnings per average common share	$ 1.03	$ 0.28	$ 1.01	$ 0.68
Average common shares outstanding	7,547,092	8,006,433	8,647,092	8,647,092

9. Current Replacement Cost (Unaudited)

The rate of inflation experienced in recent years has resulted in a cost of replacement of the Company's productive capacity which is substantially higher than the historical cost of such assets reflected in the Company's Financial Statements. In compliance with the Securities and Exchange Commission reporting requirements, estimated replacement cost information is disclosed in the Company's Annual Report to the Securities and Exchange Commission on Form 10-K.

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, 1978 and 1977, and the related statements of income, taxes, capital stock, capital surplus and retained earnings and sources of funds for gross property additions for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial position of Kansas City Power & Light Company as of December 31, 1978 and 1977, and the results of its operations and the sources of its funds for gross property additions for the years then ended, in conformity with generally accepted accounting principles consistently applied during the periods.

ARTHUR ANDERSEN & CO.

Kansas City, Missouri,
January 31, 1979.

Kansas City Power & Light Company

Eleven-Year Summaries

Summary of Earnings

	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968
Operating Revenues (000's)											
Electric	**$ 313,787**	$ 267,432	$ 235,673	$ 207,813	$ 170,249	$ 155,403	$ 137,781	$ 128,774	$ 119,899	$ 108,912	$ 101,976
Other	**4,876**	4,609	2,867	2,505	1,799	1,736	1,829	1,700	1,807	1,737	1,576
Total operating revenues	**318,663**	272,041	238,540	210,318	172,048	157,139	139,610	130,474	121,706	110,649	103,552
Operating Expenses (000's)											
Operation	**135,450**	110,510	92,945	83,555	58,837	55,950	50,538	43,622	40,326	35,282	35,829
Maintenance	**30,359**	29,496	22,275	19,194	14,550	13,890	10,659	11,451	10,835	8,413	6,768
Depreciation	**33,174**	30,356	24,629	21,867	20,648	18,560	14,301	13,489	12,957	11,827	10,477
Federal income taxes—											
Payable currently	**1,397**	(12,296)	6,210	4,556	7,831	2,226	6,720	9,646	9,978	10,235	12,517
Investment tax credit (net)	**9,793**	18,697	6,507	3,247	210	2,148	654	(455)	(557)	1,592	164
Deferred until future years (net)	**12,273**	11,229	6,235	7,374	5,899	5,353	1,188	134	98	139	100
Property and other taxes	**41,185**	37,033	33,399	29,855	26,471	23,865	22,162	21,232	18,797	17,217	14,994
Total operating expenses	**263,631**	225,025	192,200	169,648	134,446	121,992	106,222	99,119	92,434	84,705	80,849
Operating Income (000's)	**55,032**	47,016	46,340	40,670	37,602	35,147	33,388	31,355	29,272	25,944	22,703
Other Income and Deductions (000's)											
Allowance for equity funds used during construction	**12,543**	7,592	3,983	2,119	511	1,006	1,893	1,029	337	972	1,490
Miscellaneous (net)	**(874)**	(39)	185	1,715	642	214	498	503	402	516	432
Total other income and deductions	**11,669**	7,553	4,168	3,834	1,153	1,220	2,391	1,532	739	1,488	1,922
Income before Interest Charges (000's)	**66,701**	54,569	50,508	44,504	38,755	36,367	35,779	32,887	30,011	27,432	24,625
Interest Charges (000's)											
Interest on long-term debt	**32,217**	26,856	23,553	19,968	17,884	17,473	15,978	13,638	11,060	9,135	7,083
Interest on short-term notes	**1,969**	1,066	412	1,085	1,592	343	650	672	1,183	767	699
Allowance for borrowed funds used during construction—credit	**(10,750)**	(5,904)	(4,022)	(3,356)	(1,062)	(1,554)	(3,102)	(1,686)	(912)	(1,132)	(1,375)
Miscellaneous	**341**	268	255	203	128	147	87	82	64	56	51
Total interest charges	**23,777**	22,286	20,198	17,900	18,542	16,409	13,613	12,706	11,395	8,826	6,458
Net Income before Extraordinary Items (000's)	**42,924**	32,283	30,310	26,604	20,213	19,958	22,166	20,181	18,616	18,606	18,167
Extraordinary Items (000's)	—	—	—	—	—	—	—	—	—	—	1,342
Net Income (000's)	**42,924**	32,283	30,310	26,604	20,213	19,958	22,166	20,181	18,616	18,606	19,509
Preferred Dividend Requirements (000's)	**8,719**	7,545	5,124	4,019	2,842	2,848	2,854	2,401	1,863	1,870	1,876
Applicable to Common Stock (000's)	**$ 34,205**	$ 24,738	$ 25,186	$ 22,585	$ 17,371	$ 17,110	$ 19,312	$ 17,780	$ 16,753	$ 16,736	$ 17,633
Earnings Per Average Common Share											
Before extraordinary items	**$ 3.55**	$ 3.01	$ 3.49	$ 3.62	$ 2.92	$ 2.88	$ 3.37	$ 3.26	$ 3.08	$ 3.07	$ 2.99
After extraordinary items	**$ 3.55**	$ 3.01	$ 3.49	$ 3.62	$ 2.92	$ 2.88	$ 3.37	$ 3.26	$ 3.08	$ 3.07	$ 3.24
Cash Dividends Per Share	**$ 2.56**	$ 2.46	$ 2.34	$ 2.26	$ 2.20	$ 2.20	$ 2.12	$ 2.08	$ 2.02	$ 1.94	$ 1.71
Ratio of Earnings to Fixed Charges	**3.01**	2.83	3.10	3.09	2.82	2.68	2.88	3.07	3.27	4.02	5.03

Capitalization Data

	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968
Common Stock Equity (000's)	**$ 328,638**	$ 283,484	$ 245,626	$ 215,512	$ 188,336	$ 183,934	$ 179,802	$ 157,709	$ 151,539	$ 145,715	$ 139,464
Average shares outstanding	**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	5,447,092	5,446,392
Earnings per share	**$ 3.55**	$ 3.01	$ 3.49	$ 3.62	$ 2.92	$ 2.88	$ 3.37	$ 3.26	$ 3.08	$ 3.07	$ 2.99
Dividends per share	**$ 2.56**	$ 2.46	$ 2.34	$ 2.26	$ 2.20	$ 2.20	$ 2.12	$ 2.08	$ 2.02	$ 1.94	$ 1.71
Preferred Stock (000's)	**$ 116,156**	$ 116,316	$ 96,476	$ 76,636	$ 56,796	$ 56,956	$ 57,116	$ 57,276	$ 44,436	$ 44,596	$ 44,756
Dividend requirements (000's)	**$ 8,580**	$ 7,545	$ 5,124	$ 4,019	$ 2,842	$ 2,848	$ 2,854	$ 2,401	$ 1,863	$ 1,870	$ 1,876
Average dividend rate	**7.39%**	7.21%	6.56%	5.88%	5.00%	5.00%	5.00%	4.63%	4.19%	4.19%	4.19%
Preference Stock (000's)	**$ 25,000**	—	—	—	—	—	—	—	—	—	—
Dividend requirements (000's)	**$ 139**	—	—	—	—	—	—	—	—	—	—
Average dividend rate	**8.00%**	—	—	—	—	—	—	—	—	—	—
Long-Term Debt (000's)	**$ 503,044**	$ 436,372	$ 384,118	$ 343,738	$ 324,541	$ 299,797	$ 285,673	$ 256,520	$ 231,056	$ 196,692	$ 171,373
Interest on debt (000's)	**$ 32,217**	$ 26,856	$ 23,553	$ 19,968	$ 17,884	$ 17,473	$ 15,978	$ 13,638	$ 11,060	$ 9,135	$ 7,083
Average interest rate	**6.98%**	6.78%	6.35%	6.12%	5.88%	5.86%	5.78%	5.54%	5.11%	4.69%	4.28%
Short-Term Notes (000's)	**$ 10,000**	$ 19,000	$ 6,000	$ 9,500	$ 13,500	$ 13,500	$ 12,500	$ 11,500	$ 11,500	$ 20,000	$ 26,100
Average effective rate	**8.15%**	6.14%	6.46%	7.64%	11.06%	6.02%	4.78%	5.24%	8.42%	7.87%	5.39%

Electric Sales Statistics

	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968
Revenues (000's)											
Residential	**$ 111,972**	$ 93,644	$ 84,571	$ 79,507	$ 62,314	$ 58,280	$ 51,533	$ 48,912	$ 45,571	$ 40,425	$ 37,156
Commercial	**124,083**	108,293	94,873	83,416	68,273	62,043	54,830	51,112	48,067	44,817	42,295
Industrial	**61,489**	51,424	43,534	34,478	30,927	27,570	24,530	22,487	20,372	18,223	17,303
Public street and highway lighting	**6,221**	6,409	5,898	5,205	4,506	3,949	3,683	3,424	3,301	3,169	3,037
Public authorities—power and lighting	**74**	67	61	56	55	49	45	44	45	41	44
Other electric utilities	**8,369**	6,186	5,315	3,765	[illegible]	2,355	2,123	1,868	1,679	1,463	1,339
Total	**312,208**	266,023	234,252	206,427	169,043	154,246	136,744	127,847	119,035	108,138	101,174
Other electric revenues	**1,579**	1,409	1,421	1,386	1,206	1,157	1,037	927	864	774	802
Total	**$ 313,787**	$ 267,432	$ 235,673	$ 207,813	$ 170,249	$ 155,403	$ 137,781	$ 128,774	$ 119,899	$ 108,912	$ 101,976
Sales in Kilowatt Hours (000's)											
Residential	**2,465,782**	2,284,029	2,193,859	2,300,432	2,070,855	2,113,326	1,956,111	1,840,228	1,735,017	1,544,619	1,406,575
Commercial	**3,182,675**	3,080,589	2,889,888	2,846,031	2,651,817	2,677,697	2,493,428	2,312,259	2,238,076	2,124,161	2,043,293
Industrial	**2,302,619**	2,147,363	1,980,230	1,768,308	1,952,711	1,985,799	1,881,876	1,752,072	1,649,857	1,582,389	1,526,815
Public street and highway lighting	**68,248**	68,286	66,814	65,260	65,276	64,158	62,331	59,249	55,733	54,403	53,027
Public authorities—power and lighting	**2,710**	2,702	2,657	2,914	3,513	3,599	3,596	3,665	3,774	3,479	3,850
Other electric utilities	**336,916**	317,516	302,842	264,397	235,488	236,309	216,280	195,769	182,710	170,097	155,581
Total	**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	5,479,148	5,189,141
Average Number of Customers											
Residential	**293,402**	288,376	284,296	281,708	278,973	273,532	267,320	261,865	256,452	252,354	251,257
Commercial	**38,713**	38,343	38,024	37,709	37,575	37,401	36,670	35,897	35,624	35,830	35,591
Industrial	**2,121**	2,084	2,065	2,049	2,063	2,112	2,133	1,843	1,468	758	698
Public street and highway lighting	**123**	122	125	126	128	128	129	131	132	133	139
Public authorities—power and lighting	**12**	11	11	11	12	12	12	12	12	12	13
Other electric utilities	**16**	16	15	13	13	13	12	12	13	13	13
Total	**334,387**	328,952	324,536	321,616	318,764	313,198	306,276	299,760	293,701	289,100	287,711
esidential Sales											
Average kwh per customer	**8,404**	7,920	7,717	8,166	7,423	7,726	7,317	7,027	6,765	6,121	5,598
Average revenue per kwh—cents	**4.541**	4.100	3.855	3.456	3.009	2.758	2.634	2.658	2.627	2.617	2.642
Load Statistics											
Generated (net)—kwh (000's)	**8,581,224**	8,446,189	7,667,221	7,203,748	7,225,580	7,212,592	7,225,430	7,078,663	6,754,710	5,913,202	4,545,594
Purchased—kwh (000's)	**211,991**	188,082	194,250	190,198	161,600	141,759	185,822	156,347	173,245	163,006	184,321
Interchanged (net)—kwh (000's)	**218,421**	(182,695)	164,936	463,542	169,272	243,921	(237,235)	(593,700)	(603,818)	(187,099)	821,810
Total—kwh (000's)	**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	5,889,109	5,551,725
Maximum net hourly demand in kilowatts (winter)	**1,286,000**	1,255,000	1,165,000	1,161,000	1,106,300	1,090,900	1,116,800	1,015,700	964,700	897,100	864,100
Maximum net hourly demand in kilowatts (summer)	**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	1,408,800	1,276,100
Net generating capability in kw (summer)	**2,560,000**	2,641,000	2,361,000	2,334,000	2,218,000	2,224,000	1,813,000	1,684,000	1,686,000	1,694,000	1,214,000
Net purchased capacity in kw (summer)	**95,000**	(101,000)	118,000	100,000	148,000	(25,000)	163,000	172,000	45,000	(100,000)	289,000
Btu per net kwh generated	**11,266**	11,518	11,331	11,585	11,364	11,521	11,001	11,037	11,065	11,215	10,894

Utility Plant

	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968
Gross additions (000's)	**$ 188,721**	$ 158,285	$ 126,014	$ 89,818	$ 63,179	$ 58,355	$ 70,170	$ 56,213	$ 42,656	$ 36,097	$ 64,856

Employee Data

	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968
Number of employees, December 31	**2,726***	2,572	2,522	2,484	2,477	2,556	2,473	2,444	2,393	2,314	2,255
Salaries and wages (000's)	**$ 54,693**	$ 56,380	$ 49,644	$ 45,305	$ 38,614	$ 40,068	$ 33,867	$ 31,665	$ 29,332	$ 26,255	$ 22,624
Pensions and benefits (000's)	**6,861**	7,878	7,132	6,487	5,358	5,870	4,285	3,430	3,178	2,790	2,895
	$ 61,554	$ 64,258	$ 56,776	$ 51,792	$ 43,972	$ 45,938	$ 38,152	$ 35,095	$ 32,510	$ 29,045	$ 25,519

*Includes 214 temporary employees required for completion of construction project.

Directors


Robert K. Zimmerman


Robert A. Olson


Kenneth G. Hovland


Cyrus S. Eaton, Jr.

Herbert H. Wilson


Byron T. Shutz


Dutton Brookfield

Arthur J. Doyle

William D. Grant

Willis C. Theis

Directors

Dutton Brookfield*
President
Unitog Company
—industrial uniforms

Arthur J. Doyle
President

Cyrus S. Eaton, Jr.
Chairman
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

Kenneth G. Hovland
Senior Vice President

Robert A. Olson*
Honorary Chairman of the Board
—retired

Byron T. Shutz*
Honorary Chairman of the Board
The Byron Shutz Company
—realtors and mortgage bankers

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

Robert K. Zimmerman*
Chairman of the Board and Chief Executive Officer

*Member of Executive Committee

Advisory Directors

Joseph F. Porter, Jr.
Herbert H. Wilson

Officers and Executives

Robert K. Zimmerman
Chairman of the Board and Chief Executive Officer

Arthur J. Doyle
President

Kenneth G. Hovland
Senior Vice President

Donald T. McPhee
Vice President-System Power Operations

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

John A. Mayberry
Vice President-Commercial Operations

J. Robert Miller
Vice President-Administration

Louis C. Rasmussen
Vice President-Corporate Planning and Finance

Donald M. Landes
Vice President-Communications

Richard W. Fisher
Controller

Lee F. Miller
Treasurer

Clare Den Haerynck
Secretary

Samuel P. Cowley
General Counsel

William H. Miller
Director of Human Resources

Th Company

Kansas City Power & Light Company, a Missouri corporation, is an electric utility engaged in the generation, transmission, distribution and retail sale of electricity to 334,000 customers who reside in 94 communities in 23 western Missouri and eastern Kansas counties. The Company also serves at wholesale eight communities, three electric cooperatives and two utilities.

The Company's 4,700-square-mile service area has a population of about 1,000,000. Missouri customers account for about 75 per cent of total kilowatt hour sales, and Kansas, 25 per cent.

Metropolitan Kansas City, source of more than 90 per cent of Company revenues, is a regional commercial center for wholesale, retail and service companies and is also a center for grain marketing and for air, rail and truck transportation. Kansas City leads the nation in greeting card and envelope production, farm equipment distribution, frozen food storage and distribution, hard winter wheat marketing, underground storage space and Foreign Trade Zone space. It ranks second nationally in automobile assembly, freight car handling, grain storage and wheat flour production.

Kansas City's diversified economy includes a large steel mill, and significant metal fabricating plants. Kansas City is also a growing convention and entertainment center.

Company securities are held by 33,300 common, 5,900 preferred and 8 preference shareholders. The workforce totals some 2,650; 500 management employees and 2,150 who are represented by three local bargaining units of the International Brotherhood of Electrical Workers.

Five power stations with a total net installed capacity of 2,560 megawatts form the generation system. Within Kansas City are the five-unit, 760 megawatt coal-fired Hawthorn Station; the 70 megawatt Grand Avenue Station which also provides steam service to 260 downtown buildings; and Northeast Station, which generates 80 megawatts from oil or gas in four older units, and 398 megawatts from eight combustion peaking turbines.

Outside the city at mine-mouth locations are the three-unit Montrose Station, which has a capacity of 527 megawatts, and the jointly-owned La Cygne Station. Our 50 per cent share of La Cygne's two-unit capacity is 725 megawatts.

The Company also owns 70 per cent of the 650-megawatt Iatan 1 generating project and half of the 1,150-megawatt Wolf Creek nu lear generating project, scheduled for completion in 1980 and 1983, respectively. WYMO Fuels Inc., a wholly-owned subsidiary, and Utility Fuels Inc., owned equally with KG&E, were developed as fuel suppliers for these projects.

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. The Company has 345-Kv interconnections with utility systems in Missouri, Kansas, Nebraska, Iowa and Minnesota, and 161-Kv interconnections with neighboring utilities.

Downtown Kansas City, Missouri.

Common Stock Price Range and Dividends, 1978 and 1977

	1978		1977	
Quarter	High	Low	High	Low
First	$29¼	$24¼	$30½	$28⅞
Second	28⅛	25¼	31⅛	29
Third	29¼	26⅜	32⅜	28⅝
Fourth	27⅜	24	30⅞	28⅛

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

Dividends on Common Stock were declared at the rate of $0.615 per share in each quarter of 1977 and $0.64 in each quarter of 1978. A dividend of $0.64 per share was declared in the first quarter of 1979.

Dividends on the Preferred Stock were declared each quarter in 1977 and 1978 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 in 1977 and 1978 as follows: $10.70 series—$2.675; $2.33 series—$0.5825 per share and $2.20 series—$0.715 per share in the third quarter and $0.55 in the fourth quarter in 1977 and each quarter of 1978.

Dividends on the Cumulative Preference Stock were declared at $1.399 per share for the initial dividend in the fourth quarter in 1978.

Transfer Agents and Registrars

Common Stock

Manufacturers Hanover Trust Company
New York, New York 10015

Harris Trust and Savings Bank
Chicago, Illinois 60690

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

Preferred Stock

Manufacturers Hanover Trust Company
New York, New York 10015

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

Preference Stock

Kansas City Power & Light Company
Kansas City, Missouri 64141

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 Clare Den Haeryinck, Secretary, P.O. Box 679, Kansas City, Missouri 64141.

KCPL

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

KANSAS ELECTRIC POWER COOPERATIVE, INC.

TOPEKA, KANSAS

EXAMINATION REPORT

FOR THE PERIOD

JANUARY 1, 1978 TO DECEMBER 31, 1978

SCHMIDT & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
KANSAS CITY, MISSOURI

KANSAS ELECTRIC POWER COOPERATIVE, INC.

Topeka, Kansas

EXAMINATION REPORT

For The Period

January 1, 1978 to December 31, 1978

Kansas Electric Power Cooperative, Inc.

Topeka, Kansas

INDEX

Kansas Electric Power Cooperative, Inc.

Topeka, Kansas

SCHMIDT & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
7837 MAIN STREET
KANSAS CITY, MISSOURI 64108

MEMBERS OF THE AMERICAN INSTITUTE
OF CERTIFIED PUBLIC ACCOUNTANTS

TELEPHONE
(816) 421 46..

January 29, 1979

Board of Directors
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, 1978 and 1977 and the related statements of changes in financial position for the years then ended. 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 the Kansas Electric Power Cooperative, Inc., Topeka, Kansas, at December 31, 1978 and 1977, in conformity with generally accepted accounting principles applied on a consistent basis.

SCHMIDT & COMPANY

W G Schmidt

W. G. Schmidt, Partner

Exhibit A

Kansas Electric Power Cooperative, Inc.

Topeka, Kansas

BALANCE SHEET

December 31, 1978

ASSETS AND OTHER DEBITS

Plant		
General plant	$ 24,112.72	
Less: Accumulated depreciation	11,269.37	
Depreciated Value		$ 12,843.35
Investments		
Equities in other organizations		9,880.50
Current Assets		
Cash	7,755.67	
Accounts receivable	17,439.29	
Prepaid expenses	1,440.17	
Total Current Assets		26,635.13
Deferred Debits		
Organization expense	1,067.50	
Research and development	1,873,827.61	
Total Deferred Debits		1,874,895.11
TOTAL ASSETS AND OTHER DEBITS		$1,924,254.09

MEMBERS' EQUITY AND LIABILITIES

Capital Equities		
Memberships		$ 2,700.00
Current Liabilities		
Notes payable (CFC)	$1,352,000.00	
Accounts payable	10,602.62	
Accrued property taxes	1,013.59	
Accrued withholding tax	635.40	
Employee savings	21.88	
Total Current Liabilities		1,364,273.49
Deferred Credits		
Advances for research and development		557,280.60
TOTAL MEMBERS' EQUITY AND LIABILITIES		$1,924,254.09

Exhibit A-1

Kansas Electric Power Cooperative, Inc.

Topeka, Kansas

COMPARATIVE BALANCE SHEET

	December 31 1978	December 31 1977	Increase (Decrease)
ASSETS			
Plant			
General plant	$ 24,112.72	$ 22,524.54	$ 1,588.18
Less: Accumulated depreciation	11,269.37	6,756.67	4,512.70
Depreciated Value	12,843.35	15,767.87	(2,924.52)
Investments			
Equities in other organizations	9,880.50	3,649.50	6,231.00
Current Assets			
Cash	7,755.67	2,648.12	5,107.55
Accounts receivable	17,439.29	17,489.11	(49.82)
Prepayments	1,440.17	1,347.67	92.50
Total	26,635.13	21,484.90	5,150.23
Deferred Debits	1,874,895.11	1,502,832.67	372,062.44
TOTAL ASSETS	$1,924,254.09	$1,543,734.94	$380,519.15
MEMBERS' EQUITY AND LIABILITIES			
Capital Equities			
Memberships	$ 2,700.00	$ 2,700.00	$ -0-
Current Liabilities			
Notes payable	1,352,000.00	860,000.00	492,000.00
Accounts payable	10,624.50	26,837.05	(16,212.55)
Accrued taxes	1,648.99	1,312.04	336.95
Total	1,364,273.49	888,149.09	476,124.40
Deferred Credits	557,280.60	652,885.85	(95,605.25)
TOTAL MEMBERS' EQUITY AND LIABILITIES	$1,924,254.09	$1,543,734.94	$380,519.15

Exhibit A-2

Kansas Electric Power Cooperative, Inc.

Topeka, Kansas

STATEMENT OF CHANGES IN FINANCIAL POSITION

For The Year 1978

FUNDS RECEIVED

Loans from CFC		$492,000.00
Total Funds Received		$492,000.00

FUNDS APPLIED

Office furniture & equipment		$ 1,588.18
Increase in working capital		21,025.83
Research & Development:		
Per Exhibit A-1	$372,062.44	
Add:		
Member advances applied	95,605.25	
Capital credits applied	6,231.00	
	473,898.69	
Deduct:		
Depreciation included	4,512.70	
Funds devoted to research		469,385.99
TOTAL FUNDS APPLIED		$492,000.00

STATEMENT OF CHANGES IN WORKING CAPITAL

INCREASE IN WORKING CAPITAL

Increase in cash	$ 5,107.55
Increase in prepaid expenses	92.50
Decrease in accounts payable	16,212.55
Total	$ 21,412.60

DECREASE IN WORKING CAPITAL

Decrease in accounts receivable	$ 49.82
Increase in accrued taxes	336.95
Total	$ 386.77

Exhibit B

Kansas Electric Power Cooperative, Inc.

Topeka, Kansas

UTILITY PLANT

	Balance 1-1-78	Additions	Retirements	Balance 12-31-78
General Plant				
Transportation equipment	$14,538.92	$ -0-	$ -0-	$14,538.92
Office furniture & fixtures	7,985.62	1,588.18	-0-	9,573.80
Total	22,524.54	1,588.18	-0-	24,112.72
Depreciation				
Transportation equipment (1)	5,309.89	3,634.73	-0-	8,944.62
Office furniture & fixtures (2)	1,446.78	877.97	-0-	2,324.75
Total	6,756.67	4,512.70	-0-	11,269.37
Depreciated Value				$12,843.35

(1) 25% declining balance
(2) 10%

History and Organization

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-six active members.

Balance Sheet Comments

Plant

General plant	$24,112.72
Less: Depreciation	11,269.37
Depreciated Value	$12,843.35

Exhibit B, page 6 of this report presents a detailed statement of general plant facilities and changes in the plant accounts during 1978. Acquisitions include two calculators, two desks, two chairs and two bookcases.

Investments

Equities in other organizations	$9,880.50

Equities in other organizations include the following:

National Rural Utilities Cooperative Finance Corporation		
Washington, D. C.		
Membership	$1,000.00	
Capital credits	8,778.00	$9,778.00
Kansas Electric Cooperatives, Inc.		
Topeka, Kansas		
Membership		10.00
National Rural Electric Cooperative Association		
Washington, D. C.		
Membership		10.00
Federated Rural Electric Insurance Corporation		
Madison, Wisconsin		
Preferred stock		82.50
Total		$9,880.50

Cash

Working fund	$ 50.00
General fund	7,705.67
Total	$7,755.67

The general fund of the cooperative is in the custody of the Fairlawn Plaza State Bank, Topeka, Kansas. We examined all checks honored by the bank during 1978 and traced the checks to detailed computer listings. Special attention was directed to authorized signatures and to classification of the expenditures. We reconciled the bank statement with the cooperative's books and compared our reconciliation with one prepared by the cooperative. Particular attention was directed to the outstanding checks at the beginning and end of the year. Written confirmation of the bank balance was obtained from the bank, a member of the Federal Deposit Insurance Corporation.

Accounts Receivable $17,439.29 We reviewed the subsidiary ledger of accounts receivable and determined it was in balance with the ledger control account. Accounts receivable consist primarily of expenses incurred by KEPCo assisting its members in wholesale rate cases and travel advances to KEPCo staff members:

Member cooperatives	
Less than thirty days old	$14,611.15
Thirty to ninety days old	506.73
Over ninety days old	1,967.60
	17,085.48
Due from KEC	353.81
Total	$17,439.29

Negative confirmation requests were mailed to the extent deemed necessary.

Prepaid Expenses

Unexpired insurance	$ 640.17
Travel advances	800.00
Total	$1,440.17

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.

The type of insurance and the amount in effect at audit date were as follows:

Type of Insurance	Amount
General public liability	
Bodily injury	$500/1,000,000
Property damage	200/200,000
Workmen's compensation	Statutory
Fidelity insurance (blanket crime)	50,000
Automobile	
Bodily injury	500/1,000,000
Property damage	200,000
Collision	$100 deductible
Fire and extended coverage	
Contents of rented office	7,500

Travel advances included:

Joe Hamman	$150.00
O. W. Taylor	150.00
Jerry Haahr	150.00
Dave Larson	50.00
Joe Mulholland	150.00
Hoburg Lee	150.00
Total	$800.00

Deferred Debits

Organization expense	$ 1,067.50
Research & development	1,873,827.61
Total	$1,874,895.11

Kansas Electric Power Cooperative, Inc., was organized to provide additional power. The cooperative selected Southern Engineering Company to provide engineering services and the firm of Kassebaum and Johnson to provide legal services. It is hoped that this effort will result in acquisition of generation capacity and transmission capabilities in cooperation with other utilities in the state. Costs have been incurred with a number of projects and four projects are involved at audit date. Financing of these projects is provided by member assessments and by short-term loans from National Rural Utilities Cooperative Finance Corporation (CFC), Washington, D. C.

Until it is determined whether actual construction results from the effort, costs are being deferred and consist of the following as of December 31, 1978:

	Research Projects			
	KP&L	KCP&L KGE	Hydro	CTU
Labor	$ 563.85	$ 300,888.22	$ 1,499.83	$ 45,334.03
Payroll taxes	10.48	27,188.71	90.95	4,736.62
Employee benefits	81.29	38,653.84	240.40	5,862.18
Travel	435.79	49,526.71	96.10	9,407.09
Public relations	347.71	-0-	2.07	-0-
Rent	42.79	9,629.20	91.89	2,119.76
Building costs	35.73	10,355.35	70.34	1,991.56
Leasing & maintenance	14.34	8,994.27	62.84	2,096.35
Depreciation	30.70	19,240.60	90.22	5,946.35
Insurance	7.05	2,170.93	21.07	473.20
Property tax	7.91	3,010.65	71.14	735.02
Meetings	23.65	84,427.37	-0-	4,618.38
Engineering	-0-	351,131.27	-0-	14,722.56
Computer	-0-	25,594.57	-0-	-0-
Supplies	31.65	17,264.26	54.28	2,625.32
Postage	24.64	9,979.79	82.24	1,545.73
Telephone	45.27	19,672.85	132.13	3,355.82
Legal	275.00	509,380.67	-0-	5,134.60
Contingencies	-0-	725.00	-0-	-0-
Subscriptions	87.00	3,648.33	-0-	232.43
Interest	179.96	153,424.90	423.31	863.93
Auditing	-0-	1,300.00	-0-	-0-
Personnel costs	5.35	75,173.27	11.05	11,743.26
Consultants	234.82	15,879.82	7,500.00	-0-
Total ($1,873,827.61)	$2,484.98	$1,737,258.58	$10,539.86	$123,544.19

Capital Equities

Memberships	$2,700.00

Membership certificates have been issued to twenty-seven cooperatives in Kansas. One member dropped its membership but the fee was not refunded.

Current Liabilities

Notes payable	$1,352,000.00
Accounts payable	10,602.62
Accrued property tax	1,013.59
Accrued withholding tax	635.40
Employee savings	21.88
Total	$1,364,273.49

We examined invoices paid subsequent to the audit date, made inquiries concerning possible unrecorded liabilities and in the opinion of the cooperative's attorneys, the association had no contingent liabilities at audit date.

The cooperative has a line of credit with the National Rural Utilities Cooperative Finance Corporation (CFC) in the amount of $2,500,000.00 and at audit date had borrowed $1,352,000.00. Interest on the short-term loan varies monthly with market and at December 31, 1978 was 11.75%. The line of credit is arranged on a yearly basis and both the line of credit and any amounts advanced become due March 23, 1979. Members of KEPCo have guaranteed payment to CFC for any amounts advanced to KEPCo plus interest. We obtained written confirmation of the notes payable to CFC at audit date. Interest is paid quarterly.

Inasmuch as KEPCo is operated under common management with KEC, overhead costs incurred by KEC applicable to KEPCo are billed to them at the end of each month. The amount billed and unpaid at December 31, 1978 amounted to $10,602.62. Property taxes payable represent one-half of the 1978 taxes assessed per statements on file in the cooperative's office. Withholding tax was withheld from employees during the last quarter of 1978 and is payable to the State of Kansas.

Deferred Credits

Advances for research & development $557,280.60

Capital for KEPCo, formerly KEC's power and energy department, is provided by member assessments and by short-term loans from CFC. One agreement provided for five assessments of $600.00 per member plus $0.15 per KWH sold by the member in 1972. Sunflower Electric Cooperative and its members are to pay 75% of this amount.

The other agreement provided for assessments of $0.25 per KW. The first agreement was to provide funds to operate the department, while the second was to fund engineering, legal, etc. costs involved in negotiations with other utilities.

In 1976 the Board of Directors of KEPCo charged $96,649.40 of deferred research and development costs against capital derived under the first agreement and in 1978 KEPCo charged another $95,605.25 against advances provided by members.

At audit date the advances appeared as follows:

KEC administrative funds (seven assessments)		$140,143.50
Less: Board action 1976.	$96,649.40	
Assessment not paid.	646.00	
Board action 1978	42,848.10	
		$140,143.50

Engineering, legal, etc. (seven assessments)	$610,037.75
Less: Board action in 1978	52,757.15
Balance December 31, 1978	$557,280.60

COPY NO.

FINAL SAFETY ANALYSIS REPORT

WOLF CREEK GENERATING STATION
UNIT NO. 1