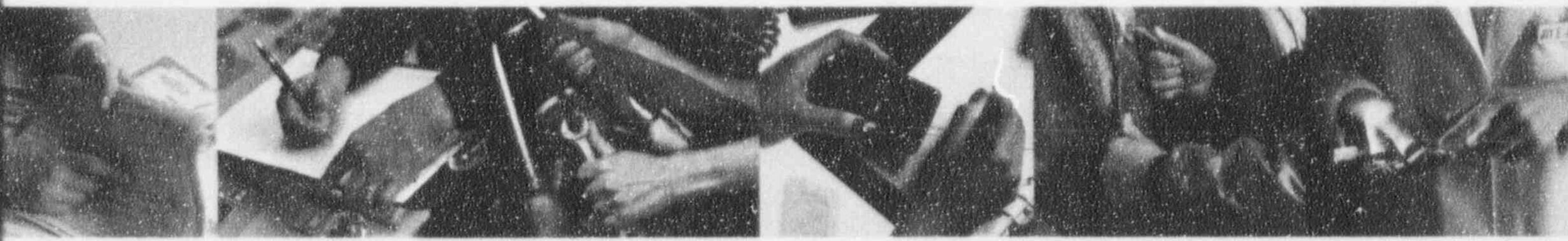
WESTERN RESOURCES, INC.



Dear Shareholder,

1993 was a good year for Western Resources. This report **recounts the achievements** of your company in 1993 and looks ahead to our future challenges. Our ultimate objective is to continue **enhancing the value** of this company. To achieve this goal, we are working to create an energy company focused on **quality energy services**, building **financial strength**, maintaining the **public trust**, and being **a good place to work.**

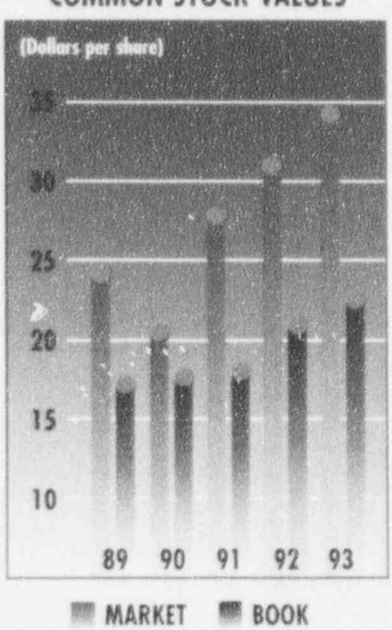
...Continued on page two

1993 Annual Report

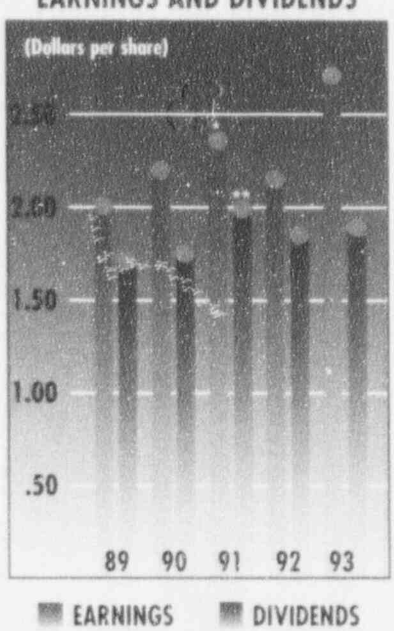
	1993	1992 (1)
Common Stock Data		
Earnings Per Share	$ 2.76	$ 2.20
Dividends Per Share	1.94	1.90
Book Value Per Share	23.08	21.51
Average Shares Outstanding	59,294,091	52,271,932
Financial Data (Millions of Dollars)		
Operating Revenues	$1,909	$1,556
Operating Expenses	1,617	1,317
Net Income	177	128
Gross Plant in Service	6,222	6,033
Operating Data		
Natural Gas:		
Sales (Thousands of MCF)		
Utility Service	159,112	136,643
Transportation	73,574	68,425
Total	232,686	205,068
Customers (Average)	1,092,713	1,083,467
Electric:		
Sales (Thousands of MWH)		
Utility Service	15,464	12,825
Wholesale	4,525	3,028
Total	19,989	15,853
Customers (Average)	585,042	577,918

(1) Information reflects the merger with Kansas Gas and Electric Company on March 31, 1992.

COMMON STOCK VALUES



EARNINGS AND DIVIDENDS



* *Includes cumulative effect to January 1, 1991, of change in revenue recognition, a $17,360,000 or $0.50 per share increase.*

** *Includes special, one-time dividend of $0.18 per share paid February 28, 1991.*

Chairman's Letter

. . . Continued from front cover

The return to more normal weather — a warmer summer and colder winter than in 1992 — meant increased sales and earnings for Western Resources in 1993. Electric sales and earnings for 1993 included KG&E for the full 12 months, while 1992 included only the nine months following the merger on March 31, 1992. Earnings per share of common stock for 1993 were $2.76, up 56 cents from 1992.

At the January Board of Directors meeting, the quarterly dividend for a share of common stock was increased one cent. This provides an indicated annual dividend rate for 1994 of $1.98.

Our 1992 merger with Kansas Gas and Electric Company is working as forecast, creating the economies expected from workforce and operations consolidations. Our stronger company also helps the local economy, as we are able to provide the comprehensive economic development and energy partnerships that help existing businesses grow and others locate within our service territory.

In 1993, we further refined the operations of the Company by the sale of substantially all of our Missouri natural gas properties to Southern Union Company of Austin, Texas. The sale was concluded on January 31, 1994.

Why did we choose to sell? It was a sound business decision. The sale frees us of under-earning assets, strengthens our balance sheet, and provides greater flexibility to pursue strategic objectives.

Our future success hinges on our ability to create market opportunities aligned with our core business, continuously meet customer expectations, and invigorate the way we go about our work with the standards and expectations of a competitive marketplace. The greatest lever for change in our industry today is the force of competition. We are no longer sheltered by regulation.

We are committed to growth and change for our customers, shareholders, and for ourselves. We live in a world of change, with new rules and new players almost on a daily basis. We accept change and we expect to thrive on the opportunities it creates.

Anticipating customer needs and offering value-added services and products creates customer satisfaction. We have the skills, knowledge, and determination to serve our customers well. With those qualities, we will succeed and thrive as a competitor.

In 1993, we welcomed thousands of new shareholders. The sale of new shares and the successful first-offering of the Customer Stock Purchase Plan provided the opportunity for many to participate in the life of our company for the first time.

We want you to meet some of your fellow shareholders. Their stories are found within this report.

If you have questions about any part of our Company's operations, please do not hesitate to contact me. Thank you for investing in Western Resources.

Sincerely,

John E. Hayes, Jr.
Chairman of the Board, President, and Chief Executive Officer

A Look At
Western Resources

Western Resources continues to make significant progress toward the objectives outlined in our strategic plan: to provide the highest quality energy services to customers, to build financial strength, to maintain the public trust, and to be a good place to work.

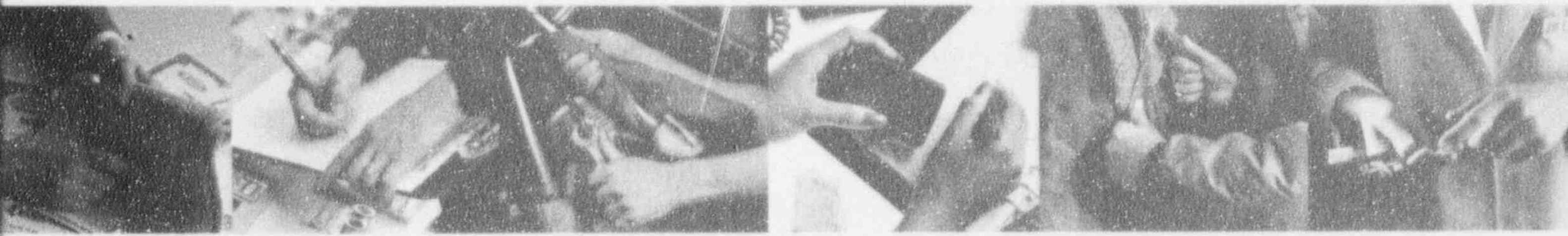
FINANCIAL STRENGTH:

Western Resources had a very good year in 1993. The return of more normal temperatures in 1993 — both colder winter and warmer summer — had a positive influence on earnings. Electric sales for the year were 26 percent greater than in 1992 and natural gas sales for the year, including that transported for large commercial and industrial customers, were up 13 percent. Electric sales reported in 1992 included KG&E for only the nine months following the merger. Electric sales also were influenced by our ability to increase off-system sales to other utilities in 1993.

Earnings per share of common stock were $2.76, up 56 cents from the year before. In addition to weather-influenced sales increases, merger-related savings and lower interest rates also contributed to the earnings improvement.

A number of steps were taken to improve the capital structure of the Company in 1993. These steps included the issuance of common stock, something we had not done in 12 years. This first issuance under the name Western Resources, Inc., was of 3,425,000 shares. The main purpose of this offering was to reduce our debt and increase the equity component of our capital structure.

In addition, we took advantage of **lower interest rates** and redeemed several bond issues during the year. Kansas Gas and Electric Company redeemed its 7 3/8% Series First Mortgage Bonds due 2002, 8 3/8% Series First Mortgage Bonds due 2006, and 8 1/2% Series First Mortgage Bonds due 2007 in November. Western Resources redeemed the 9.35% Series First Mortgage Bonds due 1998 in October.



Patti O'Malley-Knox – *Abilene, Kansas*

Patti O'Malley-Knox is an investment representative with a major stock brokerage firm. She is purchasing shares of Western Resources common stock in the first offering of the Company's Customer Stock Purchase Plan (CSPP).

"I was attracted to the Company's approach to customer satisfaction."

Her assistant also invests in the CSPP, starting accounts for each of her four children.

Patti, her husband, and children moved to Abilene three years ago from New York City where she worked for the New York Stock Exchange.

Sherry Enns - *Wamego, Kansas*

Like many long-time employees of the Company, Sherry Enns got her first stake in Western Resources in an employee stock plan.

"I like the opportunity to not only work for a company, but to be a part owner in a business which is interested in employee and customer satisfaction."

Sherry has been with the Company for 16 years, all of them at the Jeffrey Energy Center located in northeast Kanses. As a control room operator, she helps monitor activity of the plant's fuel handling equipment, boilers, and electric generators from one of three identical control rooms, one for each low-sulfur coal-fired 680,000 kilowatt unit.

In August, Kansas Gas and Electric Company offered $65 million of First Mortgage Bonds at an interest rate of 6 1/2% and a maturity date of August 1, 2005. In February, City of Wamego, Kansas, Pollution Control Revenue Refunding Bonds at 6% were issued and proceeds were used to refund the 9 5/8% City of Wamego, Kansas, Pollution Control Refunding and Improvement Revenue Bonds, Series 1983.

These refinancings will save the Company approximately $2.8 million in interest expense annually.

We created an opportunity in 1993 for our customers to purchase Company common stock more easily. The **Customer Stock Purchase Plan** (CSPP), first offered in May, allows our customers to pledge as little as $20 each month and have Company stock purchased for or issued to them. The Company pays all administrative expenses associated with the CSPP, including brokerage fees. The stock, when purchased or issued at the end of each plan year, is deposited in the participant's name in the Western Resources Dividend Reinvestment and Stock Purchase Plan. During the first enrollment period, 21,168 customers and employees joined the CSPP, pledging investments totalling more than $14.7 million.

In 1993, businesses within our service territory demonstrated financial strength as the Kansas economy **outperformed the nation** in terms of both employment and income growth. The unemployment rate in Kansas was about five percent, compared to a national average of over seven percent. The service area, while having a strong agri-business base, is home to major employers, including Armco Steel, Beech Aircraft, Boeing, Cessna, Coleman, Delco, Frito Lay, General Motors, Goodyear, Lear Jet, North American Phillips, Pizza Hut, Quaker Oats, and Vulcan. Our central location, excellent transportation infrastructure, clean air, available land, and reasonable energy costs make our service territory an attractive area for new and expanding businesses and for the people who work for and provide services to those businesses.

In July, we reached a definitive agreement to sell substantially all of **our Missouri operations** to Southern Union Company, Austin, Texas. The sale of these natural gas-only operations was for approximately $400 million. We also agreed to sell our distribution system in Palmyra, Missouri, to United Cities Gas Company for $665,000.

The Missouri natural gas distribution properties sold to Southern Union serve about 456,000 customers in the Kansas City, Joplin, and St. Joseph areas, or 42 percent of our natural gas customers. About 1,350 customers are served in Palmyra, which is near Hannibal. We will continue to serve 1.2 million natural gas and electric customers in Kansas and about 35,000 natural gas customers in Oklahoma.

Missouri revenues represented about 18 percent of our total revenues and seven percent of operating income for 1993. The Missouri property totaled seven percent of net utility plant. Following the required regulatory approvals, the sale to Southern Union was concluded January 31, 1994.

The Company's subsidiary for non-regulated businesses, **Astra Resources**, continues to seek investment opportunities closely related to our core business interests. These include natural gas marketing, natural gas gathering and processing, and pipeline compression services.

CUSTOMER SERVICE AND SATISFACTION:

Almost two years after our **merger** with Kansas Gas and Electric Company, how are we doing?

Expected merger savings are being achieved and customer service, as measured by customer surveys, has improved. We anticipate we will achieve our projected savings of $150 million in the first five years of the merger.

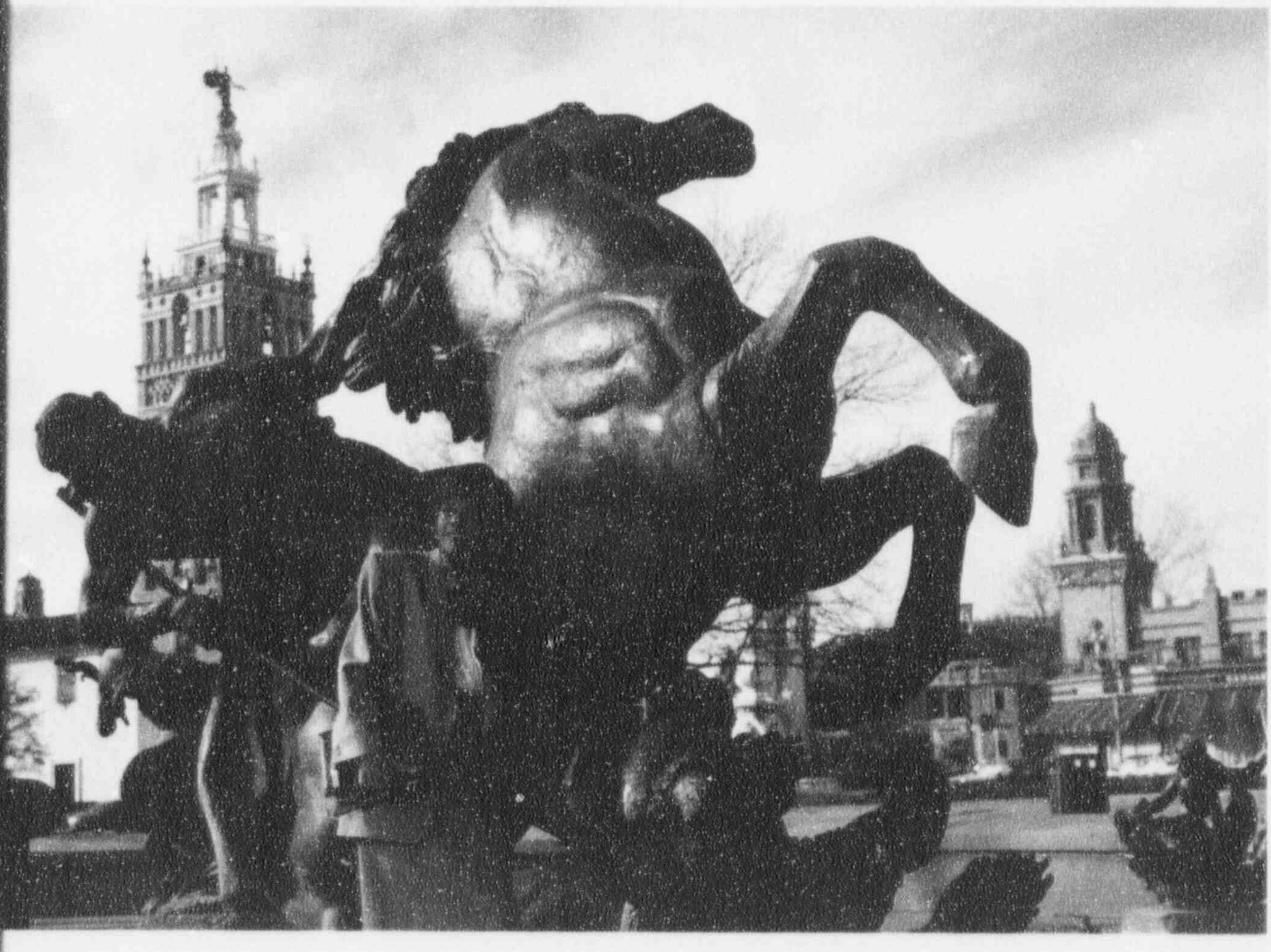
Norman Lee Allen – *Wichita, Kansas*

Today, he may only pick up a wrench to do some maintenance on his own car, but Norman Lee Allen's first job with the military was as an airplane technician and mechanic. He went on to develop training programs for airmen, and ended his 26-year career with the United States Air Force and the U.S. Marine Corps as a master sergeant and chief of leadership and management development instruction. Currently, he works for the Department of Veterans Affairs at the VA Medical Center in Wichita as administrative officer of the day, where he is responsible for hospital functions and activities after normal hours of operation.

But his passion is the stock market. While at McConnell Air Force Base in Wichita, he graduated from college and one of his classes was on investing. He does his own research and makes his own investment decisions. Norman's belief in the importance of investing includes using stock as gifts.

Our thanks to the Westport Airport of Wichita for furnishing the airplanes used in these photographs.

René Parson – *Overland Park, Kansas*



René Parson is looking to the future.

"I like Western Resources' commitment to technology — from clean air to computerized meter reading. As in my own business, responding to emerging technologies is vital."

A former track standout in the quarter mile, half mile, and mile relay for The University of Kansas, René now only runs for fun. She is a broadcast communications graduate who works for McCaw Communications in Kansas City as retail dealer manager for pagers.

Combination of the two companies, including work functions and business locations, **has gone smoothly**, largely because of the employee teams which evaluated processes from both companies and recommended the best actions to take — from coordinated electric dispatch to data transfer and from employee communications to consolidating customer service offices. This successful concept, pioneered by our enthusiastic employees, now is being used by other utilities across the country as they plan and implement their mergers.

In 1993, we purchased the municipal electric system of DeSoto, Kansas, adding 882 customers with annual sales of 12.2 million kilowatthours.

The flood of 1993 also effected our service territory. During the flooding, approximately 5,800 of our customers were impacted; but none of our major facilities was damaged and all operations were restored promptly.

We have been working very hard to provide the type of customer service that begets **customer satisfaction** and creates new markets.

The results of our 1993 large customer survey indicate we are moving in the right direction. Our 50 largest customers report that on a scale of 1 to 5, we rate 4.3 in reliability, 4.4 in responsiveness, 4.5 in accuracy, 4.5 in competence, and 4.2 in pro-active attitude.

Our 1993 survey of residential customers revealed that, overall, 88 percent approve of the quality of service they receive. This is up from 85 percent in 1992. Furthermore, over 94 percent of electric and 93 percent of natural gas customers agreed we provide safe service and over 91 percent of customers believe we provide accurate, easy-to-read bills.

Western Resources helped pioneer various applications for **innovative electrotechnologies** by partnering with customers to demonstrate the effectiveness of various electric-driven processes such as infrared drying, ultraviolet disinfection, and induction heating. Through the

application of these technologies, customers are capable of complying with environmental regulations, increasing competitiveness, improving product quality, and minimizing waste streams. Customers can realize these benefits while at the same time the Company can increase system efficiency and profitability.

Our **Power Technology Center** (PTC) in Wichita addresses the needs of customers with sensitive electronic equipment. From computer controls to digital systems, the need for quality — uniform and reliable — electric power is a business necessity. Engineers from the PTC help industrial and commercial customers resolve problems in the operation of sensitive electronic equipment, problems that may arise from the Company's system, within the customer's facility, or from the surrounding environment.

Power quality will continue to be a major concern to industrial and commercial customers as more and more of their equipment and processes become automated. It is estimated that power electronic and microprocessor-controlled equipment will dominate the loads of electric utilities by the end of this decade. Through our PTC, Western Resources is well placed to assist these customers and remain the utility of their choice.

Western Resources is actively **researching new technologies** that will increase customer uses of natural gas and electricity in "nontraditional" markets. Our fleet continually adds and tests new vehicles which use natural gas or other fuels such as bio-diesel. In early 1993, we distributed 100 battery-powered lawn mowers to selected electric customers as part of the National Consortium for Emission Reduction in Lawn Care. This project is in cooperation with the Environmental Protection Agency and the Electric Power Research Institute.

(copy continues on page sixteen)

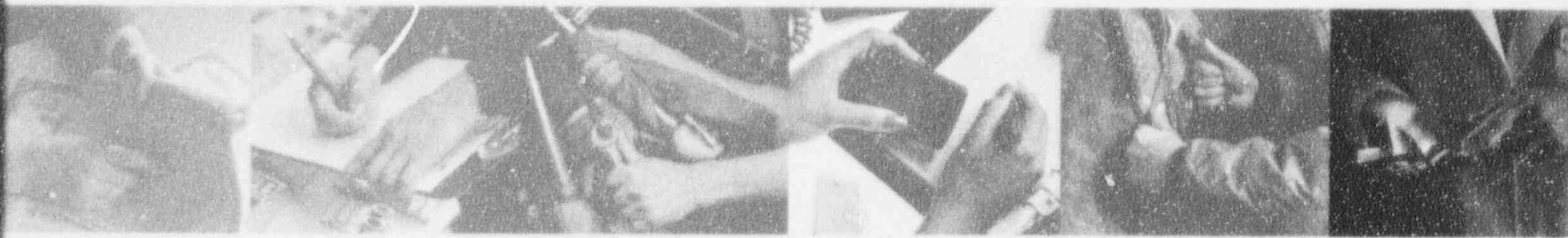
Hal Kunze - *Randolph, Kansas*

Looking over the rolling hills and valleys of north central Kansas where he has lived his entire life, Hal Kunze says, "I never wanted to be anywhere else."

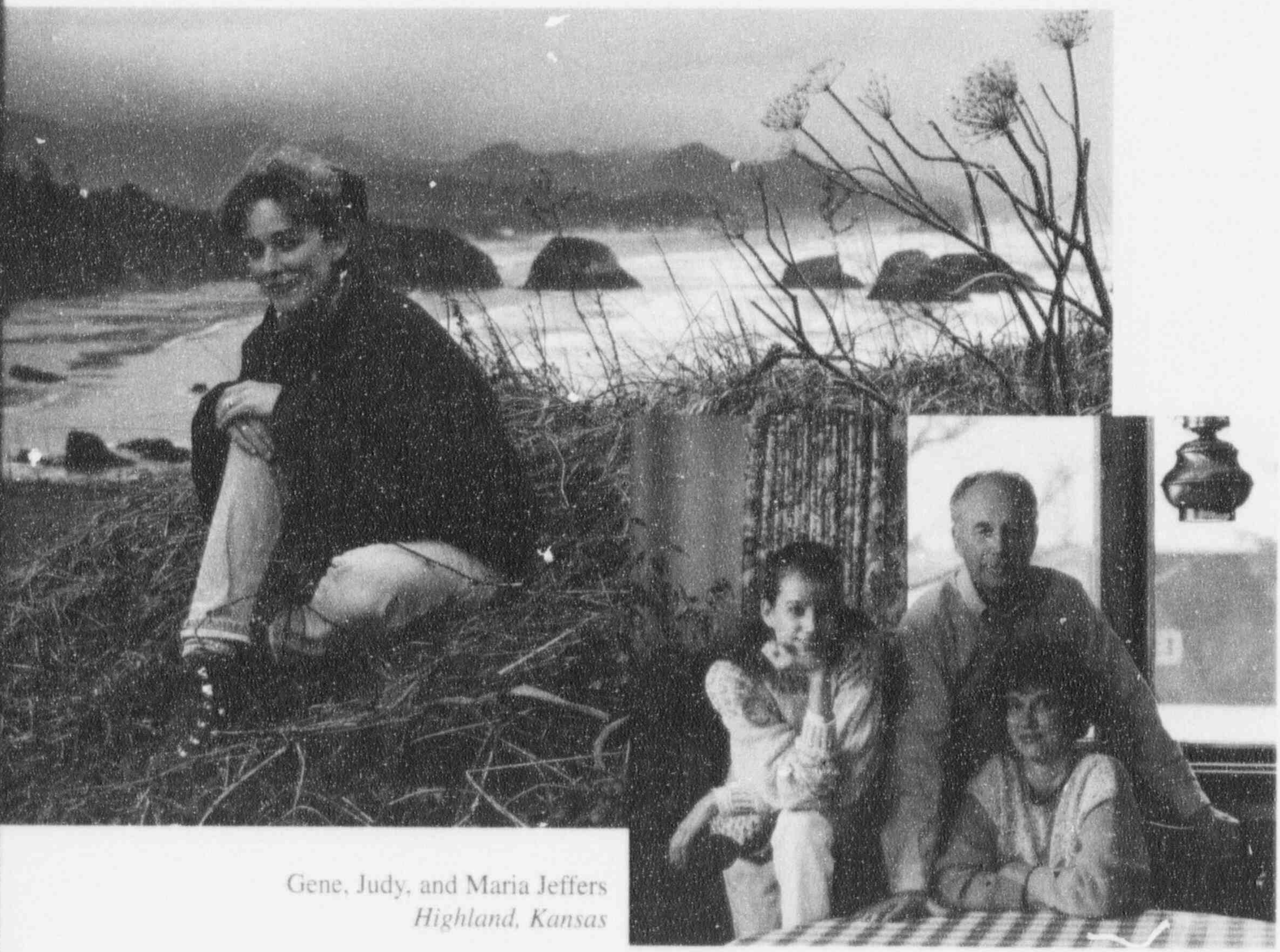
On the K-Bar Ranch, he raises some 600 head of crossbred cattle with his son, Darcy. His grandfather homesteaded the place that has grown into a cow-calf operation. "I started riding at age two or three and was herding cattle soon after." He still enjoys his time in the saddle.

It's a self-sufficient operation which, in most years, also produces the alfalfa and sorghum which feed the cattle during the winter. "I like companies with a commitment to using natural resources wisely and which provide good customer service."

Hal is active in the Kansas Livestock Association, where he is on the Board of Directors. He and his wife of 43 years, Delores, enjoy dancing to all types of music, from Country and Western to Big Band.



Joy Jeffers, D.D.S. - *Portland, Oregon*



Gene, Judy, and Maria Jeffers
Highland, Kansas

The Jeffers family is spread from coast to coast, but its core is on a farm in far northeast Kansas. In the words of the eldest child, Joy, "My parents raised us all with belief in hard work, dedication, and the future and respect of family, country, and community."

"We appreciate the Safety Watch program which Western Resources employees maintain," said Judy. "With all the concern about crime, it's good to know they are watching for possible problems while doing their regular jobs. The involvement of employees in community activities is very important and greatly appreciated. They are a 'taken-for-granted' community asset."

A Kansas native, Dr. Joy Jeffers first bought stock while a teenager in high school.

"I believe in the future of Kansas, its commerce, and its people, and I value the friendly service whenever calling Western Resources with a question. I appreciate that Western Resources is environmentally responsible while simultaneously advancing technology. You are providing an example to follow, not only for other companies but for individuals as well."

Following graduation from college, Joy completed her dentistry degree and was chosen from a national field of applicants for a residency position in Oregon, where she met her husband, William Johnston. She now practices in Portland.

John Jeffers also has been a shareholder since high school.

"I appreciate Western Resources' dedication to quality service."

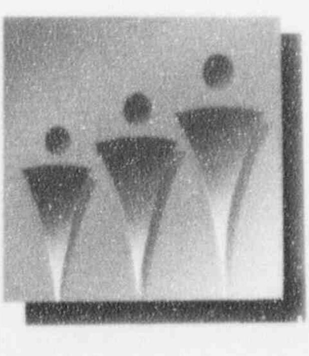
John moved to New York following college graduation five years ago. For the past year he has served as assistant to the publisher of the Natural History Magazine, *a publication of the American Museum of Natural History in New York. He edits magazine material prepared by researchers, educators, and scientists from across the country.*

Youngest daughter, Maria, is in high school and active in music. Another daughter, Kathryn, works in Kansas City.

John Jeffers - *New York, New York*

Western Resources has nearly 62 million shares of common stock outstanding. These shares are held by individuals and large institutions such as pension funds, trusts, and insurance companies. The largest known individual holder has more than 47,000 shares, but over 1,100 shareholders have five or fewer shares.

The largest holder — 65.6 percent of common shares — is a holder of shares for others. Some shareholders (individuals and institutions) choose to leave their shares with the broker rather than register them in their own names. The stock is held in "street name" — the name of the Wall Street broker. Our largest "holder" manages these accounts for several brokerage firms.



A GOOD PLACE TO WORK:

We recognize that our customers, employees, and shareholders are vitally interested in our commitment to preserve and enhance the environment. Clean air, clean water, and **a better environment** are very important to us at Western Resources. We remain national leaders in the development and installation of technology to reduce emissions at our own facilities, just as we assist our customers in finding energy-efficient answers to their waste treatment questions.

Our **employee-directed "Green Team"** Environmental Task Force continues its nationally-recognized program of using employee volunteers and corporate support to complete projects involving wildlife habitat development, wetlands restoration and preservation, species protection, and recycling, as well as developing partnerships with other groups interested in similar goals.

Wetlands and wildlife habitat enhancement were major focuses of the Green Team in 1993. Employee volunteers also participated in a program to re-introduce golden eagles to central Kansas. In addition, each year the group "adopts" several communities for intensive, one-day tree planting details to replace trees damaged by weather. Trees damaged in a 1992 wind storm were replaced in May 1993 in Glasco and Concordia, Kansas. In 1994, the Green Team plans to replace Siberian elms lost in Russell, Kansas. Siberian elms were the primary species planted during the 1930s to counteract the devastation created by the drought and winds of the Dust Bowl

Western Resources and the Green Team were recipients of the first Oklahoma Governor's Environmental Excellence Award for the management of the Upper Verdigris Wetlands. The 1,145-acre abandoned oil and gas field is now home to migrating waterfowl and shorebirds, as well as other wildlife. Also in 1993, the Wildlife Society — Central Mountain States and Plains Section — honored our employee environmental effort with its prestigious Citizens Conservation Achievement Award.

As of the end of 1993, there were a total of 6,613 shareholders with 50 or fewer shares; 8,082 holders with 51 to 100 shares; 27,823 holders with 101 to 1,000 shares; 3,206 holders with 1,001 to 10,000 shares; and there are 44 holders with more than 10,000 shares of Western Resources common stock.

To learn more about our employee environmental activities, as well as other employee involvement in the life of the Company and our communities, we invite you to request a copy of our 1994 Employee Calendar. It details Green Team activities for 1993 and some of the endeavors of other Company task forces and community relations teams. To receive a copy, please write the Corporate Communications Department, Western Resources, P. O. Box 889, Topeka, KS 66601-0889.

Other community service activities attracted corporate sponsorship and employee volunteers throughout the year. Please see the section "A Western Resources Profile" beginn ng on page 44 for additional information about some of these activities.

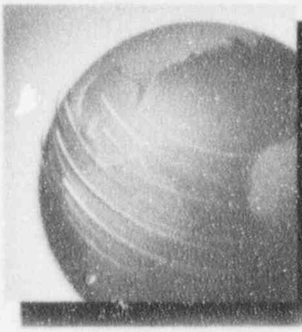
The greatest number of our shareholders —

24.4 percent are in Kansas
7.8 percent are in California
7.7 percent are in Missouri
5.7 percent are in Florida
2.1 percent are in Colorado
1.8 percent are in Oklahoma
1.2 percent are in Nebraska

THE FUTURE:

Our industry faces many challenges, including the emergence of more and more **competition**. Our success will come in recognizing the direction in which the industry is going. We will continue to work with our customers, state and federal regulators, and many others to address cooperatively such issues as open access to transmission lines and customer choices.

We must, and will, continue to **concentrate on customer service**. A competitive environment demands attention to what customers want. Consequently, the best path to success is for us to focus on achieving customer satisfaction with the Company's products and services.



There are 75 shareholders who live outside the United States, including:

26 in Canada
10 in England
7 in Germany
4 in Belgium
2 in France, Greece, Japan, Saudi Arabia, and Scotland

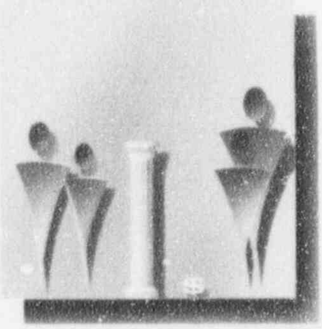
CHANGES:

Cloud L. "Bud" Cray, Jr., retired from the Board of Directors on May 4, 1993, at the onclusion of our annual meeting. He served as a director since 1973.

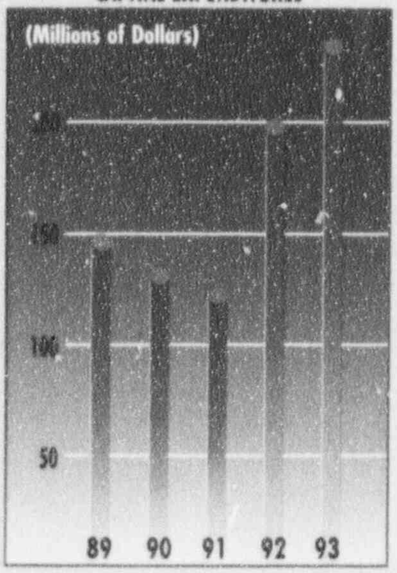
Of our shareholders:

32.4 percent (8.5 percent of the total shares) are joint tenants
25.4 percent (6.8 percent of the total shares) are female
22.2 percent (6.2 percent of the total shares) are male
13.8 percent (6.2 percent of the total shares) are fiduciaries (trusts)
0.5 percent (0.34 percent of the total shares) are financial institutions
0.3 percent (70.5 percent of the total shares) are "street names"

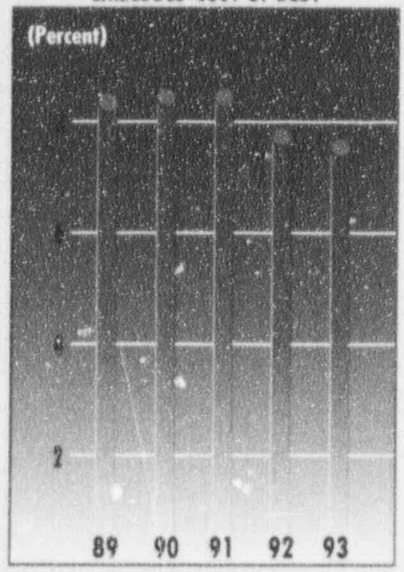
Other holders include insurance companies, colleges and universities, pension plans, churches, hospitals, foundations, unions, and investment clubs.



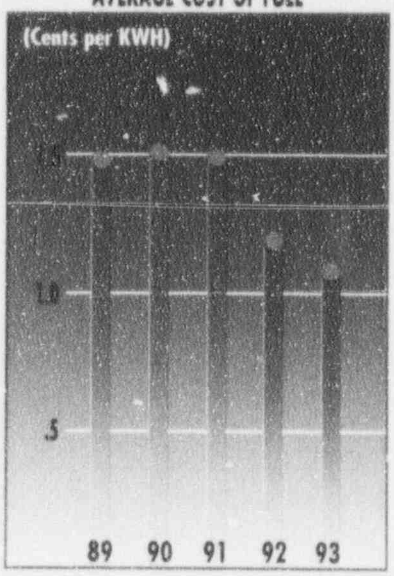
CAPITAL EXPENDITURES



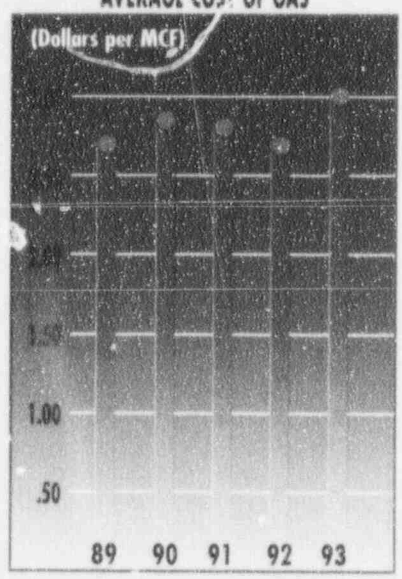
EMBEDDED COST OF DEBT



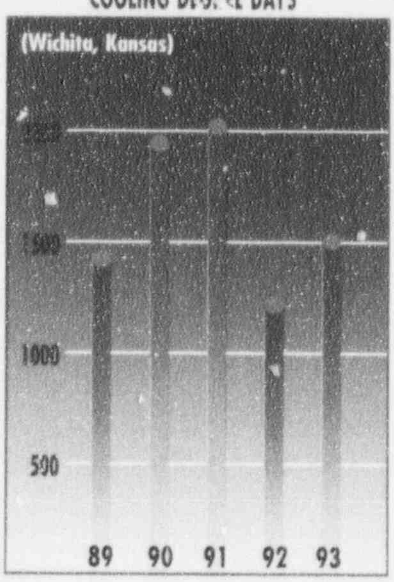
AVERAGE COST OF FUEL



AVERAGE COST OF GAS

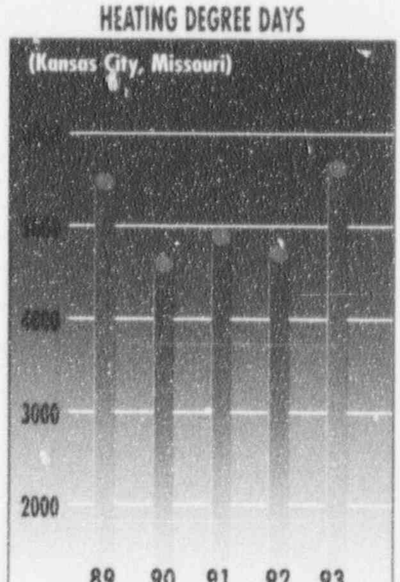


COOLING DEGREE DAYS



30 Year Average - 1,628

HEATING DEGREE DAYS



30 Year Average - 5,393

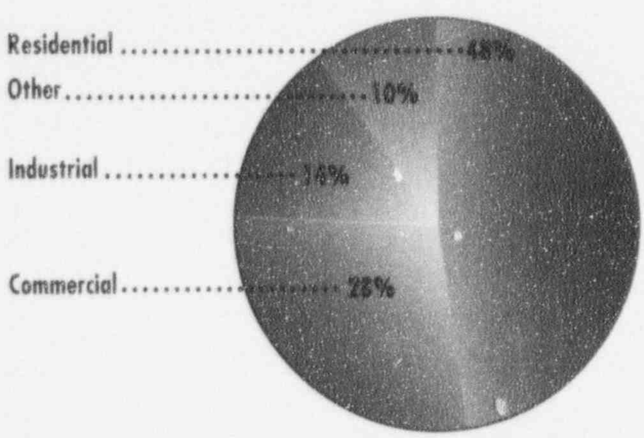
SELECTED FINANCIAL DATA

Year Ended December 31,	1993	1992 (1)	1991	1990	1989
	(Dollars in Thousands)				
Income Statement Data					
Operating revenues:					
Electric	$1,104,537	$ 882,885	$ 471,839	$ 463,707	$ 452,343
Natural gas	804,822	673,363	690,339	686,048	675,280
Total operating revenues	1,909,359	1,556,248	1,162,178	1,149,755	1,127,623
Operating expenses	1,617,296	1,317,079	1,032,557	1,017,765	1,002,087
Allowance for funds used during construction	2,631	2,002	1,070	1,181	1,503
Income before cumulative effect of accounting change	177,370	127,884	72,285	79,619	72,778
Cumulative effect to January 1, 1991, of change in revenue recognition	—	—	17,360	—	—
Net income	177,370	127,884	89,645	79,619	72,778
Earnings applicable to common stock	163,864	115,133	83,268	77,875	70,921

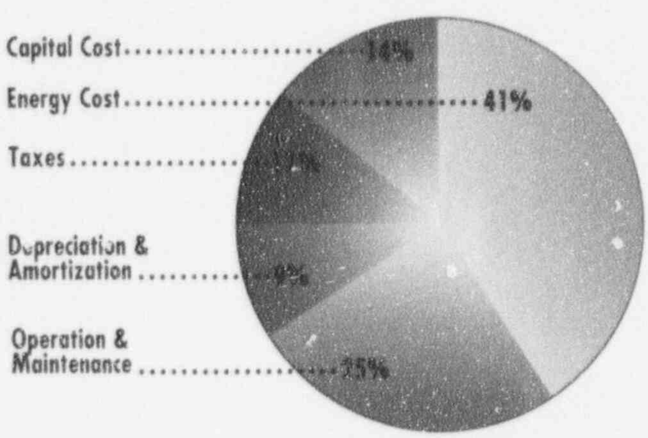
December 31,	1993	1992 (1)	1991	1990	1989
	(Dollars in Thousands)				
Balance Sheet Data					
Gross plant in service	$6,222,483	$6,033,023	$2,535,448	$2,421,562	$2,305,279
Construction work in progress	80,192	68,041	17,114	20,201	19,571
Total assets	5,412,048	5,438,906	2,112,513	2,016,029	1,959,044
Long-term debt and preference stock subject to mandatory redemption	1,673,988	2,077,459	690,612	595,524	552,538

Year Ended December 31,	1993	1992 (1)	1991	1990	1989
Common Stock Data					
Earnings per share before cumulative effect of accounting change	$ 2.76	$ 2.20	$ 1.91	$ 2.25	$ 2.05
Cumulative effect to January 1, 1991, of change in revenue recognition per share	—	—	.50	—	—
Earnings per share	$ 2.76	$ 2.20	$ 2.41	$ 2.25	$ 2.05
Dividends per share	$ 1.94	$ 1.90	$ 2.04 (2)	$ 1.80	$ 1.76
Book value per share	$ 23.08	$ 21.51	$ 18.59	$ 18.25	$ 17.80
Average shares outstanding(000's)	59,294	52,272	34,566	34,566	34,566
Interest coverage ratio (before income taxes, including AFUDC)	2.79	2.27	2.69	2.86	2.96

OPERATING REVENUES



OPERATING EXPENSES



(1) Information reflects the merger with KG&E on March 31, 1992 (see Note 3).
(2) Includes special, one-time dividend of $0.18 per share paid February 28, 1991.

FINANCIAL CONDITION

General: Earnings were $2.76 per share of common stock based on 59,294,091 average common shares for 1993, an increase from $2.20 in 1992 on 52,271,932 average common shares. The increase resulted from a return to near normal temperatures compared to unusually mild winter and summer temperatures in 1992, reduced interest costs, and the full twelve month effect of the merger with Kansas Gas and Electric Company (KG&E) on March 31, 1992 (the Merger).

Dividends per common share were $1.94 in 1993, an increase of four cents from 1992. In January 1994, the Board of Directors declared a quarterly dividend of 49 $^{1}/_{2}$ cents per common share, an increase of one cent over the previous quarter.

The book value per share was $23.08 at December 31, 1993, compared to $21.51 at December 31, 1992. The increase in book value is primarily the result of the issuance of additional common stock and an increase in retained earnings. The 1993 closing stock price of $34 $^{7}/_{8}$ was 151 percent of book value. There were 61,617,873 common shares outstanding at December 31, 1993.

On January 31, 1994, the Company sold substantially all of its Missouri natural gas distribution properties and operations to Southern Union Company (Southern Union). The Company has agreed to sell the remaining Missouri properties to United Cities Gas Company (United Cities). The properties sold to Southern Union and United Cities are referred to herein as the "Missouri Properties." With the sales the Company will no longer be operating as a utility in the State of Missouri.

The portion of the Missouri Properties purchased by Southern Union was sold for an estimated sale price of $400 million, in cash, based on a calculation as of December 31, 1993. The final sale price will be calculated as of January 31, 1994, within 120 days of closing. Any difference between the estimated and final sale price will be adjusted through a payment to or from the Company.

United Cities has agreed to purchase the Company's natural gas distribution system in and around the City of Palmyra, Missouri, for $665,000 in cash.

The operating revenues and operating income (unaudited) related to the Missouri Properties approximated $350 million and $21 million representing approximately 18 percent and seven percent, respectively, of the Company's total for 1993, and $299 million and $11 million representing approximately 19 percent and five percent, respectively, of the Company's total for 1992. Net utility plant (unaudited) for the Missouri Properties, at December 31, 1993, approximated $296 million and $272 million at December 31, 1992. This represents approximately seven percent at December 31, 1993, and six percent at December 31, 1992, of the total Company n utility plant. Separate audited financial information was not kept by the Company for the Missouri Properties. This unaudited financial information is based on assumptions and allocations of expenses of the Company as a whole.

Liquidity and Capital Resources: The Company's liquidity is a function of its ongoing construction program, designed to improve facilities which provide electric and natural gas service and meet future customer service requirements.

During 1993, construction expenditures for the Company's electric system were approximately $138 million and nuclear fuel expenditures were approximately $6 million. It is projected that adequate capacity margins will be maintained without the addition of any major generating facilities through the turn of the century.

The construction expenditures for improvements on the natural gas system, including the Company's service line replacement program, were approximately $94 million during 1993, of which construction expenditures for the Missouri Properties were approximately $39 million.

Capital expenditures for 1994 to 1996 are anticipated to be as follows:

	Electric	Nuclear Fuel	Natural Gas
	(Dollars in Thousands)		
1994	$131,483	$20,995	$64,608
1995	143,391	21,469	69,482
1996	151,100	9,890	68,747

These expenditures are estimates prepared for planning purposes and are subject to revisions from time to time (see Note 4).

The Company's net cash flow to capital expenditures was 100 percent for 1993 and during the last five years has averaged 87 percent. The Company anticipates net cash flow to capital expenditures to be approximately 100 percent in 1994.

The Company's capital needs through 1998 are approximately $33.6 million for bond maturities and cash sinking fund requirements for bonds and preference stock. This capital as well as capital required for construction will be provided from internal and external sources available under then existing financial conditions.

The Company anticipates using the net proceeds from the sale of the Missouri Properties to reduce the Company's outstanding debt.

The embedded cost of long-term debt was 7.7% at December 31, 1993, a decrease from 7.9% at December 31, 1992. The decrease was primarily accomplished through refinancing of higher cost debt.

The Company's short-term financing requirements are satisfied, as needed, through the sale of commercial paper, short-term bank loans, and borrowings under other unsecured lines of credit maintained with banks. At December 31, 1993, short-term borrowings amounted to $441 million, of which $126 million was commercial paper (see Notes 8 and 9).

On September 20, 1993, KG&E terminated a long-term revolving credit agreement which provided for borrowings of up to $150 million. The loan agreement, which was effective through October 1994, was repaid without penalty.

At December 31, 1993, the Company had $200 million of First Mortgage Bonds available to be issued under a shelf registration filed August 24, 1993. Also at December 31, 1993, KG&E had $150 million of First Mortgage Bonds available to be issued under a shelf registration filed on August 24, 1993. On January 20, 1994, KG&E issued $100 million of First Mortgage Bonds, 6.20% Series due January 15, 2006, under the KG&E shelf registration. The net proceeds were used to reduce short-term debt.

On January 31, 1994, the Company redeemed the remaining $2,466,000 principal amount of Gas Service Company 8 $^{1}/_{2}$% Series First Mortgage Bonds due 1997.

KG&E has a long-term agreement that expires in 1995 which contains provisions for the sale of accounts receivable and unbilled revenues (receivables) and phase-in revenues up to a total of $180 million. Amounts related to receivables are accounted for as sales while those related to phase-in revenues are accounted for as collateralized borrowings. At December 31, 1993, KG&E had receivables amounting to $56.8 million which were considered sold.

The issuance and retirement of long-term debt, borrowings against the cash surrender value of corporate-owned life insurance policies (COLI), and the issuance of common stock during 1993 are summarized in the table below.

Long-term debt	Date	Issued	Retired
		(Dollars in Millions)	
7 3/8% due 2002 - KG&E	11/22/93		$25.0
8 3/8% due 2006 - KG&E			25.0
8 1/2% due 2007 - KG&E			25.0
9.35% due 1998	10/15/93		75.0
6 1/2% due 2005 - KG&E	08/12/93	$65.0	
8 1/8% due 2001 - KG&E	08/20/93		35.0
8 7/8% due 2008 - KG&E			30.0
7.65% due 2023	04/27/93	100.0	
8 3/4% due 2000	05/12/93		20.0
8 5/8% due 2005			35.0
8 3/4% due 2008			35.0
6% Pollution Control Revenue Refunding Bonds due 2033	02/09/93	58.5	
9 5/8% Pollution Control Refunding and Improvement Revenue Bonds due 2013			58.5
Bank term loan	01/26/93		230.0
Revolving credit agreements (net)	various		35.0
Other long-term debt and sinking funds	various	4.1	
COLI borrowings (net) (1)	various	183.3	
Common stock			
3,425,000 shares (2)	08/25/93	124.2	
147,323 shares (3)	various	5.3	

(1) The COLI borrowings will be repaid upon receipt of proceeds from death benefits under the contracts. See Note 1 of Notes to Consolidated Financial Statements for additional information on the accumulated cash surrender value of COLI policies.

(2) Issued in public offering for net proceeds of $121 million.

(3) Issued under the Dividend Reinvestment and Stock Purchase Plan (DRIP). The net proceeds from these issues of approximately $5.3 million were added to the general corporate funds of the Company. Shares issued under the DRIP may either be original issue shares or shares purchased on the open market.

The Company has a Customer Stock Purchase Plan (CSPP), under which, retail electric and natural gas customers and employees of the Company may purchase common stock through monthly installments. The initial installment period runs from September 1993 through June 1994, with monthly installments plus accumulated interest converted to shares in August 1994. Shares issued under the CSPP may either be original issue shares or shares purchased on the open market. Approximately $14.7 million has been pledged for this installment period.

The capital structure at December 31, 1993, was 45 percent common stock equity, 6 percent preferred and preference stock, and 49 percent long-term debt. The capital structure at December 31, 1993, including short-term debt and current maturities of long-term debt and preference stock, was 40 percent common stock equity, 5 percent preferred and preference stock, and 55 percent debt.

RESULTS OF OPERATIONS

The following is an explanation of significant variations from prior year results in revenues, operating expenses, other income and deductions, interest charges and preferred and preference dividend requirements. The results of operations of the Company include the activities of KG&E since the Merger on March 31, 1992. Additional information relating to changes between years is provided in the Notes to Consolidated Financial Statements.

Revenues: The operating revenues of the Company are based on sales volumes and rates, authorized by certain state regulatory commissions and the FERC, charged for the sale and delivery of natural gas and electricity. Rates are designed to recover the cost of service and allow investors a fair rate of return. Future natural gas and electric sales will continue to be affected by weather conditions, competing fuel sources, customer conservation efforts, and the overall economy of the Company's service area.

The Kansas Corporation Commission (KCC) order approving the Merger provided a moratorium on increases, with certain exceptions, in the Company's jurisdictional electric and natural gas rates until August 1995. The KCC ordered refunds totalling $32 million to the combined companies' customers to share with customers the Merger-related cost savings achieved during the moratorium period. The first refund of $8.5 million was made in April 1992. A refund of the same amount was made in December 1993, and an additional refund of $15 million will be made in September 1994 (see Note 3).

On March 26, 1992, in connection with the Merger, the KCC approved the elimination of the Energy Cost Adjustment Clause for most Kansas retail electric customers of both the Company and KG&E effective April 1, 1992. The fuel costs are now included in base rates and were established at a level intended by the KCC to equal the projected average cost of fuel through August 1995. Any increase or decrease in fuel costs from the projected average will be absorbed by the Company.

Future natural gas revenues will be reduced as a result of the sale of the Missouri Properties by approximately $350 million annually based on Missouri revenues recorded in 1993 (see Note 2).

1993 COMPARED TO 1992: Electric revenues increased significantly in 1993 as a result of the Merger. Also contributing to the increase were increased electric sales for space heating, resulting from colder winter temperatures in the first quarter of 1993, and increased sales for cooling load, resulting from warmer temperatures in the second and third quarters of 1993. KG&E electric revenues of $617 million have been included in the Company's 1993 electric revenues. This compares to KG&E revenues of $424 million, from April 1, 1992, through December 31, 1992, included in the Company's 1992 electric revenues. Partially offsetting these increases in electric revenues was the amortization of the Merger-related customer refund.

Electric revenues for 1993 compared to pro forma revenues for 1992, giving effect to the Merger as if it had occurred at January 1, 1992, would have increased as a result of the warmer summer and colder winter temperatures in 1993. Retail sales of kilowatt hours on a pro forma comparative basis increased from approximately 14.6 billion for 1992 to approximately 15.5 billion for 1993, or six percent.

Natural gas revenues increased approximately 20 percent as a result of increased sales caused by colder winter temperatures, the full impact of increased retail natural gas rates (see Note 5), and an eleven percent increase in the unit cost of gas passed on to customers through the purchased gas adjustment clauses (PGA). The colder winter temperatures are reflected in a 17 percent increase in natural gas sales to residential customers.

1992 COMPARED TO 1991: Electric revenues increased significantly in 1992 as a result of the Merger. KG&E electric revenues for the nine months ended December 31, 1992, of $424 million have been included in the Company's electric revenues. Partially offsetting this increase in revenues were reduced retail electric sales as a result of the abnormally mild summer temperatures in 1992 and the amortization of the Merger-related customer refund.

Electric revenues for 1992 compared to pro forma revenues for 1991, giving effect to the Merger as if it had occurred at January 1, 1991, also would have been lower as a result of the mild summer and winter temperatures in 1992. Retail sales of kilowatthours on a pro forma comparative basis decreased from approximately 15.1 billion for 1991 to approximately 14.6 billion for 1992, or four percent.

Natural gas revenues decreased over two percent due to a nine percent decrease in natural gas deliveries, excluding sales related to the cumulative effect of the unbilled revenue adjustment in 1991. Also contributing to the decrease was an approximately four percent decrease in the unit cost of natural gas which is passed on to customers through the PGA. The decrease in sales can be attributed to mild winter temperatures in 1992. Partially offsetting the decreased sales were increased retail rates in Kansas and Missouri beginning early in 1992.

Operating Expenses: 1993 COMPARED TO 1992: Operating expenses increased for 1993 primarily as a result of the Merger. KG&E operating expenses of $470 million have been included in the Company's operating expenses for the year ended December 31, 1993. This compares to KG&E operating expenses of $316 million, from April 1, 1992, through December 31, 1992, included in the Company's 1992 operating expenses.

Other factors, excluding the Merger, contributing to the increase in operating expenses were higher fuel and purchased power expenses caused by increased electric sales to meet cooling load and increased natural gas purchases caused by a 16 percent increase in natural gas sales and an 11 percent higher unit cost of gas which is passed on to customers through the PGA.

Also contributing to the increase were higher general taxes due to increases in plant, the property tax assessment ratio, and higher mill levies. A constitutional amendment in Kansas changed the assessment on utility property from 30 to 33 percent. As a result of this change the Company had increased property tax expense of approximately $6.1 million in 1993.

Partially offsetting the increases were savings as a result of the Merger and reduced net lease expense for La Cygne 2 (see Note 10).

At December 31, 1993, KG&E completed the accelerated amortization of deferred income tax reserves related to the allowance for borrowed funds used during construction capitalized for Wolf Creek Generating Station. The amortization of these deferred income tax reserves amounted to approximately $12 million in 1993. In accordance with the provisions of the Merger order (see Note 3), the Company is precluded from recovering the $12 million annual amortization in rates until the next rate filing. Therefore the Company's earnings will be impacted negatively until these income taxes are recovered in future rates.

1992 COMPARED TO 1991: Operating expenses increased significantly for 1992 as a result of the Merger. KG&E operating expenses for the nine months ended December 31, 1992, of $316 million have been included in the Company's operating expenses.

Other factors, excluding the Merger, contributing to increased operating expenses were a one-time charge for the Company's portion of the early retirement plan and voluntary separation program of approximately $11 million; higher depreciation and amortization expense caused by increased plant investment and the beginning of the amortization of previously deferred safety-related expenditures in Kansas; and increased property taxes due to increases in plant and tax mill levies.

Partially offsetting those increases in operating expenses was the commencement of savings as a result of the Merger. The Company also changed the depreciable life of Jeffrey Energy Center, for book purposes, to 40 years, resulting in a reduction to depreciation expense of approximately $5.4 million annually. Lower natural gas purchases as a result of the mild temperatures and a reduced unit cost also partially offset the increase in operating expenses.

As permitted under the La Cygne 2 generating station lease agreement, KG&E requested the Trustee Lessor to refinance $341,127,000 of secured facility bonds of the Trustee and owner of La Cygne 2. The transaction was requested to reduce the Company's recurring future net lease expense. To accomplish this transaction, a one-time payment of approximately $27 million was made which will be amortized over the remaining life of the lease and will be included in operating expense as part of the future lower lease expense. On September 29, 1992, the Trustee Lessor refinanced bonds with a coupon rate of approximately 11.7% with bonds having a coupon rate of approximately 7.7%.

Other Income and Deductions: Other income and deductions, net of taxes, increased $1.3 million in 1993 compared to 1992. KG&E other income and deductions, net of taxes, of $19 million have been included in the Company's total for 1993 compared to $17 million in 1992 from April 1, through December 31, 1992. Income from KG&E's COLI totalled $8 million in 1993.

Other income and deductions, net of taxes, was significantly higher in 1992 compared to 1991 as a result of the Merger. KG&E contributed, for the nine months ended December 31, 1992, $17 million to other income and deductions, net of taxes. Significant items of other income include approximately $9 million from KG&E's COLI and KG&E's recognition of the recovery of approximately $4.2 million of a previously written-off investment in commercial paper.

Interest Charges and Preferred and Preference Dividend Requirements: Interest charges for 1993 were higher as a result of the Merger. KG&E interest charges of $59 million for 1993 have been included in the Company's total interest charges compared to $53 million for the nine months ended December 31, 1992. The full twelve month effect of interest on debt to acquire KG&E also contributed to the increase in total interest charges. The increased interest charges have been partially offset through lower debt balances and reduced interest charges from refinancing higher cost long-term debt and lower interest rates on variable-rate debt. The Company's embedded cost of long-term debt decreased to 7.7% at December 31, 1993, compared to 7.9% and 8.6% at December 31, 1992 and 1991, respectively, primarily as a result of the refinancing of higher cost debt.

Total interest charges increased significantly for 1992 compared to 1991 as a result of the Merger. Partially offsetting this increase were lower short-term and long-term interest rates.

Preferred and preference dividend requirements increased six percent in 1993 and significantly in 1992 compared to 1991 as a result of the issuance of $50 million of 7.58% preference stock in the second quarter of 1992.

Merger Implementation: In accordance with the KCC Merger order, amortization of the acquisition adjustment will commence August 1995. The amortization will amount to approximately $19.6 million per year for 40 years. The Company can recover the amortization of the acquisition adjustment through cost savings under a sharing mechanism approved by the KCC as described in Note 3 of the Notes to the Consolidated Financial Statements. While the Company has achieved savings from the Merger, there is no assurance that the savings achieved will be sufficient to, or the cost savings sharing mechanism will operate as to fully offset the amortization of the acquisition adjustment.

In 1992 the Company completed the consolidation of certain operations of the Company and KG&E. In conjunction with these efforts the Company incurred costs of consolidating facilities, transferring certain employees, and other costs associated with completing the Merger. Certain of these costs related to KG&E have been considered in purchase accounting for the Merger. Other costs, including costs of the early retirement incentive programs and other employee severance compensation programs for former Kansas Power and Light Company employees were charged to expense in 1992. See Note 6 of Notes to Consolidated Financial Statements for a discussion regarding the early retirement and Merger severance plans.

OTHER INFORMATION

Inflation: Under the ratemaking procedures prescribed by the regulatory commissions to which the Company is subject, only the original cost of plant is recoverable in revenues as depreciation. Therefore, because of inflation, present and future depreciation provisions are inadequate for purposes of maintaining the purchasing power invested by common shareholders and the related cash flows are inadequate for replacing property. The impact of this ratemaking process on common shareholders is mitigated to the extent depreciable property is financed with debt that can be repaid with dollars of less purchasing power. While the Company has experienced relatively low inflation in the recent past, the cumulative effect of inflation on operating costs requires the Company to seek regulatory rate relief to recover these higher costs.

FERC Order No. 636: On April 8, 1992, the FERC issued Order No. 636 which the FERC intended to complete the deregulation of natural gas production and facilitate competition in the gas transportation industry. Order No. 636 is expected to affect the Company in several ways. The rules provide greater protection for pipeline companies by providing for recovery of all fixed costs through contracts with local distribution companies and other customers choosing to transport gas on a firm (non-interruptible) basis. The order also separates the purchase of natural gas from the transportation and storage of natural gas, shifting additional responsibility to distribution companies for the provision (through purchase and/or storage) of long-term gas supply and transportation to distribution points. Under the new rules, distribution companies elect the amount and type of services taken from pipelines. The Company may be liable to one or more of its pipeline suppliers for costs related to the transition from its traditional sales service to the restructured services required by Order No. 636. The Company believes substantially all of these costs will be recovered from its customers and any additional transition costs will be immaterial to the Company's financial position or results of operations.

The Company was an active participant in pipeline restructuring negotiations and does not anticipate any material difficulty in obtaining the pipeline services the Company needs to meet the requirements of its gas operations.

Environmental: The Company has recognized the importance of environmental responsibility and has taken a proactive position with respect to the potential environmental liability associated with former manufactured gas sites. The Company has an agreement with the Kansas Department of Health and Environment to systematically evaluate these sites in Kansas (see Note 4).

The Company currently has no Phase I affected units under the Clean Air Act of 1990. Until such time that additional regulations become final the Company will be unable to determine its compliance options or related compliance costs (see Note 4).

Energy Policy Act: The 1992 Energy Policy Act (Act) will require increased efficiency of energy usage and will potentially change the way electricity is marketed. The Act also provides for increased competition in the wholesale electric market by permitting the FERC to order third party access to utilities' transmission systems and by liberalizing the rules for ownership of generating facilities. As part of the Merger, the Company agreed to open access to its transmission system. Another part of the Act requires a special assessment to be collected from utilities for a uranium enrichment, decontamination, and decommissioning fund. KG&E's portion of the assessment for Wolf Creek is approximately $7 million, payable over 15 years. Management expects such costs to be recovered through the ratemaking process.

Statement of Financial Accounting Standards No. 106 (SFAS 106) and No. 112 (SFAS 112): For discussion regarding the effect of SFAS 106 and SFAS 112 on the Company see Note 6 of Notes to the Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

December 31,	1993	1992
	(Dollars in Thousands)	
ASSETS		
Utility Plant (Notes 1 and 11):		
Electric plant in service	$5,110,617	$5,008,654
Natural gas plant in service	1,111,866	1,024,369
	6,222,483	6,033,023
Less - Accumulated depreciation	1,821,710	1,691,623
	4,400,773	4,341,400
Construction work in progress	80,192	68,041
Nuclear fuel (net)	29,271	33,312
Net utility plant	4,510,236	4,442,753
Other Property and Investments:		
Net non-utility investments	61,497	47,680
Decommissioning trust (Note 4)	13,204	9,272
Other	10,658	13,855
	85,359	70,807
Current Assets:		
Cash and cash equivalents (Note 1)	1,217	875
Accounts receivable and unbilled revenues (net) (Note 1)	238,137	222,601
Fossil fuel, at average cost	30,934	49,007
Gas stored underground, at average cost	51,788	14,644
Materials and supplies, at average cost	55,156	59,357
Prepayments and other current assets	34,128	17,574
	411,360	364,058
Deferred Charges and Other Assets:		
Deferred future income taxes (Note 12)	135,991	150,636
Deferred coal contract settlement costs (Note 5)	21,247	24,520
Phase-in revenues (Note 5)	78,950	96,495
Corporate-owned life insurance (net) (Note 1)	4,743	146,713
Other deferred plant costs	32,008	32,212
Other (Note 5)	132,154	110,712
	405,093	561,288
Total Assets	$5,412,048	$5,438,906
CAPITALIZATION AND LIABILITIES		
Capitalization (see statement)	$3,121,021	$3,350,684
Current Liabilities:		
Short-term debt (Note 9)	440,895	222,225
Long-term debt due within one year (Note 8)	3,204	1,961
Preference stock redeemable within one year (Note 14)	—	1,300
Accounts payable	172,338	215,507
Accrued taxes	46,076	38,591
Accrued interest and dividends	65,825	71,877
Other	65,492	48,045
	793,830	599,506
Deferred Credits and Other Liabilities:		
Deferred income taxes (Note 12)	968,637	990,155
Deferred investment tax credits (Note 12)	150,289	149,946
Deferred gain from sale-leaseback (Note 10)	261,981	271,621
Other	116,290	76,994
	1,497,197	1,488,716
Commitments and Contingencies (Notes 4 and 15)		
Total Capitalization and Liabilities	$5,412,048	$5,438,906

The Notes to Consolidated Financial Statements are an integral part of this statement.

CONSOLIDATED STATEMENTS OF INCOME

• Year Ended December 31,	1993	1992 (1)	1991
	(Dollars in Thousands, except Per Share Amounts)		
Operating Revenues (Notes 1 and 5):			
Electric	$1,104,537	$ 882,885	$ 471,839
Natural gas	804,822	673,363	690,339
Total operating revenues	1,909,359	1,556,248	1,162,178
Operating Expenses:			
Fuel used for generation:			
Fossil fuel	237,053	190,653	146,256
Nuclear fuel	13,275	10,126	—
Power purchased	16,396	14,819	5,335
Natural gas purchases	500,189	403,326	439,323
Other operations	349,160	296,642	193,319
Maintenance	117,843	101,611	60,515
Depreciation and amortization	164,364	144,013	85,735
Amortization of phase-in revenues	17,545	13,158	—
Taxes (see statement):			
Federal income	62,420	34,905	24,516
State income	15,558	7,095	6,066
General	123,493	100,731	71,492
Total operating expenses	1,617,296	1,317,079	1,032,557
Operating Income	292,063	239,169	129,621
Other Income and Deductions (net of taxes)	25,482	24,186	3,351
Income Before Interest Charges	317,545	263,355	132,972
Interest Charges:			
Long-term debt	123,551	117,464	51,267
Other	19,255	20,009	10,490
Allowance for borrowed funds used during construction (credit)	(2,631)	(2,002)	(1,070)
Total interest charges	140,175	135,471	60,687
Income Before Cumulative Effect of Accounting Change	177,370	127,884	72,285
Cumulative Effect to January 1, 1991, of Change in Revenue Recognition (net of taxes) (Note 1)	—	—	17,360
Net Income	177,370	127,884	89,645
Preferred and Preference Dividends	13,506	12,751	6,377
Earnings Applicable to Common Stock	$ 163,864	$ 115,133	$ 83,268
Average Common Shares Outstanding	59,294,091	52,271,932	34,566,170
Earnings Per Average Common Share Outstanding Before Cumulative Effect of Accounting Change	$ 2.76	$ 2.20	$ 1.91
Cumulative Effect to January 1, 1991, of Change in Revenue Recognition Per Share	—	—	.50
Earnings Per Average Common Share Outstanding	$ 2.76	$ 2.20	$ 2.41
Dividends Declared Per Common Share	$ 1.94	$ 1.90	$ 2.04 (2)

(1) Information reflects the merger with KG&E on March 31, 1992 (Note 3).
(2) Includes special, one-time dividend of $0.18 per share paid February 28, 1991.
The Notes to Consolidated Financial Statements are an integral part of this statement.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended December 31,	1993	1992 (1)	1991
		(Dollars in Thousands)	
Cash Flows from Operating Activities:			
Net income	$ 177,370	$ 127,884	$ 89,645
Depreciation and amortization	164,364	144,013	85,735
Other amortization (including nuclear fuel)	11,254	8,930	—
Deferred taxes and investment tax credits (net)	27,686	26,900	9,319
Amortization of phase-in revenues	17,545	13,158	—
Corporate-owned life insurance	(21,650)	(14,704)	—
Amortization of gain from sale-leaseback	(9,640)	(7,231)	—
Changes in other working capital items:			
Accounts receivable and unbilled revenues (net) (Note 1)	(15,536)	(12,227)	(72,879)
Fossil fuel	18,073	14,990	(522)
Gas stored underground	(37,144)	4,522	(2,349)
Accounts payable	(43,169)	(10,194)	(3,125)
Accrued taxes	7,485	(52,185)	(14,130)
Other	(3,165)	(19,433)	11,661
Changes in other assets and liabilities	(18,569)	21,508	31,992
Net cash flows from operating activities	274,904	245,931	135,356
Cash Flows used in Investing Activities:			
Additions to utility plant	237,631	202,493	125,675
Merger with KG&E	—	473,752	—
Utility investment	2,500	—	—
Non-utility investments (net)	14,271	29,099	18,125
Corporate-owned life insurance policies	27,268	20,233	—
Death proceeds of corporate-owned life insurance policies	(10,160)	(6,789)	—
Cash flows used in investing activities	271,510	718,788	143,800
Cash Flows from Financing Activities:			
Short-term debt (net)	218,670	42,825	20,300
Bank term loan issued for Merger with KG&E	—	480,000	—
Bank term loan retired	(230,000)	(250,000)	—
Bonds issued	223,500	485,000	—
Bonds retired	(366,466)	(236,966)	(30,233)
Revolving credit agreements (net)	(35,000)	—	—
Other long-term debt (net)	7,043	14,498	—
Common stock issued (net)	125,991	—	—
Preference stock issued (net)	—	50,000	98,870
Preference stock redeemed	(2,734)	(2,600)	(1,300)
Bank term loan issuance expenses	—	(10,753)	—
Borrowings against life insurance policies (net)	183,260	(5,649)	—
Dividends on preferred, preference, and common stock	(127,316)	(99,440)	(76,891)
Net cash flows from (used in) financing activities	(3,052)	466,915	10,746
Net Increase (Decrease) in Cash and Cash Equivalents	342	(5,942)	2,302
Cash and Cash Equivalents:			
Beginning of the period	875	6,817	4,515
End of the period	$ 1,217	$ 875	$ 6,817
Supplemental Disclosures of Cash Flow Information			
Cash Paid For:			
Interest on financing activities (net of amount capitalized)	$ 171,734	$ 128,505	$ 58,462
Income taxes	49,108	24,966	40,062
Components of Merger with KG&E:			
Assets acquired		$3,142,455	
Liabilities assumed		(2,076,821)	
Common stock issued		(589,920)	
Cash paid		475,714	
Less cash acquired		(1,962)	
Net cash paid		$ 473,752	

(1) Information reflects the merger with KG&E on March 31, 1992 (Note 3).
The Notes to Consolidated Financial Statements are an integral part of this statement.

CONSOLIDATED STATEMENTS OF TAXES

Year Ended December 31,	1993	1992 (1)	1991
		(Dollars in Thousands)	
Federal Income Taxes:			
Payable currently	$ 41,200	$ 16,687	$ 18,479
Deferred taxes arising from:			
Depreciation and other property related items	25,552	25,163	9,662
Energy and purchased gas adjustment clauses	(8,192)	(4,180)	(15,535)
Unbilled revenues	—	2,458	17,249
Natural gas line survey and replacement program	355	(1,106)	1,015
Other	6,166	4,121	(1,109)
Amortization of investment tax credits	(1,982)	(4,918)	(4,238)
Total Federal income taxes	63,099	38,225	25,523
Federal income taxes applicable to non-operating items	(679)	(3,320)	(1,007)
Total Federal income taxes charged to operations	62,420	34,905	24,516
State Income Taxes:			
Payable currently	9,869	2,522	4,033
Deferred (net)	5,787	5,352	2,276
Total state income taxes	15,656	7,874	6,309
State income taxes applicable to non-operating items	(98)	(779)	(243)
Total state income taxes charged to operations	15,558	7,095	6,066
General Taxes:			
Property and other taxes	84,583	68,643	40,429
Franchise taxes	22,878	19,583	20,576
Payroll taxes	16,032	12,505	10,566
Total general taxes	123,493	100,731	71,571
General taxes applicable to non-operating items	—	—	(79)
Total general taxes charged to operations	123,493	100,731	71,492
Total Taxes Charged to Operations	$201,471	$142,731	$102,074

The effective income tax rates set forth below are computed by dividing total Federal and state income taxes by the sum of such taxes and net income. The difference between the effective rates and the Federal statutory income tax rates are as follows:

Year Ended December 31,	1993	1992 (1)	1991
Effective Income Tax Rate	31.0%	27.0%	32.2%
Effect of:			
Additional depreciation	(2.9)	(5.1)	(2.7)
Accelerated amortization of certain deferred taxes	6.0	7.6	3.9
State income taxes	(4.0)	(2.6)	(4.0)
Amortization of investment tax credits	2.7	3.4	3.2
Corporate-owned life insurance	3.0	2.9	—
Other differences	(.8)	.8	1.4
Statutory Federal Income Tax Rate	35.0%	34.0%	34.0%

(1) Information reflects the merger with KG&E on March 31, 1992 (Note 3).
The Notes to Consolidated Financial Statements are an integral part of this statement.

CONSOLIDATED STATEMENTS OF CAPITALIZATION

December 31,	1993		1992	
	(Dollars in Thousands)			
Common Stock Equity (see statement):				
Common stock, par value $5 per share, authorized 85,000,000 shares, outstanding 61,617,873 and 58,045,550 shares, respectively	$ 308,089		$ 290,228	
Paid-in capital	667,738		559,636	
Retained earnings	446,348		398,503	
	1,422,175	45%	1,248,367	37%
Cumulative Preferred and Preference Stock (Note 14):				
Not subject to mandatory redemption,				
Par value $100 per share, authorized 600,000 shares, outstanding -				
4 1/2% Series, 138,576 shares	13,858		13,858	
4 1/4% Series, 60,000 shares	6,000		6,000	
5% Series, 50,000 shares	5,000		5,000	
	24,858		24,858	
Subject to mandatory redemption,				
Without par value, $100 stated value, authorized 4,000,000 shares, outstanding -				
8.70% Series, 0 and 157,000 shares	—		15,700	
7.58% Series, 500,000 shares	50,000		50,000	
8.50% Series, 1,000,000 shares	100,000		100,000	
Less:				
Preference stock reacquired,135,000 shares	—		12,967	
Preference stock redeemable within one year	—		1,300	
	150,000		151,433	
	174,858	6%	176,291	5%
Long-Term Debt (Note 8):				
First mortgage bonds	842,466		984,932	
Pollution control bonds	508,440		508,940	
Other pollution control obligations	13,980		14,205	
Bank term loan	—		230,000	
Revolving credit agreements	115,000		150,000	
Other long-term agreement	53,913		46,640	
Less:				
Unamortized premium and discount (net)	6,667		6,730	
Long-term debt due within one year	3,204		1,961	
	1,523,988	49%	1,926,026	58%
Total Capitalization	$3,121,021	100%	$3,350,684	100%

The Notes to Consolidated Financial Statements are an integral part of this statement.

CONSOLIDATED STATEMENTS OF COMMON STOCK EQUITY

Year Ended December 31,	Common Stock	Paid-in Capital	Retained Earnings
		(Dollars in Thousands)	
Balance December 31, 1990, 34,566,170 shares	$172,831	$ 88,222	$369,772
Net income			89,645
Cash dividends:			
Preferred and preference stock			(6,377)
Common stock, $2.04(1) per share			(70,514)
Expenses on preference stock		(1,123)	(7)
Balance December 31, 1991, 34,566,170 shares	172,831	87,099	382,519
Net income			127,884
Cash dividends:			
Preferred and preference stock			(12,751)
Common stock, $1.90 per share			(99,135)
Expenses on preference stock		14	(14)
Issuance of 23,479,380 shares of common stock in the merger with KG&E	117,397	472,523	
Balance December 31, 1992, 58,045,550 shares	290,228	559,636	398,503
Net income			177,370
Cash dividends:			
Preferred and preference stock			(13,506)
Common stock, $1.94 per share			(116,019)
Expenses on common and preference stock		(3,453)	
Issuance of 3,572,323 shares of common stock	17,861	111,555	
Balance December 31, 1993, 61,617,873 shares	$308,089	$667,738	$446,348

(1) Includes special, one-time dividend of $0.18 per share paid February 28, 1991.
The Notes to Consolidated Financial Statements are an integral part of this statement.

1 *Summary of Significant Accounting Policies*

General: The consolidated financial statements of Western Resources, Inc. (the Company, Western Resources), include the accounts of its wholly-owned subsidiaries, Astra Resources, Inc., Kansas Gas and Electric Company (KG&E) since March 31, 1992 (see Note 3), and KPL Funding Corporation (KFC). KG&E owns 47 percent of Wolf Creek Nuclear Operating Corporation (WCNOC), the operating company for Wolf Creek Generating Station (Wolf Creek). The Company records its proportionate share of all transactions of WCNOC as it does other jointly-owned facilities. All significant intercompany transactions have been eliminated. The operations of Astra Resources, Inc., and KFC are not material to the Company's results of operations. The accounting policies of the Company are in accordance with generally accepted accounting principles as applied to regulated public utilities. The accounting and rates of the Company are subject to requirements of certain state regulatory commissions and the Federal Energy Regulatory Commission (FERC). The Company is doing business as KPL, Gas Service, and, through its wholly-owned subsidiary, KG&E.

Utility Plant: Utility plant is stated at cost. For constructed plant, cost includes contracted services, direct labor and materials, indirect charges for engineering, supervision, general and administrative costs, and an allowance for funds used during construction (AFUDC). The AFUDC rate was 4.92% in 1993, 5.99% in 1992, and 6.25% in 1991. The cost of additions to utility plant and replacement units of property is capitalized. Maintenance costs and replacement of minor items of property are charged to expense as incurred. When units of depreciable property are retired, they are removed from the plant accounts and the original cost plus removal charges less salvage are charged to accumulated depreciation.

Depreciation: Depreciation is provided on the straight-line method based on estimated useful lives of property. Composite provisions for book depreciation approximated 3.02% during 1993, 3.03% during 1992, and 3.34% during 1991 of the average original cost of depreciable property.

Cash and Cash Equivalents: For purposes of the Consolidated Statements of Cash Flows, cash and cash equivalents include cash on hand and highly liquid collateralized debt instruments purchased with maturities of three months or less.

Income Taxes: Income tax expense includes provisions for income taxes currently payable and deferred income taxes calculated in conformance with income tax laws, regulatory orders, and Statement of Financial Accounting Standards No. 109 (SFAS 109) (see Note 12).

Investment tax credits are deferred as realized and amortized to income over the life of the property which gave rise to the credits.

Revenues: Effective January 1, 1991, the Company changed its method of accounting for recognizing electric and natural gas revenues to provide for the accrual of estimated unbilled revenues. The accounting change provides a better matching of revenues with costs of services provided to customers and also serves to conform the Company's accounting treatment of unbilled revenues with the tax treatment of such revenues. Unbilled revenues represent the estimated amount customers will be billed for service provided from the time meters were last read to the end of the accounting period. Meters are read and services are billed on a cycle basis and, prior to the accounting change, revenues were recognized in the accounting period during which services were billed.

The after-tax effect of the change in accounting method for the year ended December 31, 1991, was an increase in net income of $15.9 million or $0.46 per share. This increase was a combination of an increase of $17.3 million or $0.50 per share, attributable to the cumulative effect of the accounting change prior to January 1, 1991, and a decrease of $1.4 million or $0.04 per share in the 1991 income before cumulative effect of a change in accounting principle. Unbilled revenues of $99 and $86 million are recorded as a component of accounts receivable on the consolidated balance sheets as of December 31, 1993 and 1992, respectively. Certain amounts of unbilled revenues have been sold (see Note 8).

The Company had reserves for doubtful accounts receivable of $4.3 and $3.3 million at December 31, 1993 and 1992, respectively.

Fuel Costs: The cost of nuclear fuel in process of refinement, conversion, enrichment, and fabrication is recorded as an asset at original cost and is amortized to expense based upon the quantity of heat produced for the generation of electricity. The accumulated amortization of nuclear fuel in the reactor at December 31, 1993 and 1992, was $17.4 million and $26.0 million, respectively.

Cash Surrender Value of Life Insurance Contracts: The following amounts related to corporate-owned life insurance contracts (COLI), primarily with one highly rated major insurance company, are recorded on the consolidated balance sheets (millions of dollars):

	1993	1992
Cash surrender value of contracts....	$326.3	$256.3
Prepaid COLI....................	11.9	7.0
Borrowings against contracts......	(321.5)	(109.6)
COLI (net)..................	$ 16.7	$153.7

The decrease in COLI (net) is a result of increased borrowings against the accumulated cash surrender value of the COLI policies. The COLI borrowings will be repaid with proceeds from death benefits. Management expects to realize increases in the cash surrender value of contracts resulting from premiums and investment earnings on a tax free basis upon receipt of proceeds from death benefits under the contracts. Interest expense included in other income and deductions, net of taxes, related to KG&E's COLI for 1993 and the nine months ended December 31, 1992, was $11.9 and $5.3 million, respectively.

As approved by the Kansas Corporation Commission (KCC) and Missouri Public Service Commission (MPSC), the Company is using a portion of the net income stream generated by COLI policies purchased in 1993 and 1992 by the Company (see Note 6) to offset Statement of Financial Accounting Standards No. 106 (SFAS 106) expenses.

Reclassifications: Certain amounts in prior years have been reclassified to conform with classifications used in the current year presentation.

2 *Sale of Missouri Natural Gas Distribution Properties*

On January 31, 1994, the Company sold substantially all of its Missouri natural gas distribution properties and operations to Southern Union Company (Southern Union). The Company has agreed to sell the remaining Missouri properties to United Cities Gas Company (United Cities). The properties sold to Southern Union and United Cities are referred to herein as the "Missouri Properties." With the sales the Company will no longer be operating as a utility in the State of Missouri.

The portion of the Missouri Properties purchased by Southern Union was sold for an estimated sale price of $400 million, in cash, based on a calculation as of December 31, 1993. The final sale price will be calculated as of January 31, 1994, within 120 days of closing. Any difference between the estimated and final sale price will be adjusted through a payment to or from the Company.

United Cities has agreed to purchase the Company's natural gas distribution system in and around the City of Palmyra, Missouri, for $665,000 in cash.

The operating revenues and operating income (unaudited) related to the Missouri Properties approximated $350 million and $21 million representing approximately 18 percent and seven percent, respectively, of the Company's total for 1993, and $299 million and $11 million representing approximately 19 percent and five percent, respectively, of the Company's total for 1992. Net utility plant (unaudited) for the Missouri Properties, at December 31, 1993, approximated $296 million and $272 million at December 31, 1992. This represents approximately seven percent at December 31, 1993, and six percent at December 31, 1992, of the total Company net utility plant. Separate audited financial information was not kept by the Company for the Missouri Properties. This unaudited financial information is based on assumptions and allocations of expenses of the Company as a whole.

3 *Acquisition and Merger*

On March 31, 1992, the Company, through its wholly-owned subsidiary KCA Corporation (KCA), acquired all of the outstanding common and preferred stock of Kansas Gas and Electric Company for $454 million in cash and 23,479,380 shares of common stock (the Merger). The Company also paid $20 million in costs to complete the Merger. Simultaneously, KCA and Kansas Gas and Electric Company merged and adopted the name of Kansas Gas and Electric Company (KG&E). The Merger was accounted for as a purchase. For income tax purposes the tax basis of the KG&E assets was not changed by the Merger.

As the Company acquired 100 percent of the common and preferred stock of KG&E, the Company recorded an acquisition premium of $490 million on the consolidated balance sheet for the difference in purchase price and book value. This acquisition premium and related income tax requirement of $294 million under SFAS 109 have been classified as plant acquisition adjustment in electric plant in service on the consolidated balance sheets. The total cost of the acquisition was $1.066 billion. Under the provisions of orders of the KCC and the MPSC the acquisition premium is recorded as an acquisition adjustment and not allocated to the other assets and liabilities of KG&E.

In the November 1991 KCC order approving the Merger, a mechanism was approved to share equally between the shareholders and ratepayers the cost savings generated by the Merger in excess of the revenue requirement needed to allow recovery of the amortization of a portion of the acquisition adjustment, including income tax, calculated on the basis of a purchase price of KG&E's common stock at $29.50 per share. The order provides an amortization period for the acquisition adjustment of 40 years commencing in August 1995, at which time the full amount of cost savings is expected to have been implemented. Merger savings will be measured by application of an inflation index to certain pre-merger operating and maintenance costs at the time of the next Kansas rate case. While the Company has achieved savings from the Merger, there is no assurance that the savings achieved will be sufficient to, or the cost savings sharing mechanism will operate as to fully offset the amortization of the acquisition adjustment. The order further provides a moratorium on increases, with certain exceptions, in the Company's Kansas electric and natural gas rates until August 1995. The KCC ordered refunds totalling $32 million to the combined companies' customers to share with customers the Merger-related cost savings achieved during the moratorium period. The first refund was made in April 1992 and amounted to $8.5 million. A refund of the same amount was made in December 1993 and an additional refund of $15 million will be made in September 1994.

The KCC order approving the Merger requires the legal reorganization of KG&E so that it is no longer held as a separate subsidiary after January 1, 1995, unless good cause is shown why such separate existence should be maintained. The Securities and Exchange Commission order relating to the Merger granted the Company an exemption under the Public Utilities Holding Company Act until January 1, 1995. In connection with a requested ruling that a merger of KG&E into Western Resources would not adversely affect the tax structure of the merger, KG&E received a response from the Internal Revenue Service that the IRS would not issue the requested ruling. In light of the IRS response, KG&E withdrew its request for a ruling. The Company will consider alternative forms of combination or seek regulatory approvals to waive the requirements for a combination. There is no certainty as to whether a combination will occur or as to the form or timing thereof.

As the Merger did not occur until March 31, 1992, the twelve months ended December 31, 1992, results of operations for the Company reported in its statements of income, cash flows, and common stock equity reflect KG&E's results of operations for only the nine months ended December 31, 1992. The pro forma combined revenues, operating income, net income, and earnings per common share of the Company presented below give effect to the Merger as if it had occurred at January 1, 1991. This pro forma information is not necessarily indicative of the results of operations that would have occurred had the Merger been consummated for the period for which it is being given effect nor is it necessarily indicative of future operating results.

Year Ended December 31,	1992	1991
	(Dollars in Thousands, except per share amounts)	
Revenues	$1,684,885	$1,748,844
Operating Income	268,772	279,458
Net Income	131,524	110,290 (1)
Earnings Per Common	$ 2.03	$ 1.72 (1)

(1) Reflects information before the cumulative effect of the January 1, 1991, change in accounting method of recognizing revenues.

4 *Commitments and Contingencies*

As part of its ongoing operations and construction program, the Company has commitments under purchase orders and contracts which have an unexpended balance of approximately $86 million at December 31, 1993. Approximately $36 million is attributable to modifications to upgrade the turbines at Jeffrey Energy Center to be completed by December 31, 1998. Plans for future construction of utility plant are discussed in the "Management's Discussion and Analysis" section.

Environmental: The Company has been associated with 28 (20 in Kansas and 8 in Missouri) former manufactured gas sites which may contain coal tar and other potentially harmful materials. These sites were operated decades ago by other companies, and were acquired by the Company after they had ceased operation. The Environmental

Protection Agency (EPA) has performed preliminary assessments of eleven of these sites (EPA sites), six of which are under site investigation. The Company has not received any indication from the EPA that further action will be taken at the EPA sites, nor does the Company have reason to believe there will be any fines or penalties assessed related to these sites. The Company and the Kansas Department of Health and Environment (KDHE) entered into a consent agreement to conduct separate preliminary assessments of the 20 former manufactured gas sites located in Kansas. The preliminary assessments of these 20 sites have been completed at a total cost of approximately $500,000. The Company plans to initiate site investigation and risk assessments at the two highest priority sites in 1994 at a total cost of approximately $500,000. Until such time that risk assessments are completed at these or the remaining sites, it will be impossible to predict the cost of remediation. However, the Company is aware of other utilities in Region VII of the EPA (Kansas, Missouri, Nebraska, and Iowa) which have incurred remediation costs for such sites ranging between $500,000 and $10 million, depending on the site. The Company is also aware that the KCC has permitted another Kansas utility to recover a portion of the remediation costs through rates. To the extent that such remediation costs are not recovered through rates, the costs could be material to the Company's financial position or results of operations depending on the degree of remediation and number of years over which the remediation must be completed.

The Company has been identified as one of numerous potentially responsible parties in four hazardous waste sites listed by the EPA as Superfund sites. One site is a groundwater contamination site in Wichita, Kansas, and one is an oil soil contamination site in Springfield, Missouri. The other two sites are solid waste land fills located in Edwardsville and Hutchinson, Kansas. The Company's obligation at these sites appears to be limited, and it is the opinion of the Company's management that the resolution of these matters will not have a material impact on the Company's financial position or results of operations.

As part of the sale of the Company's Missouri Properties to Southern Union, Southern Union assumed responsibility under an agreement for any environmental matters now pending or that may arise after closing. For any environmental matters now pending or discovered within two years of the date of the agreement, and after pursuing several other potential recovery options, the Company may be liable for up to a maximum of $7.5 million under a sharing arrangement with Southern Union provided for in the agreement.

Spent Nuclear Fuel Disposal: Under the Nuclear Waste Policy Act of 1982, the U.S. Department of Energy (DOE) is responsible for the ultimate storage and disposal of spent nuclear fuel removed from nuclear reactors. Under a contract with the DOE for disposal of spent nuclear fuel, the Company pays a quarterly fee to DOE of one mill per kilowatthour on net nuclear generation. These fees are included as part of nuclear fuel expense and amounted to $3.5 million for 1993 and $1.6 million for 1992.

Decommissioning: The Company's share of Wolf Creek decommissioning costs, currently authorized in rates, was estimated to be approximately $97 million in 1988 dollars. Decommissioning costs are being charged to operating expenses. Amounts so expensed are deposited in an external trust fund and will be used solely for the physical decommissioning of the plant. Electric rates charged to customers provide for recovery of these decommissioning costs over the life of Wolf Creek. At December 31, 1993, and December 31, 1992, $13.2 and $9.3 million, respectively, were on deposit in the decommissioning fund. On September 1, 1993, WCNOC filed an application with the KCC for an order approving a 1993 Wolf Creek Decommissioning Cost Study which estimates the Company's share of Wolf Creek decommissioning costs at approximately $174 million in 1993 dollars. If approved by the KCC, management expects substantially all such cost increases to be recovered through the ratemaking process.

The Company carries $164 million in premature decommissioning insurance in the event of a shortfall in the trust fund. The insurance coverage has several restrictions. One of these is that it can only be used if Wolf Creek incurs an accident exceeding $500 million in expenses to safely stabilize the reactor, to decontaminate the reactor and reactor station site in accordance with a plan approved by the Nuclear Regulatory Commission (NRC), and to pay for on-site property damages. If the amount designated as decommissioning insurance is needed to implement the NRC-approved plan for stabilization and decontamination, it would not be available for decommissioning purposes.

Nuclear Insurance: The Price-Anderson Act limits the combined public liability of the owners of nuclear power plants to $9.4 billion for a single nuclear incident. The Wolf Creek owners (Owners) have purchased the maximum available private insurance of $200 million and the balance is provided by an assessment plan mandated by the NRC. Under this plan, the Owners are jointly and severally subject to a retrospective assessment of up to $79.3 million ($37.3 million, Company's share) in the event there is a nuclear incident involving any of the nation's licensed reactors. This assessment is subject to an inflation adjustment based on the Consumer Price Index. There is a limitation of $10 million ($4.7 million, Company's share) in retrospective assessments per incident per year.

The Owners carry decontamination liability, premature decommissioning liability, and property damage insurance for Wolf Creek totalling approximately $2.8 billion ($1.3 billion, Company's share). This insurance is provided by a combination of "nuclear insurance pools" ($1.3 billion) and Nuclear Electric Insurance Limited (NEIL) ($1.5 billion). In the event of an accident, insurance proceeds must first be used for reactor stabilization and site decontamination. The remaining proceeds from the $2.8 billion insurance coverage ($1.3 billion, Company's share), if any, can be used for property damage up to $1.1 billion (Company's share) and premature decommissioning costs up to $117.5 million (Company's share) in excess of funds previously collected for decommissioning (as discussed under "Decommissioning"), with the remaining $47 million (Company's share) available for either property damage or premature decommissioning costs.

The Owners also carry additional insurance with NEIL to cover costs of replacement power and other extra expenses incurred during a prolonged outage resulting from accidental property damage at Wolf Creek. If losses incurred at any of the nuclear plants insured under the NEIL policies exceed premiums, reserves, and other NEIL resources, the Company may be subject to retrospective assessments of approximately $9 million per year.

There can be no assurance that all potential losses or liabilities will be insurable or that the amount of insurance will be sufficient to cover them. Any substantial losses not covered by insurance, to the extent not recoverable through rates, could have a material adverse effect on the Company's financial condition and results of operations.

Clean Air Act: The Clean Air Act Amendments of 1990 (the Act) require a two-phase reduction in sulfur dioxide and nitrous oxide emissions effective in 1995 and 2000 and a probable reduction in toxic emissions. To meet the monitoring and reporting requirements under the acid rain program, the Company is installing continuous monitoring and reporting equipment at a total cost of approximately $10 million. At December 31, 1993, the Company had completed approximately $4 million of these capital expenditures with the remaining $6 million of capital expenditures to be completed in 1994 and 1995. The Company does not expect additional equipment to reduce sulfur emissions to be necessary under Phase II. The Company currently has no Phase I affected units.

The nitrous oxide and toxic limits, which were not set in the law, will be specified in future EPA regulations. The EPA has issued for public comment preliminary nitrous oxide regulations for Phase I group 1 units. Nitrous oxide regulations for Phase II units and Phase I group 2 units are mandated in the Act to be promulgated by January 1, 1997. Although the Company has no Phase I units, the final nitrous oxide regulations for Phase I group 1 may allow for early compliance for Phase II group 1 units. Until such time as the Phase I group 1 nitrous oxide regulations are final, the Company will be unable to determine its compliance options or related compliance costs.

Federal Income Taxes: During 1991, the Internal Revenue Service (IRS) completed an examination of KG&E's federal income tax returns for the years 1984 through 1988. In April 1992, KG&E received the examination report and upon review filed a written protest in August 1992. In October 1993, KG&E received another examination report for the years 1989 and 1990 covering the same issues identified in the previous examination report. Upon review of this report, KG&E filed a written protest in November 1993. The most significant proposed adjustments reduce the depreciable basis of certain assets and investment tax credits generated. Management believes there are significant questions regarding the theory, computations, and sampling techniques used by the IRS to arrive at its proposed adjustments, and also believes any additional tax expense incurred or loss of investment tax credits will not be material to the Company's financial position and results of operations. Additional income tax payments, if any, are expected to be offset by investment tax credit carryforwards, alternative minimum tax credit carryforwards, or deferred tax provisions.

Fuel Commitments: To supply a portion of the fuel requirements for its generating plants, the Company has entered into various commitments to obtain nuclear fuel, coal, and natural gas. Some of these contracts contain provisions for price escalation and minimum purchase commitments. At December 31, 1993, WCNOC's nuclear fuel commitments (Company's share) were approximately $18.0 million for uranium concentrates expiring at various times through 1997, $123.6 million for enrichment expiring at various times through 2014, and $45.5 million for fabrication through 2012. At December 31, 1993, the Company's coal and natural gas contract commitments in 1993 dollars under the remaining term of the contracts were $2.8 billion and $20.4 million, respectively. The largest coal contract was renegotiated early in 1993 and expires in 2020, with the remaining coal contracts expiring at various times through 2013. The majority of natural gas contracts continue through 1995 with automatic one-year extension provisions. In the normal course of business, additional commitments and spot market purchases will be made to obtain adequate fuel supplies.

Energy Act: As part of the 1992 Energy Policy Act, a special assessment is being collected from utilities for a uranium enrichment, decontamination, and decommissioning fund. The Company's portion of the assessment for Wolf Creek is approximately $7 million, payable over 15 years. Management expects such costs to be recovered through the ratemaking process.

5 *Rate Matters and Regulation*

The Company, under rate orders from certain state regulatory commissions and the FERC, recovers increases in fuel and natural gas costs through fuel adjustment clauses for wholesale and certain retail electric customers and various purchased gas adjustment clauses (PGA) for natural gas customers. Certain state regulatory commissions require the annual difference between actual gas cost incurred and cost recovered through the application of the PGA be deferred and amortized through rates in subsequent periods.

Elimination of the Energy Cost Adjustment Clause (ECA): On March 26, 1992, in connection with the Merger, the KCC approved the elimination of the ECA for most Kansas retail electric customers of both the Company and KG&E effective April 1, 1992. The provisions for fuel costs included in base rates were established at a level intended by the KCC to equal the projected average cost of fuel through August 1995, and to include recovery of costs provided by previously issued orders relating to coal contract settlements. Any increase or decrease in fuel costs from the projected average will be absorbed by the Company.

MPSC Rate Proceedings: On October 5, 1993, the MPSC approved an agreement among the Company, the MPSC staff, and intervenors to increase natural gas rates $9.75 million annually, effective October 15, 1993. Also on October 15, 1993, the Company discontinued the deferral of service line replacement program costs deferred since July 1, 1991, and began amortizing the balance to expense over twenty years. At December 31, 1993, approximately $8.3 million of these deferrals have been included in other deferred charges on the consolidated balance sheet.

On January 22, 1992, the MPSC issued an order authorizing the Company to increase natural gas rates $7.3 million annually.

KCC Rate Proceedings: On January 24, 1992, the KCC issued an order allowing the Company to continue the deferral of service line replacement program costs incurred since January 1, 1992, including depreciation, property taxes, and carrying costs for recovery in the next general rate case. At December 31, 1993, approximately $2.9 million of these deferrals have been included in other deferred charges on the consolidated balance sheet.

On December 30, 1991, the KCC approved a permanent natural gas rate increase of $39 million annually and the Company discontinued the deferral of accelerated line survey costs on January 1, 1992. Approximately $8.3 million of deferred costs remain in other deferred charges on the consolidated balance sheet at December 31, 1993, with the balance being included in rates and amortized to expense during a 43-month period, commencing January 1, 1992.

Gas Transportation Charges: On September 12, 1991, the KCC authorized the Company to begin recovering, through the PGA, deferred supplier gas transportation costs of $9.9 million incurred through December 31, 1990, based on a three-year amortization schedule. On December 30, 1991, the KCC authorized the Company to recover deferred transportation costs of approximately $2.8 million incurred subsequent to December 31, 1990, through the PGA over a 32-month period. At December 31, 1993, approximately $4.8 million of these deferrals remain in other deferred charges on the consolidated balance sheet.

Tight Sands: In December 1991, the KCC, MPSC, and Oklahoma Corporation Commission (OCC) approved agreements authorizing the Company to refund to customers approximately $40 million of the proceeds of the Tight Sands antitrust litigation settlement to be collected on behalf of Western Resources' natural gas customers. To secure the refund of settlement proceeds, the Commissions authorized the establishment of an independently administered trust to collect and maintain cash receipts received under Tight Sands settlement agreements and provide for the refunds made. The trust has a term of ten years.

Rate Stabilization Plan: In 1988, the KCC issued an order requiring that the accrual of phase-in revenues be discontinued by KG&E effective December 31, 1988. Effective January 1, 1989, KG&E began amortizing the phase-in revenue asset on a straight-line basis over 9 1/2 years.

Coal Contract Settlements: In March 1990, the KCC issued an order allowing KG&E to defer its share of a 1989 coal contract settlement with the Pittsburgh and Midway Coal Mining Company amounting to $22.5 million. This amount was recorded as a deferred charge on the consolidated balance sheets. The settlement resulted in the termination of a long-term coal contract. The KCC permitted KG&E to recover this settlement as follows: 76 percent of the settlement plus a return over the remaining term of the terminated contract (through 2002) and 24 percent to be amortized to expense with a deferred return equivalent to the carrying cost of the asset.

In February 1991, KG&E paid $8.5 million to settle a coal contract lawsuit with AMAX Coal Company and recorded the payment as a deferred charge on the consolidated balance sheet. The KCC approved the recovery of the settlement plus a return, equivalent to the carrying cost of the asset, over the remaining term of the terminated contract (through 1996).

FERC Order No. 528: In 1990, the FERC issued Order No. 528 which authorized new methods for the allocation and recovery of take-or-pay settlement costs by natural gas pipelines from their customers. Settlements have been reached between the Company's two largest gas pipelines and their customers in FERC proceedings related to take-or-pay issues. The settlements address the allocation of take-or-pay settlement costs between the pipelines and their customers. However, the amount which one of the pipelines will be allowed to recover is yet to be determined. Litigation continues between the Company and a former upstream pipeline supplier to one of the Company's pipeline suppliers concerning the amount of such costs which may ultimately be allocated to the Company's pipeline supplier. A portion of any costs allocated to the Company's pipeline supplier will be charged to the Company. Due to the uncertainty concerning the amount to be recovered by the Company's current suppliers and of the outcome of the litigation between the Company and its current pipeline's upstream supplier, the Company is unable to estimate its future liability for take-or-pay settlement costs. However, the KCC and MPSC have approved mechanisms which are expected to allow the Company to recover these take-or-pay costs from its customers.

6 *Employee Benefit Plans*

Pension: The Company maintains noncontributory defined benefit pension plans covering substantially all employees. Pension benefits are based on years of service and the employee's compensation during the five highest paid consecutive years out of ten before retirement. The Company's policy is to fund pension costs accrued, subject to limitations set by the Employee Retirement Income Security Act of 1974 and the Internal Revenue Code.

The following tables provide information on the components of pension cost, funded status, and actuarial assumptions for the Company's pension plans:

Year Ended December 31,	1993	1992	1991
	(Dollars in Thousands)		
Pension Cost:			
Service cost	$ 9,778	$ 9,847	$ 6,589
Interest cost on projected benefit obligation	35,688	29,457	20,985
Return on plan assets	(64,113)	(38,967)	(59,161)
Deferred gain on plan assets	29,190	7,705	38,015
Net amortization	(669)	(948)	(131)
Net pension cost	$ 9,874	$ 7,094	$ 6,297

December 31,	1993	1992	1991
	(Dollars in Thousands)		
Funded Status:			
Actuarial present value of benefit obligations:			
Vested	$353,023	$316,100	$200,435
Non-vested	26,983	19,331	13,935
Total	$380,006	$335,431	$214,370
Plan assets (principally debt and equity securities) at fair value	$490,339	$452,372	$324,780
Projected benefit obligation	468,996	424,232	282,062
Plan assets in excess of projected benefit obligation	21,343	28,140	42,718
Unrecognized transition asset	(2,756)	(3,092)	(1,253)
Unrecognized prior service costs	64,217	55,886	27,216
Unrecognized net gain	(108,783)	(106,486)	(69,494)
Accrued pension costs	$ (25,979)	$ (25,552)	$ (813)

Year Ended December 31,	1993	1992	1991
Actuarial Assumptions:			
Discount rate	7.0-7.75%	8.0-8.5%	8.0%
Annual salary increase rate	5.0 %	6.0%	6.0%
Long-term rate of return	8.0-8.5 %	8.0-8.5%	8.0%

Retirement and Voluntary Separation Plans: In January 1992, the Board of Directors approved early retirement plans and voluntary separation programs. The voluntary early retirement plans were offered to all vested participants in the Company's defined pension plan who reached the age of 55 with 10 or more years of service on or before May 1, 1992. Certain pension plan improvements were made, including a waiver of the actuarial reduction factors for early retirement and a cash incentive payable as a monthly supplement up to 60 months or as a lump sum payment. Of the 738 employees eligible for the early retirement option, 531, representing ten percent of the combined Company's work force, elected to retire on or before the May 1, 1992, deadline. Seventy-one of those electing to retire were employees of KG&E acquired March 31, 1992 (see Note 3). Another 67 employees, with 10 or more years of service, elected to participate in the voluntary separation program. Of those, 29 were employees of KG&E. In addition, 68 employees received Merger-related severance benefits, including 61 employees of KG&E. The actuarial cost, based on plan provisions for early retirement and voluntary separation programs, and Merger-related severance benefits for the KG&E employees, were considered in purchase accounting for the Merger. The actuarial cost of the former Kansas Power and Light Company employees, of approximately $11 million, was expensed in 1992.

Postretirement: The Company adopted the provisions of Statement of Financial Accounting Standards No. 106 (SFAS 106) in the first quarter of 1993. This statement requires the accrual of postretirement benefits other than pensions, primarily medical benefit costs, during the years an employee provides service.

Based on actuarial projections and adoption of the transition method of implementation which allows a 20-year amortization of the accumulated benefit obligation, the annual expense under SFAS 106 was approximately $26.5 million in 1993 (as compared to approximately $9.6 million on a cash basis) and the Company's total obligation was approximately $166.5 million at December 31, 1993. To mitigate the impact of SFAS 106 expense, the Company has implemented programs to reduce health care costs. In addition, the Company has received orders from the KCC and MPSC permitting the initial deferral of SFAS 106 expense. To mitigate the impact SFAS 106 expense will have on rate increases, the Company will include in the future computation of cost of service the actual SFAS 106 expense and an income stream generated from corporate-owned life insurance (COLI). To the extent SFAS 106 expense exceeds income from the COLI program, this excess will be deferred (as allowed by the FASB Emerging Issues Task Force Issue No. 92-12) and offset by income generated through the deferral period by the COLI program. The OCC is reviewing the Company's application for similar treatment in Oklahoma. Should the OCC require recognition of postretirement benefit costs for regulatory purposes under a different method than that proposed under the Company's application, the impact on earnings would not be material. Should the income stream generated by the COLI program not be sufficient to offset the deferred SFAS 106 expense, the KCC and MPSC orders allow recovery of such deficit through the ratemaking process.

Prior to the adoption of SFAS 106 the Company's policy was to recognize the cost of retiree health care and life insurance benefits as expense when claims and premiums for life insurance policies were paid. The cost of providing health care and life insurance benefits to 2,928 retirees was $8.1 million in 1992.

The following table summarizes the status of the Company's postretirement plans for financial statement purposes and the related amount included in the consolidated balance sheet:

December 31,	1993
	(Dollars in Thousands)
Actuarial present value of postretirement benefit obligations:	
Retirees	$ 111,499
Active employees fully eligible	11,848
Active employees not fully eligible	43,109
Unrecognized prior service cost	18,195
Unrecognized transition obligation	(160,731)
Unrecognized net loss	(7,100)
Balance sheet liability	$ 16,820

For measurement purposes, an annual health care cost growth rate of 13% was assumed for 1994, decreasing to 6% by 2002 and thereafter. The accumulated post retirement benefit obligation was calculated using a weighted-average discount rate of 7.75%, a weighted-average compensation increase rate of 5.0%, and a weighted-average expected rate of return of 8.5%. The health care cost trend rate has a significant effect on the projected benefit obligation. Increasing the trend rate by 1% each year would increase the present value of the accumulated projected benefit obligation by $11.1 million and the aggregate of the service and interest cost components by $1.5 million.

Postemployment: The FASB has issued Statement of Financial Accounting Standards No. 112 (SFAS 112), which establishes accounting and reporting standards for postemployment benefits. The new statement will require the Company to recognize the liability to provide postemployment benefits when the liability has been incurred. The Company adopted SFAS 112 effective January 1, 1994. To mitigate the impact adopting SFAS 112 will have on rate increases, the Company will file applications with the KCC and OCC for orders permitting the initial deferral of SFAS 112 transition costs and expenses and its inclusion in the future computation of cost of service net of an income stream generated from COLI. However, if the state regulatory commissions were to recognize postemployment benefit costs under a different method, 1994 earnings could be impacted negatively. At December 31, 1993, the Company estimates SFAS 112 liability to total approximately $11 million.

Savings: The Company maintains savings plans in which substantially all employees participate. The Company matches employees' contributions up to specified maximum limits. The funds of the plans are deposited with a trustee and invested at each employee's option in one or more investment funds, including a Company stock fund. The Company's contributions were $5.4, $5.4, and $3.3 million for 1993, 1992, and 1991, respectively.

Missouri Property Sale: Effective January 31, 1994, the Company transferred a portion of the assets and liabilities of the Company's pension plan to a pension plan established by Southern Union. The amount of assets transferred equal the projected benefit obligation for employees and retirees associated with Southern Union's portion of the Missouri Properties plus an additional $9 million.

7 *Fair Value of Financial Instruments*

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value as set forth in Statement of Financial Accounting Standards No. 107:

Cash and Cash Equivalents-
The carrying amount approximates the fair value because of the short-term maturity of these investments.

Decommissioning Trust-
The fair value of the decommissioning trust is based on quoted market prices at December 31, 1993 and 1992.

Variable-rate Debt-
The carrying amount approximates the fair value because of the short-term variable rates of these debt instruments.

Fixed-rate Debt-
The fair value of the fixed-rate debt is based on the sum of the estimated value of each issue taking into consideration the interest rate, maturity, and redemption provisions of each issue.

Redeemable Preference Stock-
The fair value of the redeemable preference stock is based on the sum of the estimated value of each issue taking into consideration the dividend rate, maturity, and redemption provisions of each issue.

The estimated fair values of the Company's financial instruments are as follows:

	Carrying Value		Fair Value	
December 31,	1993	1992	1993	1992
	(Dollars in Thousands)			
Cash and cash equivalents	$ 1,217	$ 875	$ 1,217	$ 875
Decommissioning trust	13,204	9,272	13,929	9,500
Variable-rate debt	931,352	758,449	931,352	758,449
Fixed-rate debt	1,364,886	1,508,077	1,473,569	1,563,375
Redeemable preference stock	150,000	152,733	160,780	161,733

8 *Long-Term Debt*

The amount of first mortgage bonds authorized by the Western Resources Mortgage and Deed of Trust, dated July 1, 1939, as supplemented, is unlimited. The amount of first mortgage bonds authorized by the KG&E Mortgage and Deed of Trust, dated April 1, 1940, as supplemented, is limited to a maximum of $2 billion. Amounts of additional bonds which may be issued are subject to property, earnings, and certain restrictive provisions of each Mortgage.

On January 20, 1994, KG&E issued $100 million of First Mortgage Bonds, 6.20% Series due January 15, 2006.

On January 31, 1994, the Company redeemed the remaining $2,466,000 principal amount of Gas Service Company (GSC) 8 1/2% Series First Mortgage Bonds due 1997. In addition, the Company took measures to have the GSC Mortgage and Deed of Trust discharged.

Debt discount and expenses are being amortized over the remaining lives of each issue. The Western Resources and KG&E improvement and maintenance fund requirements for certain first mortgage bond series can be met by bonding additional property. The sinking fund requirements for certain Western Resources and KG&E pollution control series bonds can be met only through the acquisition and retirement of outstanding bonds. Bonds maturing and acquisition and retirement of bonds for sinking fund requirements for the five years subsequent to December 31, 1993, are as follows:

Year	Maturing Bonds	Retiring Bonds
	(Dollars in Thousands)	
1994	$ 2,466	$ 738
1995	—	753
1996	16,000	770
1997	—	1,333
1998	—	1,550

Long-term debt outstanding at December 31, 1993 and 1992, was as follows:

	1993	1992
	(Dollars in Thousands)	
Western Resources		
First mortgage bond series:		
9.35 % due 1998	$ —	$ 75,000
7 1/4% due 1999	125,000	125,000
7 5/8% due 1999	19,000	19,000
8 3/4% due 2000	—	20,000
8 7/8% due 2000	75,000	75,000
7 1/4% due 2002	100,000	100,000
8 5/8% due 2005	—	35,000
8 1/8% due 2007	30,000	30,000
8 3/4% due 2008	—	35,000
8 5/8% due 2017	50,000	50,000
8 1/2% due 2022	125,000	125,000
7.65 % due 2023	100,000	—
	624,000	689,000
Pollution control bond series:		
5.90 % due 2007	31,000	31,500
6 3/4% due 2009	45,000	45,000
9 5/8% due 2013	—	58,500
6 % due 2033	58,500	—
	134,500	135,000
KG&E		
First mortgage bond series:		
5 5/8% due 1996	16,000	16,000
8 1/8% due 2001	—	35,000
7 3/8% due 2002	—	25,000
7.60 % due 2003	135,000	135,000
6 1/2% due 2005	65,000	—
8 3/8% due 2006	—	25,000
8 1/2% due 2007	—	25,000
8 7/8% due 2008	—	30,000
	216,000	291,000
Pollution control bond series:		
6.80 % due 2004	14,500	14,500
5 7/8% due 2007	21,940	21,940
6 % due 2007	10,000	10,000
7.0% due 2031	327,500	327,500
	373,940	373,940
GSC		
First mortgage bond series:		
8 1/2% due 1997	2,466	4,932
	2,466	4,932
Bank term loan	—	230,000
Other pollution control obligations	13,980	14,205
Revolving credit agreement	115,000	150,000
Other long term agreement	53,913	46,640
Less:		
Unamortized debt discount	6,607	6,730
Long-term debt due within one year	3,204	1,961
	$1,523,988	$1,926,026

In January 1993, the Company renegotiated its $600 million bank term loan and revolving credit facility used to finance the Merger into a $350 million revolving credit facility, secured by KG&E common stock. The revolver has an initial term of three years with options to renew for an additional two years with the consent of the banks. The unused portion of the revolving credit facility may be used to provide support for outstanding short-term debt. At December 31, 1993, $115 million was outstanding under the facility.

On September 20, 1993, KG&E terminated a long-term revolving credit agreement which provided for borrowings of up to $150 million. The loan agreement, which was effective through October 1994, was repaid without penalty.

KG&E has a long-term agreement, expiring in 1995, which contains provisions for the sale of accounts receivable and unbilled revenues (receivables) and phase-in revenues up to a total of $180 million. Amounts related to receivables are accounted for as sales while those related to phase-in revenues are accounted for as collateralized borrowings. Additional receivables are continually sold to replace those collected. At December 31, 1993 and 1992, outstanding receivables amounting to $56.8 and $47.7 million, respectively, were considered sold under the agreement. The credit risk associated with the sale of customer accounts receivable is considered minimal. The weighted average interest rate, including fees, was 3.7% for the year ended December 31, 1993, and 6.6% for the nine months ended December 31, 1992. At December 31, 1993, an additional $16.4 million was available under the agreement.

9 *Short-Term Debt*

The Company's short-term financing requirements are satisfied, as needed, through the sale of commercial paper, short-term bank loans and borrowings under other unsecured lines of credit maintained with banks. Information concerning these arrangements for the years ended December 31, 1993, 1992, and 1991, is set forth below:

Year Ended December 31,	1993	1992	1991
	(Dollars in Thousands)		
Lines of credit at year end	$145,000	$250,000 (1)	$185,000 (2)
Short-term debt outstanding at year end	440,895	222,225	135,800
Weighted average interest rate on debt outstanding at year end (including fees)	3.67%	4.70%	5.07%
Maximum amount of short-term debt outstanding during the period	$443,895	$263,900	$175,000
Monthly average short-term debt	347,278	179,577	125,968
Weighted daily average interest rates during the year (including fees)	3.44%	4.90%	6.69%

(1) Decreased to $155 million in January 1993.
(2) Increased to $200 million in January 1992.

In connection with the commitments, the Company has agreed to pay certain fees to the banks. Available lines of credit and the unused portion of the revolving credit facility are utilized to support the Company's outstanding short-term debt.

10 *Leases*

At December 31, 1993, the Company had leases covering various property and equipment. Certain lease agreements meet the criteria, as set forth in Statement of Financial Accounting Standards No. 13, for classification as capital leases.

Rental payments for capital and operating leases and estimated rental commitments are as follows:

Year Ending December 31,	Capital Leases	Operating Leases
	(Dollars in Thousands)	
1991	$ 1,217	$ 21,501
1992	2,426	52,701
1993	3,272	55,011
Future Commitments:		
1994	$ 4,002	$ 47,729
1995	3,752	45,825
1996	3,627	44,176
1997	1,209	41,644
1998	—	41,019
Thereafter	—	771,157
Total	$ 12,590	$991,550
Less interest	1,466	
Net obligation	$ 11,124	

In 1987, KG&E sold and leased back its 50 percent undivided interest in La Cygne 2. The lease has an initial term of 29 years, with various options to renew the lease or repurchase the 50 percent undivided interest. KG&E remains responsible for its share of operation and maintenance costs and other related operating costs of La Cygne 2. The lease is an operating lease for financial reporting purposes.

As permitted under the lease agreement, the Company in 1992 requested the Trustee Lessor to refinance $341.1 million of secured facility bonds of the Trustee and owner of La Cygne 2. The transaction was requested to reduce recurring future net lease expense. In connection with the refinancing on September 29, 1992, a one-time payment of approximately $27 million was made by the Company which has been deferred and is being amortized over the remaining life of the lease and included in operating expense as part of the future lease expense.

Future minimum annual lease payments, included in the table above, required under the lease agreement are approximately $34.6 million for each year through 1998 and $715 million over the remainder of the lease.

The gain of approximately $322 million realized at the date of the sale has been deferred for financial reporting purposes, and is being amortized over the initial lease term in proportion to the related lease expense. KG&E's lease expense, net of amortization of the deferred gain and a one-time payment, was approximately $22.5 million for the year ended December 31, 1993, and $20.6 million for the nine months ended December 31, 1992.

11 *Joint Ownership of Utility Plants*

		Company's Ownership at December 31, 1993			
	In-Service Dates	Investment	Accumulated Depreciation	Net (MW)	Percent
		(Dollars in Thousands)			
La Cygne 1 (a)	Jun 1973	$ 150,265	$ 91,175	342	50
Jeffrey 1 (b)	Jul 1978	277,087	116,526	587	84
Jeffrey 2 (b)	May 1980	274,018	106,301	566	84
Jeffrey 3 (b)	May 1983	386,925	124,158	588	84
Wolf Creek (c)	Sep 1985	1,366,387	281,819	533	47

(a) Jointly owned with Kansas City Power & Light Company (KCP&L)
(b) Jointly owned with UtiliCorp United Inc. and a third party
(c) Jointly owned with KCP&L and Kansas Electric Power Cooperative, Inc.

Amounts and capacity represent the Company's share. The Company's share of operating expenses of the plants in service above, as well as such expenses for a 50 percent undivided interest in La Cygne 2 (representing 335 MW capacity) sold and leased back to the Company in 1987, are included in operating expenses in the statements of income. The Company's share of other transactions associated with the plants is included in the appropriate classification in the Company's consolidated financial statements.

12 *Income Taxes*

The Company adopted the provisions of SFAS 109 in the first quarter of 1992. KG&E adopted the provisions of SFAS 96 in 1987 and SFAS 109 in 1992. These statements require the Company to establish deferred tax assets and liabilities, as appropriate, for all temporary differences, and to adjust deferred tax balances to reflect changes in tax rates expected to be in effect during the periods the temporary differences reverse.

In accordance with various rate orders received from the KCC, the MPSC, and the OCC, the Company has not yet collected through rates the amounts necessary to pay a significant portion of the net deferred income tax liabilities. As management believes it is probable that the net future increases in income taxes payable will be recovered from customers through future rates, it has recorded a deferred asset for these amounts. These assets are also a temporary difference for which deferred income tax liabilities have been provided. Accordingly, the adoption of SFAS 109 did not have a material impact on the Company's results of operations.

At December 31, 1993, KG&E has unused investment tax credits of approximately $7.1 million available for carryforward which, if not utilized, will expire in the years 2000 through 2002. In addition, the Company has alternative minimum tax credits generated prior to April 1, 1992, which carryforward without expiration, of $57.2 million which may be used to offset future regular tax to the extent the regular tax exceeds the alternative minimum tax. These credits have been applied in determining the Company's net deferred income tax liability and corresponding deferred future income taxes at December 31, 1993.

Deferred income taxes result from temporary differences between the financial statement and tax basis of the Company's assets and liabilities. The sources of these differences and their cumulative tax effects are as follows:

December 31,		1993	
	Debits	Credits	Total
		(Dollars in Thousands)	
Sources of Deferred Income Taxes:			
Accelerated depreciation and other property items	$ —	$ (647,202)	$ (647,202)
Energy and purchased gas adjustment clauses	2,452	—	2,452
Phase-in revenues	—	(35,573)	(35,573)
Natural gas line survey and replacement program	—	(7,721)	(7,721)
Deferred gain on sale-leaseback	116,186	—	116,186
Alternative minimum tax credits	39,882	—	39,882
Deferred coal contract settlements	—	(14,980)	(14,980)
Deferred compensation/ pension liability	11,301	—	11,301
Acquisition premium	—	(301,394)	(301,394)
Deferred future income taxes	—	(117,549)	(117,549)
Other	—	(14,039)	(14,039)
Total Deferred Income Taxes	$ 169,821	$(1,138,458)	$ (968,637)

December 31,		1992	
	Debits	Credits	Total
		(Dollars in Thousands)	
Sources of Deferred Income Taxes:			
Accelerated depreciation and other property items	$ —	$ (607,303)	$ (607,303)
Energy and purchased gas adjustment clauses	—	(7,717)	(7,717)
Phase-in revenues	—	(37,564)	(37,564)
Natural gas line survey and replacement program	—	(7,473)	(7,473)
Deferred gain on sale-leaseback	104,573	—	104,573
Alternative minimum tax credits	39,882	—	39,882
Deferred coal contract settlements	—	(9,318)	(9,318)
Deferred compensation/ pension liability	8,488	—	8,488
Acquisition premium	—	(314,241)	(314,241)
Deferred future income taxes	—	(158,102)	(158,102)
Other	—	(1,380)	(1,380)
Total Deferred Income Taxes	$ 152,943	$(1,143,098)	$ (990,155)

13 *Segments of Business*

The Company is a public utility engaged in the generation, transmission, distribution, and sale of electricity in Kansas and the transportation, distribution, and sale of natural gas in Kansas, Missouri, and Oklahoma.

Year Ended December 31,	1993	1992 (1)	1991
	(Dollars in Thousands)		
Operating revenues:			
Electric	$1,104,537	$ 882,885	$ 471,839
Natural gas	804,822	673,363	690,339
	1,909,359	1,556,248	1,162,178
Operating expenses excluding income taxes:			
Electric	791,563	632,169	337,150
Natural gas	747,755	642,910	664,825
	1,539,318	1,275,079	1,001,975
Income taxes:			
Electric	73,425	41,184	32,239
Natural gas	4,553	816	(1,657)
	77,978	42,000	30,582
Operating income:			
Electric	239,549	209,532	102,450
Natural gas	52,514	29,637	27,171
	$ 292,063	$ 239,169	$ 129,621
Identifiable assets at December 31:			
Electric	$4,231,277	$4,390,117	$1,196,023
Natural gas	1,040,513	918,729	840,692
Other corporate assets (2)	140,258	130,060	75,798
	$5,412,048	$5,438,906	$2,112,513
Other Information—			
Depreciation and amortization:			
Electric	$ [illegible]034	$ 105,842	$ 53,632
Natural gas	38,330	38,171	32,103
	$ 164,364	$ 144,013	$ 85,735
Maintenance:			
Electric	$ 87,696	$ 73,104	$ 34,240
Natural gas	30,147	28,507	26,275
	$ 117,843	$ 101,611	$ 60,515
Capital expenditures:			
Electric	$ 137,874	$ 95,465	$ 43,714
Nuclear fuel	5,702	15,839	—
Natural gas	94,055	91,189	81,961
	$ 237,631	$ 202,493	$ 125,675

(1) Information reflects the merger with KG&E on March 31, 1992.
(2) Principally cash, temporary cash investments, non-utility investments, and deferred charges.

The portion of the table above related to the Missouri Properties is as follows (unaudited):

	1993
	(Dollars in Thousands)
Natural gas revenues	$349,749
Operating expenses excluding income taxes	326,329
Income taxes	2,672
Operating income	20,748
Identifiable assets	398,464
Depreciation and amortization	12,668
Maintenance	10,504
Capital expenditures	38,821

14 *Common Stock and Cumulative Preferred and Preference Stock*

The Company's Restated Articles of Incorporation, as amended, provides for 85,000,000 authorized shares of common stock. During 1993, the Company issued 3,572,323 shares of common stock and at December 31, 1993, 61,617,873 shares were outstanding.

Not subject to mandatory redemption: The cumulative preferred stock is redeemable in whole or in part on 30 to 60 days notice at the option of the Company.

Subject to mandatory redemption: On October 1, 1993, the Company redeemed the remaining 22,000 shares of the 8.70% Series preference stock.

The mandatory sinking fund provisions of the 8.50% Series preference stock require the Company to redeem 50,000 shares annually beginning on July 1, 1997, at $100 per share. The Company may, at its option, redeem up to an additional 50,000 shares on each July 1, at $100 per share. The 8.50% Series also is redeemable in whole or in part, at the option of the Company, subject to certain restrictions on refunding, at a redemption price of $107.37, $106.80, and $106.23 per share beginning July 1, 1993, 1994, and 1995, respectively.

The mandatory sinking fund provisions of the 7.58% Series preference stock require the Company to redeem 25,000 shares annually beginning on April 1, 2002, and each April 1 through 2006 and the remaining shares on April 1, 2007, all at $100 per share. The Company may, at its option, redeem up to an additional 25,000 shares on each April 1 at $100 per share. The 7.58% Series also is redeemable in whole or in part, at the option of the Company, subject to certain restrictions on refunding, at a redemption price of $106.82, $106.06, and $105.31 per share beginning April 1, 1993, 1994, and 1995, respectively.

15 *Legal Proceedings*

The Company and its subsidiaries are involved in various legal and environmental proceedings. Management believes that adequate provision has been made within the consolidated financial statements for these matters and accordingly believes their ultimate dispositions will not have a material adverse effect upon the business, financial position, or results of operations of the Company.

16 *Quarterly Results (Unaudited)*

The amounts in the table are unaudited but, in the opinion of management, contain all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the results of such periods. The business of the Company is seasonal in nature and, in the opinion of management, comparisons between the quarters of a year do not give a true indication of overall trends and changes in operations.

	First	Second	Third	Fourth
	(Dollars in Thousands, except Per Share Amounts)			
1993				
Operating revenues	$579,581	$400,411	$419,018	$510,349
Operating income	85,950	60,282	81,225	64,606
Net income	54,814	30,723	56,807	35,026
Earnings applicable to common stock	51,468	27,320	53,405	31,671
Earnings per share	$ 0.89	$ 0.47	$ 0.90	$ 0.51
Dividends per share	$ 0.485	$ 0.485	$ 0.485	$ 0.485
Average common shares outstanding	58,046	58,046	59,441	61,603
Common stock price:				
High	$ 35 3/4	$ 36 1/8	$ 37 1/4	$ 37
Low	$ 30 3/8	$ 32 3/4	$ 35	$ 32 3/4
1992 (1)				
Operating revenues	$373,620	$341,715	$380,745	$460,168
Operating income	42,684	45,830	77,010	73,645
Net income	27,984	18,434	42,185	39,281
Earnings applicable to common stock	25,472	15,113	38,726	35,822
Earnings per share	$ 0.74	$ 0.26	$ 0.67	$ 0.62
Dividends per share	$ 0.475	$ 0.475	$ 0.475	$ 0.475
Average common shares outstanding	34,566	58,046	58,046	58,046
Common stock price:				
High	$ 29 1/2	$ 26 7/8	$ 30 1/2	$ 32 5/8
Low	$ 25 3/8	$ 25 1/4	$ 26 3/4	$ 28 1/2

(1) Information reflects the merger with KG&E on March 31, 1992.

To the Shareholders and Board of Directors of Western Resources, Inc.:

We have audited the accompanying consolidated balance sheets and statements of capitalization of Western Resources, Inc., and subsidiaries as of December 31, 1993 and 1992, and the related consolidated statements of income, cash flows, taxes and common stock equity for each of the three years in the period ended December 31, 1993. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Kansas Gas and Electric Company, a wholly-owned subsidiary of Western Resources, Inc., as of and for the year ended December 31, 1992, which statements reflect assets and revenues of 61 percent and 27 percent, respectively, of the consolidated totals for 1992. Those statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for that entity, is based solely on the report of other auditors.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all materials respects, the financial position of Western Resources, Inc., and subsidiaries as of December 31, 1993 and 1992, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1993, in conformity with generally accepted accounting principles.

As explained in Note 1 to the consolidated financial statements, effective January 1, 1991, the Company changed to a preferred method of accounting for revenue recognition. As explained in Note 12 to the consolidated financial statements, effective January 1, 1992, the Company changed its method of accounting for income taxes. As explained in Note 6 to the consolidated financial statements, effective January 1, 1993, the Company changed its method of accounting for postretirement benefits.

Kansas City, Missouri,
January 28, 1994

ARTHUR ANDERSEN & CO.

Income Statement Data ($1,000s):

		Operating Expenses							
Years	Total Operating Revenues	Fuel Used for Generation	Power Purchased (Net)	Natural Gas Purchases	Other Operations	Maintenance	Depreciation	Taxes	Operating Income
1993	$1,909,359	$250,328	$16,396	$500,189	$349,160	$117,843	$181,909	$201,471	$292,063
1992 (1)	1,556,248	200,779	14,819	403,326	296,642	101,611	157,171	142,731	239,169
1991	1,162,178	146,256	5,335	439,323	193,319	60,515	85,735	102,074	129,621
1990	1,149,755	148,681	2,658	456,868	178,448	57,817	76,815	96,478	131,990
1989	1,127,623	149,796	148	451,896	171,094	58,442	73,305	97,406	125,536
1988	1,166,114	148,787	(2,356)	486,347	165,234	55,128	70,406	112,146	130,422
1987	1,166,458	144,495	2,328	485,995	153,789	49,598	67,804	124,115	138,334
1986	1,198,884	144,693	2,065	511,344	151,676	45,842	65,208	135,417	142,639
1985	1,354,128	150,679	2,279	655,429	150,295	45,962	60,794	142,680	146,010
1984	1,480,182	173,709	4,319	764,819	145,559	45,181	58,552	144,316	143,727

Electric Statistics:

	MWH Sales (1,000s)					Company System Supply at Peak Hour (Net MW)			
Years	Residential	Commercial	Industrial	Other	Total	System Net Load	System Peak Responsibility (2)	Accredited Generating Capacity	System Capacity (2)
1993	4,960	5,100	5,301	4,628	19,989	3,821	3,827	5,184	4,985
1992 (1)	3,842	4,473	4,419	3,119	15,853	3,583	3,590	5,139	4,807
1991	2,556	3,051	1,947	1,984 (6)	9,538 (6)	1,973	1,959	2,622	2,367
1990	2,403	2,952	1,954	1,820	9,129	1,957	1,948	2,589	2,344
1989	2,248	2,814	1,925	2,077	9,064	1,838	1,823	2,589	2,345
1988	2,296	2,782	1,877	2,174	9,129	1,926	1,919	2,526	2,287
1987	2,153	2,633	1,816	2,001	8,603	1,818	1,821	2,505	2,241
1986	2,075	2,521	1,821	2,125	8,542	1,737	1,740	2,531	2,262
1985	1,989	2,405	1,852	2,296	8,542	1,637	1,615	2,672	2,435
1984	1,991	2,322	1,777	2,379	8,469	1,700	1,668	2,681	2,387

Natural Gas Statistics:

	MCF Sales (1,000s)						
Years	Residential	Commercial	Industrial	Other	Transportation	Total	Average Cost of Gas Purchased Per MCF
1993	110,045	47,536	1,490	41	73,574	232,686	$3.05
1992	93,779	40,556	2,214	94	68,425	205,068	2.74
1991	97,297	47,075	2,655	14,960 (6)	78,055	240,042 (6)	2.87
1990	95,247	43,973	3,207	1,361	72,623	216,411	2.90
1989	104,057	47,339	5,637	1,403	58,025	216,461	2.75
1988	104,471	52,567	19,929	2,455	37,424	216,846	2.57
1987	94,842	50,946	29,917	2,101	24,584	202,390	2.67
1986	97,368	54,132	48,181	2,523	5,752	207,956	2.50
1985	106,315	59,947	53,170	7,540	9,664	236,636	2.79
1984	104,092	57,624	61,163	3,815	–	226,694	3.25

(1) Information reflects the merger with KG&E on March 31, 1992 (Note 3).
(2) Net of off-system sales and purchases.
(3) Restated to reflect two-for-one stock split on May 5, 1987.
(4) Includes cumulative effect to January 1, 1985, of change in revenue recognition, a $5,793,000 or $0.17 per share decrease.

Other Income and Deductions		Interest Charges			Income, Earnings, and Dividends				
AFUDC Equity	Other Income & Deductions (Net)	Long-Term Debt	Other	AFUDC-Debt	Net Income	Preferred & Preference Dividends	Earnings Applicable to Common Stock	Earnings per Common Share (3)	Dividends Declared per Common Share (3)
$ –	**$25,482**	**$123,551**	**$19,255**	**$(2,631)**	**$177,370**	**$13,506**	**$163,864**	**$2.76**	**$1.94**
–	24,186	117,464	20,009	(2,002)	127,884	12,751	115,133	2.20	1.90
–	3,351	51,267	10,490	(1,070)	89,645 (6)	6,377	83,268 (6)	2.41 (6)	2.04 (5)
–	9,012	51,542	11,022	(1,181)	79,619	1,744	77,875	2.25	1.80
–	859	46,378	8,742	(1,503)	72,778	1,857	70,921	2.05	1.76
–	(461)	[illegible]	7,135	(1,327)	79,791	1,970	77,821	2.25	1.72
375	1,188	[illegible]	3,517	(496)	88,691	3,700	84,991	2.46	1.65
366	750	[illegible]	2,902	(742)	91,382	7,633	83,749	2.42	1.58
406	41	[illegible]	5,026	(760)	87,975 (4)	8,973	79,002 (4)	2.30 (4)	1.48
800	1,635	[illegible]	6,103	(366)	89,848	9,759	80,089	2.40	1.38

Electric Revenues ($1,000s)					Customers	Utility Plant ($1,000s)	
Residential	Commercial	Industrial	Other	Total	Average Total	Gross Additions	Total
$384,618	**$319,686**	**$261,898**	**$138,335**	**$1,104,537**	**585,042**	**$147,556**	**$5,169,915**
296,917	271,303	211,593	103,072	882,885	577,918	93,340	5,048,903
160,831	149,152	78,138	83,718	471,839	306,203	42,387	1,684,147
152,509	146,001	79,225	85,972	463,707	303,535	46,697	1,649,367
142,308	139,567	78,267	92,201	452,343	300,028	54,207	1,613,095
149,155	138,318	77,201	96,486	461,160	295,072	62,010	1,563,444
149,914	143,084	82,972	93,755	469,725	295,371	52,792	1,510,067
150,950	145,166	89,084	97,674	482,874	291,967	47,526	1,466,334
145,712	140,764	91,747	101,951	480,174	288,674	48,109	1,428,383
152,151	144,069	94,468	113,195	503,883	285,232	42,195	1,387,074

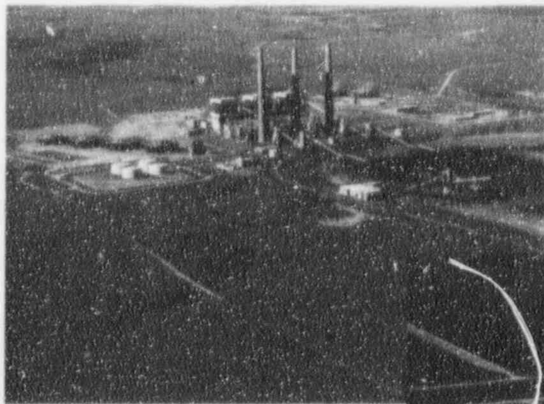
Natural Gas Revenues ($1,000s)					Customers	Utility Plant ($1,000s)	
Residential	Commercial	Industrial	Other	Total	Average Total	Gross Additions	Total
$529,260	**$209,344**	**$7,294**	**$58,924**	**$804,822**	**1,092,713**	**$100,324**	**$1,129,792**
440,239	169,470	7,804	55,850	673,363	1,083,467	89,520	1,040,373
433,871	182,486	10,546	63,436	690,339	1,067,840	80,630	865,448
439,956	176,279	12,994	56,819	686,048	1,059,140	84,553	789,428
430,250	172,628	18,021	54,381	675,280	1,053,787	91,613	708,787
418,190	181,506	57,434	47,824	704,954	1,042,140	50,227	620,803
390,218	178,402	87,207	40,906	696,733	1,030,422	49,906	572,382
386,95[illegible]	184,721	131,090	13,245	716,010	1,011,686	46,319	520,631
452,854	225,735	164,782	30,583	873,954	998,306	40,370	462,677
494,643	244,249	218,890	18,517	976,299	985,268	41,848	422,993

(5) Includes special, one-time dividend of $0.18 per share paid February 28, 1991.
(6) Includes cumulative effect to January 1, 1991, of change in revenue recognition, a $17,360,000 or $0.50 per share increase. The cumulative effect of this change increased natural gas sales by 14,838,000 MCF and electric sales by 256,000 MWH.

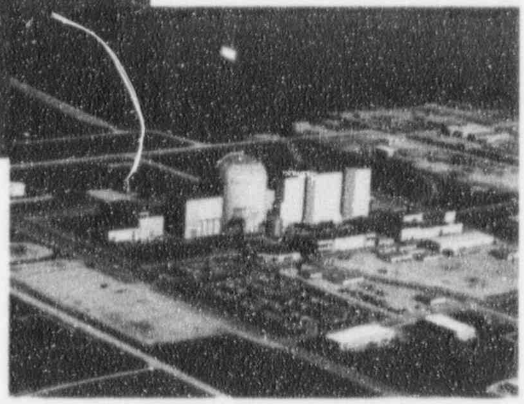
A Western Resources Profile

Western Resources, one of the Midwest's largest combination utilities, is dedicated to providing the highest quality energy services, to being a good place to work, to maintaining the public trust, and to building financial strength. Through the use of our assets and resources — our people, equipment, and facilities — we are accomplishing these goals in a way which provides satisfaction for our shareholders, customers, and employees while improving the environment.

The following photo essay looks at some of these assets and activities of 1993.



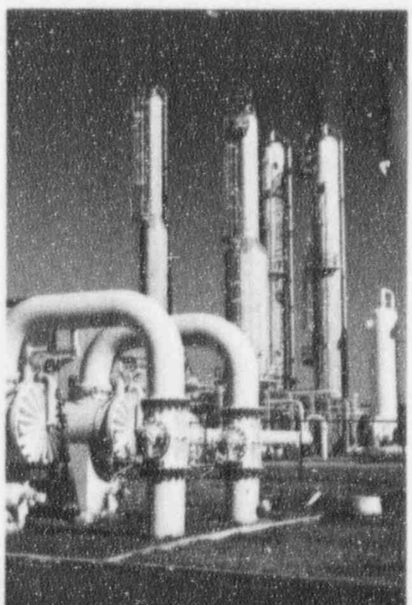
Western Resources owns or is a joint owner in nine electric generating stations. The largest of these is the coal-fired Jeffrey Energy Center (JEC). The Company is the plant's operator and owns an 84 percent interest in the three identical 680,000 kilowatt units at the generating facility. JEC uses low-sulfur Wyoming coal and operates environmental equipment to preserve the quality of both the air and water.



Through KG&E, the Company is an owner in Kansas' only nuclear generating plant, Wolf Creek Generating Station. The 1,132,000 kilowatt plant is operated by the Wolf Creek Nuclear Operating Corporation (WCNOC) and KG&E has a 47 percent interest in WCNOC. The light water reactor holds several world records for efficient operation.

Western Resources has some 6,300 miles of electric transmission line, as well as approximately 21,000 miles of electric distribution line in the State of Kansas.

Safety, for our customers and employees, is a major Company concern. Western Resources' dedicated efforts to renew customer natural gas service lines and respond to potential gas leaks continues throughout the service territory.



The Company has 12 natural gas compressor stations in western and central Kansas to move natural gas through its 1,750 miles of transmission pipeline. Western Resources also makes use of other transmission company pipelines to serve its customers.

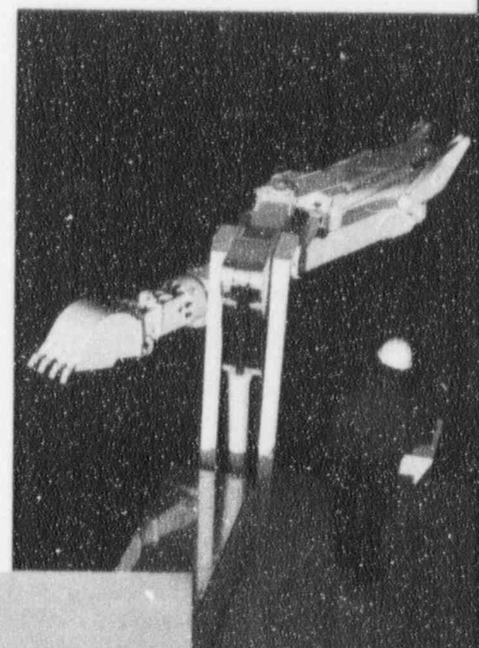
For the past three years, Western Resources operating companies have used hand-held meter-reading equipment as the first step in preparing monthly customer billings. The system provides greater speed and accuracy compared to the use of paper meter-reading documents. The next step is to implement off-site meter reading. A trial system uses radio signals to capture and transmit readings from meters where physical access is difficult or impossible to a hand-held device or to a specially equipped van at the curb or street.

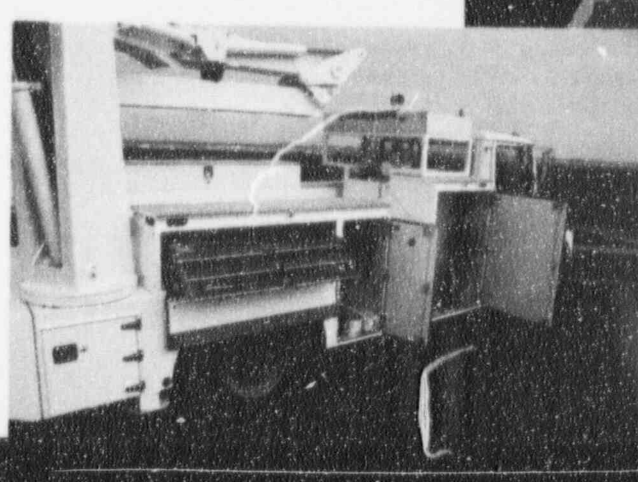
The Company's commitment to the use of alternative vehicle fuels includes continued conversion of service vehicles to clean-burning natural gas and bio-diesel. Solar battery rechargers have been installed on several field trailers with battery powered hydraulic systems. The natural gas powered drag car, built and raced by an employee, "Kid Natural" is one of only two compressed natural gas drag cars in the country. And it is competitive.

Sometimes, innovations evolve not from one idea but from several ideas. Using this approach, through the forum of employee task forces, has helped the Company provide many better solutions — from environmental projects, to employee benefits, to the design of a new service vehicle. The 28-member Tool and Truck Equipment Task Force conceptualized and brought to reality a new vehicle to make crews' jobs easier.

Improved and expanded storage capacity was a primary goal for the new truck. It has multiple, interchangeable storage cabinets on each side of its body. The lighted cabinets are equipped with special pull-out tiered shelves. Other cabinets are equipped to secure cable, tubing, and work implements.

The truck can include a Multiple Power Unit which powers most of the electrical, hydraulic, and pneumatic tools on the standard crew truck, including a 300 amp welder. An innovative manipulator boom that can be used for excavations, tamping, backhoeing, winching, concrete breaking, and other jobs also is available.





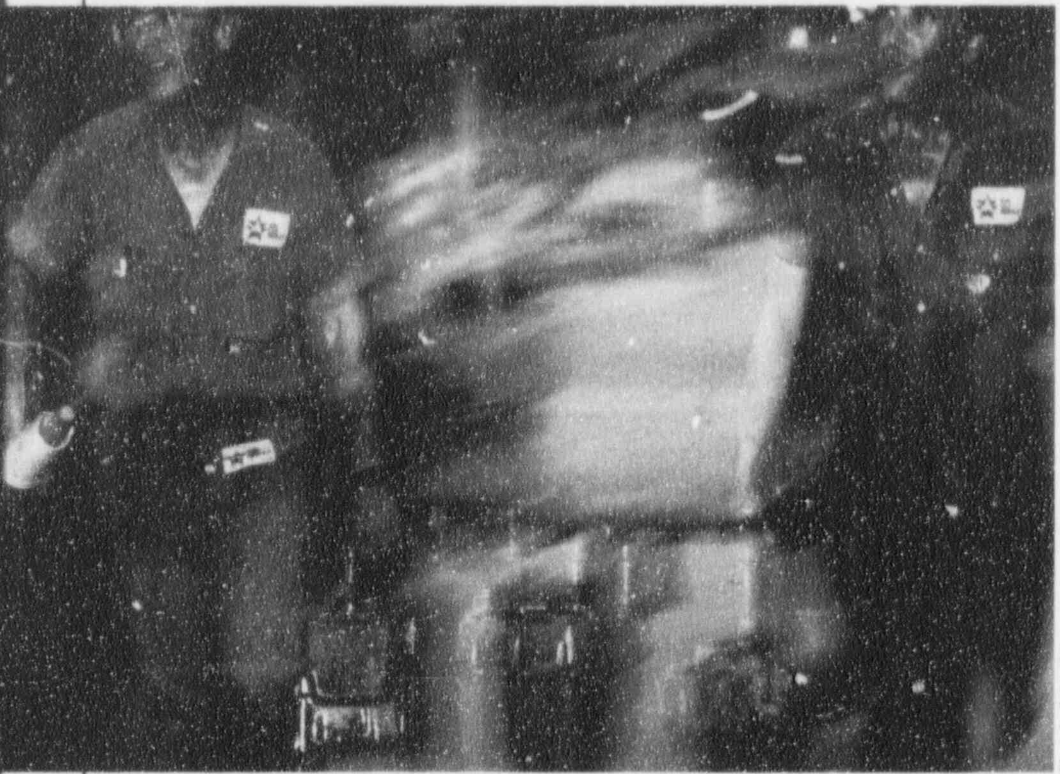
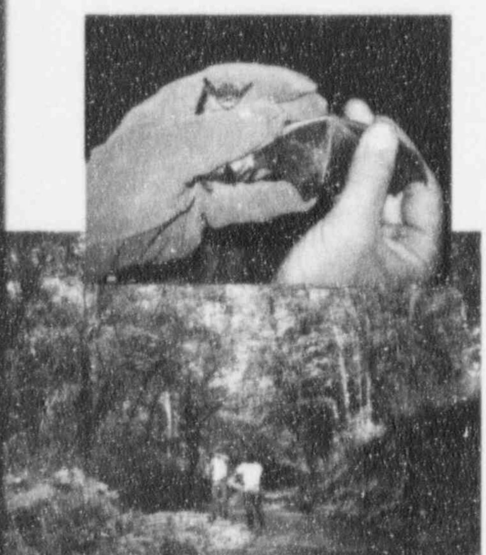


Photo by Brian Crites

High water interrupted the lives and businesses of people in several communities within the Western Resources service area in 1993. While flooding did not prevent the Company from providing either electric or natural gas service to those who could receive it (in fact, the Company provided additional electricity to some neighboring electric companies with flooded generating facilities), some customers did have to have meters turned off or removed until waters receded and clean-up could be accomplished.

In addition to using technology within the Company to reduce possible pollution at power plants and other facilities, the Western Resources employee-directed Environmental Task Force (Green Team) seeks opportunities for employee volunteers and Company assets to make long-range, substantive environmental improvements within the service area.

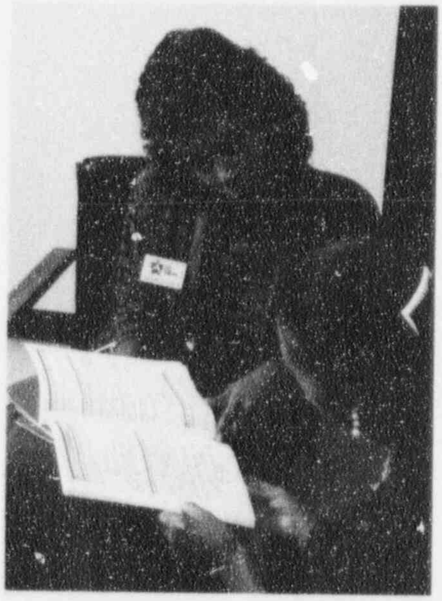


Wetlands development and preservation is undertaken by the Green Team on Company and public lands. Installation of bird boxes and other nesting facilities, and planting of trees and other wildlife cover are done by employee volunteers throughout the year.

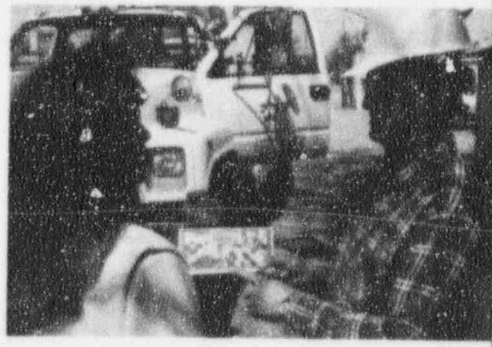
Last year, among other projects, the Green Team assisted with a survey for the Indiana bat in an attempt to determine whether the endangered bat had migrated to Kansas. Researchers used mist netting to capture the bats. While no Indiana bats were captured, the presence of evening bats and red bats was documented. Neither species previously had been recorded in the area.

Six electric utility executives from Russia visited Western Resources in August to learn how a U.S. utility operates. The visit was sponsored by the Department of Energy and the Edison Electric Institute. The executives visited Company facilities, including Jeffrey Energy Center and Wolf Creek Generating Station, as well as the Energy Control Center in Topeka. They also heard presentations on customer service and corporate finance.

Community involvement, through corporate donations and employee volunteers, grew during 1993. The Company's annual Christmas in October project, which helps those unable to do the work themselves with weatherization, painting, cleaning, and minor home repairs, was held in 19 communities. Employees, family members, and other community volunteers worked on 212 homes.



Dedicated customer advisors help explain services and set up special payment arrangements and other services. They also serve as advocates for customers with special needs.



Field service employees are often the first and only physical contact customers have with the Company. These employees special skills and knowledge benefit our customers every day.

It is due in large measure to all their efforts that customers rate the Company high in satisfying their needs. In 1993 customers gave the Company an 88 percent approval rating, up from 85 percent the previous year.

Community Relations Teams throughout the Company took on special projects, from supplying goods to food banks to dressing bears given by the local Salvation Army to needy children at Christmas.

Western Resources again served as corporate sponsor for many March of Dimes WalkAmerica events in the service area. Employees led the way in 24 community Walks, doubling their participation and donations over 1992.

A power quality survey by trained specialists, like those at the Company's Power Technology Center, can help assure customers of electric service that reliably meets their needs.

Director & Officers

DIRECTORS

Frank J. Becker [1, 4] (57) 1992
Becker Investments, Inc.
El Dorado, Kansas

Gene A. Budig [1, 2] (54) 1987
Chancellor
The University of Kansas
Lawrence, Kansas

C. Q. Chandler [1, 4] (67) 1992
Chairman of the Board
INTRUST Bank
Wichita, Kansas

Thomas R. Clevenger [2, 3] (58) 1975
Financial Consultant
Wichita, Kansas

John C. Dicus [2, 4] (60) 1990
Chairman of the Board
Capitol Federal Savings
Topeka, Kansas

John E. Hayes, Jr. (56) 1989
Chairman of the Board, President, and Chief Executive Officer
Western Resources, Inc.
Topeka, Kansas

David H. Hughes [1, 3] (65) 1988
Vice Chairman
Hallmark Cards, Inc. (retired)
Kansas City, Missouri

Russell W. Meyer, Jr. [2, 3] (61) 1992
Chairman and Chief Executive Officer
Cessna Aircraft Company
Wichita, Kansas

John H. Robinson [2, 3] (67) 1991
Chairman Emeritus
Black & Veatch
Kansas City, Missouri

Marjorie I. Setter [2, 4] (69) 1992
Consultant - Advertising
Wichita, Kansas

Louis W. Smith [3, 4] (50) 1991
President
Allied-Signal Aerospace Company
Kansas City, Missouri

Kenneth J. Wagnon [1, 3] (55) 1987
President
Capital Enterprises, Inc.
Wichita, Kansas

OFFICERS

of Western Resources, Inc., its operating groups and subsidiaries

EXECUTIVE OFFICERS

John E. Hayes, Jr. (56) 1989
Chairman of the Board, President, and Chief Executive Officer

William E. Brown (54) 1962
President and Chief Executive Officer — KPL

James S. Haines, J[illegible] 1980
Executive Vice President and Chief Administrative Officer

Steven L. Kitchen (48) 1964
Executive Vice President and Chief Financial Officer

John K. Rosenberg (48) 1979
Executive Vice President and General Counsel

Carl M. Koupal, Jr. (40) 1992
Vice President, Corporate Communications, Marketing, and Economic Development

Rayford Price (56) 1993
Vice President, Corporate Development

KPL

M. Lee Brunton (58) 1958
Executive Vice President, Electric Production

Richard M. Haden (54) 1966
Executive Vice President, Field Services

Norman E. Jackson (56) 1960
Executive Vice President, Electric Engineering and Field Operations

KG&E

Kent R. Brown (48) 1982
President and Chief Executive Officer

Richard D. LaGree (63) 1956
Vice President, Field Operations

GAS SERVICE

William L. Johnson (51) 1990
President and Chief Executive Officer

James W. Ingram (62) 1969
Vice President, Production, Transmission, and Storage

Hans E. Mertens (44) 1990
Vice President, Engineering

Verneda F. Robinson (33) 1985
Vice President, Customer Service

P. Thomas Hall III (51) 1983
Assistant Vice President, Community Relations

Richard H. Tangeman (44) 1972
Assistant Vice President, Gas Operations

CORPORATE

Fred M. Bryan (52) 1970
Executive Vice President, Human Resources

James T. Clark (52) 1978
Vice President, Internal Audit

William B. Moore (41) 1978
Vice President, Finance

David E. Roth (38) 1979
Vice President, Labor

Edward H. Schaub (62) 1989
Vice President, Government Affairs

Kenneth T. Wymore (41) 1974
Vice President, Management Information Services and Telecommunications

Jerry D. Courington (48) 1977
Controller

Thomas E. Shea (44) 1972
Treasurer

Richard D. Terrill (39) 1980
Secretary

Darrell D. Bledsoe (50) 1985
Assistant Controller

E. Lynn Cook (49) 1985
Assistant Treasurer

Stacy F. Kramer (37) 1979
Assistant Secretary

George R. Melling (45) 1978
Assistant Secretary

Leroy P. Wages (45) 1977
Assistant Controller

ASTRA RESOURCES, INC.

C. Bob Cline (47) 1991
Chairman, President, and Chief Executive Officer

Dwain L. Williams (48) 1993
Vice President, Administration, and Chief Financial Officer

[1] Member Audit and Finance Committee
[2] Member Human Resources Committee
[3] Member Nominating Committee
[4] Member Corporate Public Policy Committee
( ) Age as of December 31, 1993
Date joined Western Resources or predecessor company

Investor Information

SHAREHOLDER INQUIRIES

Communications regarding stock transfers, lost or stolen certificates or dividend checks, or other information requests should be directed to our principal transfer agent and registrar Chemical Bank. Please include in your correspondence a telephone number where you can be reached during the day.

Western Resources, Inc.	(800) 648-8165
c/o Chemical Bank	If calling from outside
Shareholder Services	the U.S., call collect:
P.O. Box 24970, Church Street Station	(212) 613-7147
New York, New York 10249-0018	

Other shareholder inquiries should be addressed to:

Western Resources, Inc.
Investor Relations Department
P. O. Box 889
Topeka, Kansas 66601-0889
(913) 575-8226

DIVIDENDS

Quarterly dividends on common, preferred, and preference stock normally are paid on or about the first of January, April, July, and October to shareholders of record as of about the third day of the preceding month. All cash dividends paid by the Company are taxable as ordinary income.

Dividend payments may be sent electronically to your bank, savings and loan, or credit union and credited to your account on the payment date. To receive information about this option, call (800) 648-8165.

DIVIDEND REINVESTMENT AND STOCK PURCHASE PLAN

The Company's Dividend Reinvestment and Stock Purchase Plan (Plan) offers common shareholders a convenient and economical method of purchasing additional shares of common stock.

Any common shareholder of record is eligible to participate in the Plan. Options of the Plan include full or partial reinvestment of dividends, monthly optional cash investments, and safekeeping of certificate shares. Additional information on the Plan and an authorization card will be sent to you on request:

Western Resources, Inc.
Dividend Reinvestment
P. O. Box 24970, Church Street Station
New York, New York 10249-0018
(800) 648-8165

ADDRESS CHANGES, DUPLICATE MAILINGS, AND CONSOLIDATING ACCOUNTS

Address changes may be made by calling (800) 648-8165 or by written request. Please PRINT all changes on written requests.

If you are receiving duplicate copies of Company reports due to your name or address being listed on our records in more than one form, the duplication can be stopped by written request, or by calling (800) 648-8165. This authorization will not affect the distribution of dividends or proxy material.

Such requests should be sent to:

Western Resources, Inc.
Shareholder Services
P. O. Box 24970, Church Street Station
New York, New York 10249-0018

OTHER REPORTS

Shareholders may obtain without charge a copy of periodic reports filed with the Securities and Exchange Commission. Requests should be addressed to:

Western Resources, Inc.
Investor Relations
P. O. Box 889
Topeka, Kansas 66601-0889

TRANSFERRING STOCK

A stock transfer is required when stock is sold or a name changed on the certificate. To transfer the stock, complete the assignment form on the reverse side of the certificate and endorse it exactly as the registration shown on the face of the certificate. The signature(s) must be guaranteed by a commercial bank or a brokerage firm that is a member of a medallion signature guarantee program. The certificate and applicable documentation then is sent, preferably by registered mail, to:

Western Resources, Inc.
Stock Issuance Department
P. O. Box 24970, Church Street Station
New York, New York 10249-0018

LOST OR STOLEN CERTIFICATES

If a certificate is missing, notify the transfer agent or the Company immediately in writing, or by calling (800) 648-8165. A "stop transfer" will be entered in the records and an affidavit will be mailed to you for completion. A surety bond fee must be paid to replace the certificate. The bond fee amount will be included with the affidavit.

EXCHANGE LISTING AND STOCK SYMBOLS

New York Stock Exchange Ticker Symbol: WR
Newspaper Listing: WstnRes

CORPORATE ADDRESS

Western Resources, Inc.
818 Kansas Avenue
Topeka, Kansas 66612-1217
(913) 575-6300

COMMON, PREFERRED, AND PREFERENCE STOCK

Principal Transfer Agent and Registrar
Chemical Bank
P.O. Box 24970, Church Street Station
New York, New York 10249-0018

Co-Transfer Agent	Co-Registrar
Bank IV Topeka, N.A.	Mercantile Bank of Topeka
Trust Department	P.O. Box 178
One Townsite Plaza, P.O. Box 88	Topeka, Kansas 66601-0178
Topeka, Kansas 66601-0088	

WESTERN RESOURCES/KPL FIRST MORTGAGE BONDS

Principal Trustee, Paying Agent, and Registrar
Harris Trust and Savings Bank
111 West Monroe Street
Chicago, Illinois 60603-4003
(312) 461-6838 Collect

KG&E FIRST MORTGAGE BONDS

Morgan Guaranty Trust Company of New York
Corporate Trust Department
60 Wall Street, 36th floor
New York, New York 10260-0060
(212) 648-9261

ANNUAL MEETING

The annual meeting of shareholders is held on the first Tuesday in May. In 1994 the meeting will be held May 3 at the Kansas Expocentre in Topeka, Kansas, at 11:00 a.m.

Western Resources, Inc. • P. O. Box 889, 818 Kansas Avenue • Topeka, Kansas 66601

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