KANSAS CITY POWER & LIGHT COMPANY

Energy

for our

Future.

ANNUAL REPORT 1993

Kansas City Power & Light Company

Energy for our Future.

Annual Report 1993

1994 Annual Meeting of Shareholders

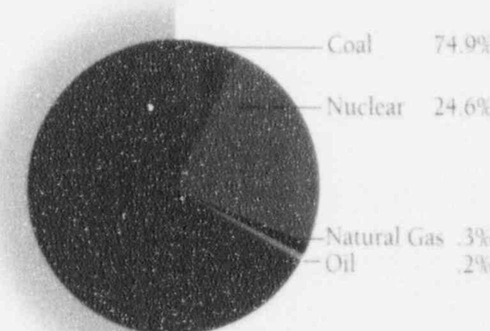
Date: Tuesday, May 3, 1994
Time: 10:00 am
Location: Nelson-Atkins Museum of Art
4525 Oak Street
Kansas City, Missouri

Shareholders of record on February 28, 1994, are eligible to vote at the meeting and will be mailed a notice of meeting, proxy statements and form of proxy.

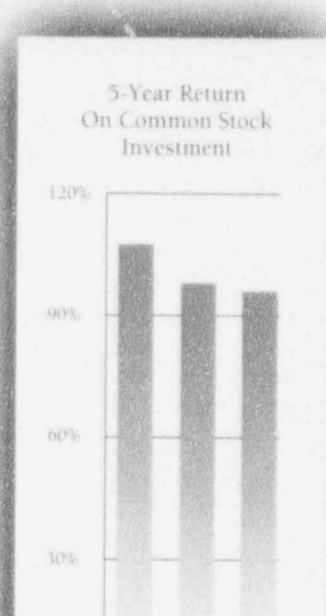
CORPORATE OFFICES
1201 Walnut
Kansas City, Missouri 64106-2124

MAILING ADDRESS
P.O. Box 418679
Kansas City, Missouri 64141-9679

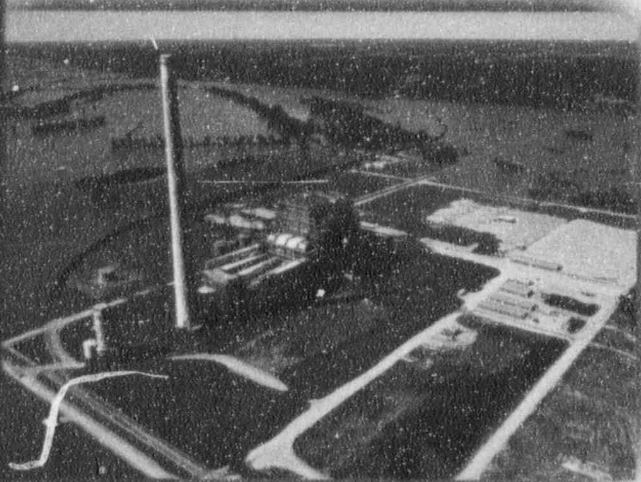
1993 Fuel Mix %



In partnership with the Johnson County Museum System, Kansas Wildlife and Parks, and Shawnee Mission Northwest High School, KCPL restored the historic area surrounding its West Gardner substation to native prairie grasses and dedicated it as an historic site.



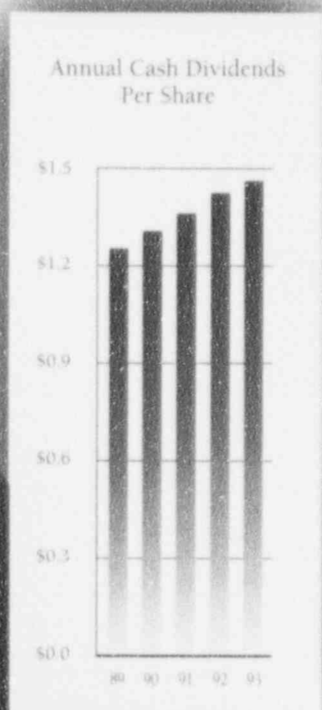
Kansas City Power & Light Company



Though Iatan Power Plant was shut down for 10 days, the 1993 midwestern flooding had minimal impact on KCPL operations and costs.

In 1993, KCPL installed a fiber optic network to increase the reliability of communications between our facilities and with our customers. It will also prepare us for future applications which will increase our efficiency.

The diversity of the local economy, with a mix of service, manufacturing, agricultural and recreational industries, continues to provide KCPL with a stable base of revenue and growth.



- BOARD INCREASED QUARTERLY COMMON STOCK DIVIDEND TO $0.37 PER SHARE.
- EARNINGS PER AVERAGE COMMON SHARE TOTALED $1.66, UP 23% FROM 1992.
- MOODY'S, STANDARD & POOR'S, AND DUFF & PHELPS UPGRADED CREDIT RATINGS.
- KCPL REDUCED RATES 2.66% IN MISSOURI EFFECTIVE IN JANUARY 1994.
- CUSTOMERS SET RECORD ONE-HOUR PEAK DEMAND OF 2,819 MW; ONE-DAY ENERGY CONSUMPTION RECORD OF 55,000 MWH.

KCPL™
The Energy Behind Your Ideas

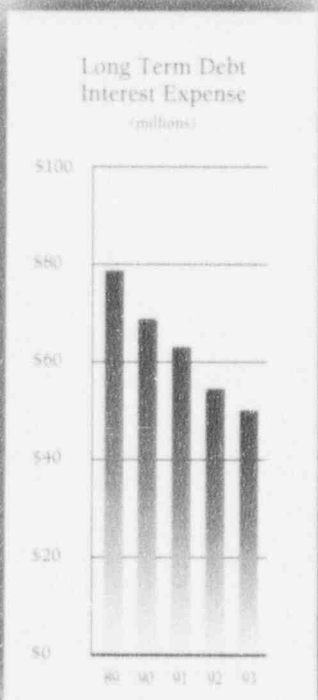
As electricity plays an increasing role in the quality of our lives and the growth of our economy, KCPL's new logo supports our identity to customers as "The energy behind your ideas."

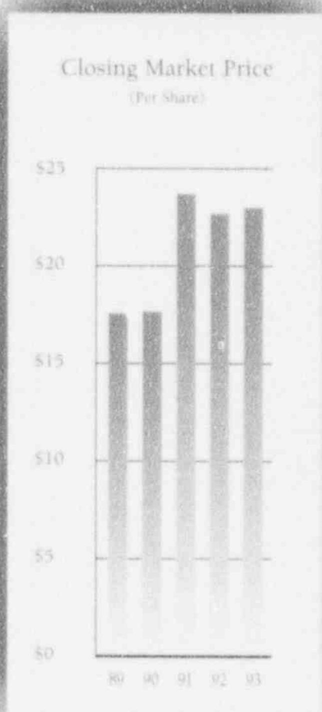
Contents

1993 Highlights of the Year

	1993	1992	Percent Increase (Decrease)
	Year Ended December 31		
Total Operating Revenues (000's)	$ 857,450	$ 802,668	6.8
Net Income (000's)	$ 105,772	$ 86,334	22.5
Earnings Available for Common (000's)	$ 102,619	$ 83,272	23.2
Average Number of Shares	61,908,726	61,908,726	—
Per Common Share:			
Earnings	$ 1.66	$ 1.35	23.0
Dividends	$ 1.46	$ 1.43	2.1
Book Value	$ 13.99	$ 13.79	1.5
Year-end Stock Price	$ 23	$ 22¾	1.1
Return on Year-end Common Equity (%)	11.8	9.8	20.4
Dividend Payout (%)	88	106	(17.0)
Construction Expenditures (000's)	$ 129,199	$ 129,559	(0.3)
Electric Plant (000's)	$ 3,240,384	$ 3,133,059	3.4
Selected Statistics			
Retail Kilowatt-hour Sales	11,303,855	10,658,908	6.1
Peak Load—Summer (kw)	2,819	2,624	7.4
Peak Load—Winter (kw)	1,713	1,687	1.5
Number of Retail Customers (average)	419,244	416,052	0.8
Number of Common Shareholders	31,267	31,687	(1.3)
Capitalization (% total)*			
Common Equity	51.2	49.3	
Preferred Stock	5.4	5.2	
Long-term Debt	43.4	45.5	

*Exclusive of long-term debt included in current liabilities.





Drue Jennings,
Chairman of the Board and President

To Our Shareholders:

We are pleased to report a measurable improvement in 1993 financial results compared to 1992. Our electric system continued to operate well, and regional temperature patterns were more normal than last year, resulting in earnings per share of $1.66 versus $1.35. In August, the Board of Directors declared a 2.8% increase in the quarterly Common Stock dividend, to 37 cents a share, or an indicated annual level of $1.48.

We continued to prepare for competition and improved growth.

Generating unit performance was once again outstanding, and the integrity and reliability of transmission and distribution systems remained high. These factors, combined with low fuel costs, improved employee productivity, lower interest rates and reduced interest expense, contributed to successful cost containment results. We received upgraded credit ratings during the year from Moody's Investors Service, Standard & Poor's Corporation and Duff & Phelps.

Record-breaking rainfall during the spring and summer months resulted in wide-spread flooding throughout the Midwest, including portions of our service territory.

Generating unit performance was outstanding.

We experienced delays and interruption of coal deliveries, and were forced to remove one power plant from service for 10 days due to high water. Property damage, expenses and deferred costs resulting from flooding were modest. Electric service continued uninterrupted in most areas during the flooding, and it now appears that the local economy has returned to normal levels.

In December, the Missouri Public Service Commission approved a 2.66%, or approximately $12.5 million annual rate reduction for Missouri customers. The reduction recognized the conclusion of an amortization period associated with the recovery of certain carrying costs in the Company's last Missouri rate case. The negotiations with the Missouri commission also resulted in a two-year, bi-lateral moratorium on initiating general rate changes. This offers an important opportunity for the Company to benefit from further economies of operation consistent with our goals of excellence in service and customer satisfaction.

We continued to devote considerable attention to preparing the Company for increased competition, and devising plans for improved growth in the future.

We anticipate greater competition in the electric sector.

As we anticipate greater competition in the electric sector of the national economy (particularly in the wholesale and large commercial and industrial sector of our business), pricing, and the costs which drive those prices, will figure increasingly in the Company's competitiveness and financial performance. Our emphasis on more sophisticated marketing planning for our electric business builds on our high levels of customer satisfaction, which derive from excellent operating performance. These twin capabilities of marketing planning and continued excellent performance will help shape our competitive advantage in the electric business. To that end, the Company will continue to strive for superior financial and operating performance, while competing on price in all of its customer classifications.

Direct competition in the retail electric business will move slowly as regulators establish policy positions on such issues as retail wheeling, transmission access, the treatment of stranded investment, and other related issues. The Company's opportunities during this time will include diversifying our earnings concentration, by increasing investment in energy-related areas of growth. This will fulfill the strategic objectives of the Company to maintain excellence of current operations, stimulate and promote growth in our basic service area, and seek opportunities for growth which complement our core electric business.

The mission of our subsidiaries is to grow shareholder value.

These opportunities will be primarily addressed through further investment in our subsidiary structure, KLT Inc., and its family of companies: KLT Energy Services Inc., KLT Power Inc., and KLT Investments Inc. The mission of the umbrella subsidiary and its component companies is to grow shareholder value by pursuing investment in non-regulated ventures such as new power generation facilities, energy management and power quality consulting services for businesses, and other activities that utilize our expertise in electricity production, distribution, and service. Our expectation is for greater contribution of these non-regulated subsidiaries to the Company's earnings performance. In 1994, we will be quantifying these expectations with an integrated business plan, the highlights of which we will share with you as they mature. While we move forward with these planning activities, we continue to analyze and pursue opportunities that offer the prospects for growth from economies of scale, strengthened and enlarged markets for energy and energy-related services, improved customer services, and greater stockholder value.

We remain confident in our marketplace.

We are encouraged by the prospects for growth in the domestic energy field generally. The demand by customers for greater efficiency and cost effectiveness, proactive environmental improvement efforts, service responsiveness, and higher standards of quality underpin our optimism. The Kansas City area and its amenities offer a distinctive point of difference for companies seeking new locations and for their employees once they locate here. The diversity of the Kansas City area economy offers flexibility and strength to respond to business cycles which leave many areas of the country more vulnerable to these swings in the economy. The fabric of community support in this area, its diversity and positive attitude, are longstanding benefits of this region which provide the fundamentals for the strengths we enjoy.

We remain highly confident of the strengths of our basic marketplace, and the prospects for greater intensity of electric energy use in the economy. We are becoming better prepared for competition, and welcome its opportunities.

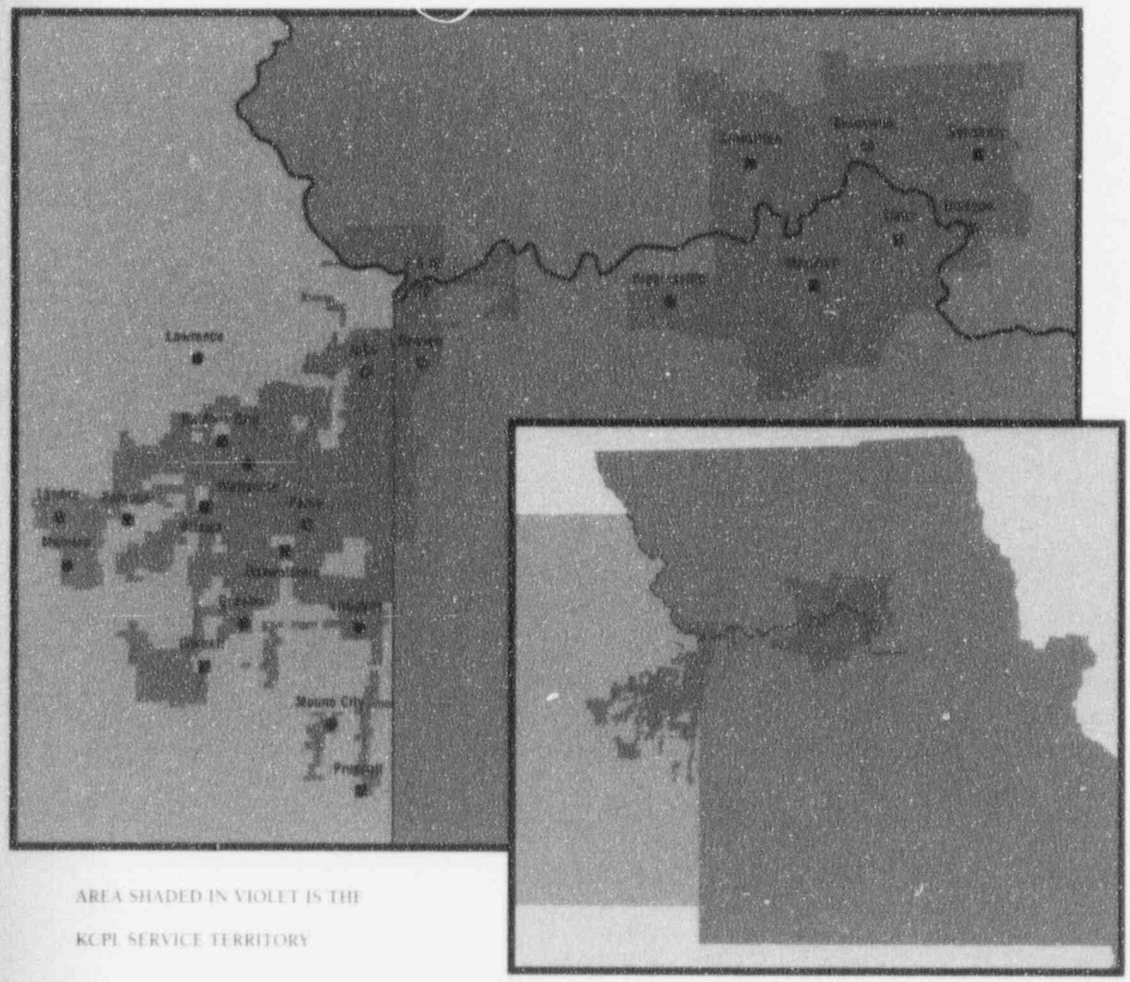
For the Board of Directors,

Drue Jennings

Drue Jennings
Chairman of the Board and President

The Company

Serving our vibrant metropolitan area is Kansas City Power & Light Company. KCPL is a medium-size electric utility and the corporate successor to one of the world's first electric companies, generating electricity since 1882. Headquartered in downtown Kansas City, Missouri, the Company generates and distributes electricity to over 419,000 customers in a 4,700-square-mile area located in 23 counties in western Missouri and eastern Kansas. Customers include 368,000 residences, 49,000 commercial firms, and over 2,000 industrials, municipalities and other electric utilities. About two-thirds of the total retail kilowatt-hour sales and revenue are from Missouri customers and the remainder from Kansas customers.



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KCPL SERVICE TERRITORY

Generating Capacity and the MOKAN Pool

The Company's 1993 total available capacity was 3,465 megawatts, including 3,085 mw of installed generating capacity plus 380 mw of net capacity purchases. Its 1993 system peak load was 2,819 mw and resulted in a capacity margin of about 20%, the equivalent of a reserve margin of about 23%. In addition to being a member of the Southwest Power Pool, a regional reliability council, KCPL is one of 11 members of the MOKAN Pool formed in 1962 to share reserve capacity, coordinate planning for additional generating units and expand transmission lines. Transmission connections with numerous utilities in Missouri, Kansas, Nebraska, Iowa and Minnesota enhance the Company's system reliability. Kansas City is a key center in the interconnected system which enables regional and interregional bulk power transactions among electric utility systems.

Consolidated Balance Sheets

	Assets	December 31 1993	1992
		(thousands)	
Utility Plant, at original cost (Notes 1, 8 and 9)	Electric	$3,240,384	$3,133,059
	Less—Accumulated depreciation	1,019,714	948,266
	Net utility plant in service	2,220,670	2,184,793
	Construction work in progress	67,766	65,965
	Nuclear fuel, net of amortization of $76,722,000 and $78,735,000	29,862	34,210
	Total	2,318,298	2,284,968
Regulatory Asset—Deferred Wolf Creek Costs (Note 1)		29,118	39,484
Regulatory Asset—Recoverable Taxes (Note 1)		122,000	94,000
Investments and Nonutility Property		28,454	27,570
Current Assets	Cash	1,539	128
	Special deposit for the retirement of debt *(Note 8)*	60,118	—
	Receivables		
	Customer accounts receivable *(Note 5)*	29,320	14,372
	Other receivables	19,340	24,043
	Fuel inventories, at average cost	14,550	20,625
	Materials and supplies, at average cost	44,157	45,263
	Prepayments	4,686	4,209
	Deferred income taxes *(Note 3)*	3,648	5,553
	Total	177,358	114,193
Deferred Charges	Regulatory Assets *(Note 1)*		
	Settlement of fuel contracts	20,634	25,751
	KCC Wolf Creek carrying costs	9,575	12,311
	MPSC rate phase-in plan	—	7,072
	Other	31,899	26,798
	Other deferred charges	17,732	14,776
	Total	79,840	86,708
	Total	$2,755,068	$2,646,923

	Liabilities	December 31 1993	1992
		(thousands)	
Capitalization (Notes 7 and 8) (See Statements)	Common stock—authorized 150,000,000 shares without par value—61,908,726 shares issued and outstanding—stated value	$ 449,697	$ 449,697
	Retained earnings	418,201	405,985
	Capital stock premium and expense	(1,747)	(1,758)
	Common Stock Equity	866,151	853,924
	Cumulative preferred stock	89,000	89,000
	Cumulative preferred stock (redeemable)	1,756	1,916
	Long-term debt	733,664	788,209
	Total	1,690,571	1,733,049
Current Liabilities	Notes payable to banks *(Note 6)*	4,000	—
	Commercial paper *(Note 6)*	25,000	33,000
	Current maturities of long-term debt	134,488	26,500
	Accounts payable	59,421	77,162
	Dividends declared	423	423
	Accrued taxes	27,800	19,864
	Accrued interest	15,575	12,949
	Accrued payroll and vacations	20,127	18,044
	Accrued refueling outage costs *(Note 1)*	7,262	12,600
	Other	8,531	7,631
	Total	302,627	208,173
Deferred Credits and Other Liabilities	Deferred income taxes *(Note 3)*	627,819	576,222
	Deferred investment tax credits	87,185	91,530
	Other	46,866	37,949
	Total	761,870	705,701
Commitments and Contingencies (Note 4)			
	Total	$2,755,068	$2,646,923

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

Kansas City Power & Light Company

Consolidated Statements of Income

		1993	1992	1991
			Year Ended December 31 (thousands)	
Electric Operating Revenues		$ 857,450	$ 802,668	$ 825,101
Operating Expenses	Operation			
	Fuel	130,117	130,032	132,100
	Purchased power	31,403	21,868	22,226
	Other	184,633	175,937	162,548
	Maintenance	78,550	81,163	80,922
	Depreciation	91,110	88,768	86,795
	Taxes			
	Income (*Note 3*)	69,502	51,691	61,871
	General	95,659	92,461	88,525
	Amortization of			
	MPSC rate phase-in plan (*Note 1*)	7,072	7,072	7,072
	Deferred Wolf Creek costs (*Note 1*)	13,102	13,102	11,734
	Total	701,148	662,094	653,793
Operating Income		156,302	140,574	171,308
Other Income and Deductions	Allowance for equity funds used during construction	2,846	1,073	539
	Deferred Wolf Creek carrying costs (*Note 1*)	—	—	791
	Miscellaneous	(2,486)	2,595	(3,829)
	Income taxes (*Note 3*)	1,549	(505)	1,593
	Total	1,909	3,163	(906)
Income Before Interest Charges		158,211	143,737	170,402
Interest Charges	Long-term debt	50,118	54,266	63,057
	Short-term notes	750	2,749	3,299
	Miscellaneous	4,113	2,173	2,665
	Allowance for borrowed funds used during construction	(2,542)	(1,785)	(2,512)
	Total	52,439	57,403	66,509
Yearly Results	Net income	105,772	86,334	103,893
	Preferred stock dividend requirements	3,153	3,062	6,023
	Earnings available for common stock	$ 102,619	$ 83,272	$ 97,870
	Average number of common shares outstanding	61,908,726	61,908,726	61,908,726
	Earnings per common share	$ 1.66	$ 1.35	$ 1.58
	Cash dividends per common share	$ 1.46	$ 1.43	$ 1.37

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

Consolidated Statements of Cash Flows

		1993	1992	1991
			Year Ended December 31 (thousands)	
Cash Flows From Operating Activities	Net income	$ 105,772	$ 86,334	$ 103,893
	Adjustments to reconcile net income to net cash provided by operating activities:			
	Depreciation	91,110	88,768	86,795
	Amortization of:			
	Nuclear fuel	8,705	9,583	6,199
	Deferred Wolf Creek costs	13,102	13,102	10,943
	MPSC rate phase-in plan	7,072	7,072	7,072
	Other	8,234	5,921	5,147
	Deferred income taxes (net)	25,502	23,979	28,064
	Investment tax credit (net)	(4,345)	(4,521)	(7,009)
	Allowance for equity funds used during construction	(2,846)	(1,073)	(539)
	Cash flows affected by changes in:			
	Receivables	(10,245)	2,848	13,636
	Fuel inventories	6,075	(859)	137
	Materials and supplies	1,106	654	(98)
	Accounts payable	(17,741)	4,838	2,861
	Accrued taxes	7,936	2,404	2,995
	Accrued interest	2,626	488	(1,244)
	Wolf Creek refueling outage accrual	(5,338)	12,600	—
	Settlement of fuel contracts	—	—	(8,578)
	Other operating activities	6,419	1,599	2,175
	Net cash provided by operating activities	243,144	253,737	252,449
Cash Flows From Investing Activities	Construction expenditures	(129,199)	(129,559)	(122,447)
	Allowance for borrowed funds used during construction	(2,542)	(1,785)	(2,512)
	Other investing activities	306	(4,589)	(5,404)
	Net cash used in investing activities	(131,435)	(135,933)	(130,363)
Cash Flows From Financing Activities	Issuance of long-term debt	324,846	134,750	135,250
	Issuance of preferred stock	—	50,000	—
	Retirement of long-term debt	(271,480)	(143,230)	(163,215)
	Retirement of preferred stock	—	(13,000)	(40,000)
	Special deposit for the retirement of debt	(60,118)	—	—
	Premium on reacquired stock and long-term debt	(4,077)	(2,321)	(5,516)
	Increase (decrease) in short-term borrowings	(4,000)	(53,000)	42,500
	Dividends declared	(93,556)	(91,277)	(90,232)
	Other financing activities	(1,913)	274	(879)
	Net cash used in financing activities	(110,298)	(117,804)	(122,092)
	Net increase (decrease) in cash	1,411	—	(6)
	Cash at beginning of year	128	128	134
	Cash at end of year	$ 1,539	$ 128	$ 128
	Cash paid during the year for:			
	Interest (net of amount capitalized)	$ 47,361	$ 55,223	$ 66,290
	Income taxes	$ 40,141	$ 32,995	$ 37,117

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

Kansas City Power & Light Company

Consolidated Statements of Cumulative Preferred Stock and Long-Term Debt

		December 31 1993	1992
		(thousands)	
Cumulative Preferred Stock *(Note 7)*			
$100 Par Value	3.80% — 100,000 shares issued	$ 10,000	$ 10,000
	4.50% — 100,000 shares issued	10,000	10,000
	4.20% — 70,000 shares issued	7,000	7,000
	4.35% — 120,000 shares issued	12,000	12,000
No Par Value	3.04%*— 500,000 shares issued	50,000	50,000
	Total	$ 89,000	$ 89,000
Cumulative Preferred Stock (Redeemable) *(Note 7)*			
$100 Par Value	4.00% — 17,557 and 19,157 shares issued	$ 1,756	$ 1,916
Long-Term Debt *(excluding current maturities) (Note 8)*			
First Mortgage Bonds	7.33% weighted average rate, amounts redeemed in 1993	$ —	$ 244,980
	9.46% series due 1994	—	60,000
	5[illegible]% series due 2007	21,940	21,940
Secured by General Mortgage Bonds	Medium-Term Notes due 1994-2008, 6.78% and 7.29% weighted average rate at December 31	378,750	220,000
	3.34%* Environmental Improvement Revenue Refunding Bonds due 2012-23	122,846	31,000
Guaranty of Pollution Control Bonds	5[illegible]% series due 2003	13,742	13,980
	3.15%* due 2015-17	196,500	196,500
Unamortized Premium and Discount (net)		(114)	(191)
	Total	$ 733,664	$ 788,209

*Variable rate securities, weighted average rate as of December 31, 1993.

Consolidated Statements of Retained Earnings

		Year Ended December 31 1993	1992	1991
			(thousands)	
Beginning Balance		$ 405,985	$ 411,161	$ 399,294
Net Income		105,772	86,334	103,893
		511,757	497,495	503,187
Premium on Reacquired Preferred Stock		—	233	1,794
Dividends Declared	Preferred Stock, at required rates	3,169	2,747	5,417
	Common Stock— $1.46, $1.43 and $1.37 per share	90,387	88,530	84,815
Ending Balance (Note 7)		$ 418,201	$ 405,985	$ 41[illegible]

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

Notes to Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

System of Accounts

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

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and KLT Inc., a wholly-owned subsidiary. Intercompany balances and transactions have been eliminated. Because KLT Inc. is not an electric utility, its revenues and expenses have been classified under Other Income and Deductions in the Consolidated Statements of Income.

KLT Inc. was formed in 1992 as a holding company for various non-regulated business opportunities. The Company's equity investment in KLT Inc. was $4.5 million and $1.5 million as of December 31, 1993 and 1992, respectively.

Utility Plant

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

Allowance for Funds Used During Construction (AFDC)

AFDC represents the cost of borrowed funds and a return on equity funds used to finance construction projects and is capitalized as a cost of construction work in progress. The portion attributable to borrowed funds is reflected as a reduction of interest charges while the portion applicable to equity funds is shown as a non-cash item of other income. When a construction project is placed in service, the related AFDC, as well as other construction costs, is used to establish rates under regulatory rate practices. The rates used to compute gross AFDC are compounded semi-annually and averaged 8.3% for 1993, 6.6% for 1992 and 7.7% for 1991.

Depreciation and Maintenance

Depreciation is computed on a straight-line basis for jurisdictional property based on depreciation rates approved by the Missouri Public Service Commission (MPSC) and the Kansas Corporation Commission (KCC). Annual composite rates were approximately 2.9% during the last three years.

Costs of improvements to units of property are charged to the utility plant accounts. Property units retired or otherwise disposed are charged to accumulated depreciation, along with removal costs, net of salvage. Repairs of property and replacements of items determined not to be units of property are expensed as incurred.

Nuclear Plant Decommissioning Costs

In 1986, the MPSC estimated the cost of decommissioning the Wolf Creek Generating Station (Wolf Creek) to be $103 million in 1985 dollars. In 1989, the KCC estimated the cost to be $206 million in 1988 dollars. Then, in 1992, the MPSC increased its estimate to $347 million in 1990 dollars. In accordance with MPSC and KCC requirements, the jurisdictional portions of the Company's 47% share of these costs (current level of $3.2 million, annually) are being recovered and charged to other operation expenses over the life of the plant and placed in an external trust fund to be used only for the physical decommissioning of Wolf Creek (immediate dismantlement method) which is not expected to occur prior to 2025. A study was filed with the KCC and MPSC during 1993 estimating the projected decommissioning costs to be $370 million in 1993 dollars. Based on this study, it is expected that the MPSC will determine that no increase in the current level of the Missouri jurisdictional funding and expenses will be necessary. A hearing before the KCC is expected during 1994.

The investment in the trust fund, including reinvested earnings, was $14.3 million and $10.6 million at December 31, 1993 and 1992, respectively. These amounts are reflected in the Consolidated Balance Sheets under Investments and Nonutility Property with the related liabilities for decommissioning included in Deferred Credits and Other Liabilities-Other.

Nuclear Fuel

The cost of nuclear fuel is amortized to fuel expense based on the quantity of heat produced for the generation of electricity. Under the Nuclear Waste Policy Act of 1982, the Department of Energy (DOE) is responsible for the permanent disposal of spent nuclear fuel. Currently, the Company pays a quarterly fee of one mill per kilowatt-hour of net nuclear generation to the DOE for future permanent disposal services. Disposal costs are charged to fuel expense and recovered through rates. These disposal services may not be available prior to 2013 although an interim facility may be available earlier. Wolf Creek has an on-site, temporary storage facility for spent nuclear fuel which, under current regulatory guidelines, can provide storage space until approximately 2006. The Company believes additional temporary storage space can be constructed or obtained, as necessary.

Regulatory Assets

Certain costs are recorded as regulatory assets when a rate order allows the deferral and inclusion of the amortization in rates or when it is probable, based on historical regulatory precedent, that future rates established by the regulators will recover amortization of the costs. If subsequent recovery is not permitted, any unamortized balance, net of tax, would reduce net income.

Deferred Wolf Creek Costs

Orders from the KCC and MPSC provided for continued construction accounting for ratemaking purposes after the September 3, 1985 commercial in-service date of Wolf Creek through September 30, 1985 and May 5, 1986, respectively. The deferral of certain other carrying costs was also authorized. These deferrals are being amortized and recovered in rates over an approximate 10 year period ending in 1996.

Recoverable Taxes

See Income Taxes below for discussion.

Settlement of Fuel Contracts

The Company has deferred the cost incurred to terminate certain coal purchase contracts. These costs are being amortized through the year 2002.

KCC Wolf Creek Carrying Costs

As ordered by the KCC, the Company deferred certain carrying costs through June 1991. The recovery and corresponding amortization of this deferral over six years began in July 1991.

MPSC Rate Phase-In Plan

MPSC's 1986 Wolf Creek rate phase-in plan resulted in the deferral of a cash recovery of a portion of the cost of equity and the carrying costs on the deferral. Recovery of these deferrals was completed December 31, 1993.

Effective January 1, 1994, the MPSC approved a 2.66% rate reduction (approximately $12.5 million annually) for the Company's Missouri retail customers primarily to reflect the completion of this amortization. The reduction will be spread evenly over the Missouri retail customer classes. This agreement with the MPSC and public counsel also includes a provision whereby none of the parties can file for a general increase or decrease in Missouri retail electric rates prior to January 1, 1996. Approximately two-thirds of total retail sales are from Missouri customers.

Other

Other regulatory assets include premium on redeemed debt, deferred flood costs, the deferral of costs to decommission and decontaminate federal uranium enrichment facilities and other costs. These deferrals are amortized over various periods extending to 2017.

Fair Value of Financial Instruments

The stated values of the Company's financial instruments as of December 31, 1993 and 1992 approximated the fair market values based on quoted market prices for the securities or for similar types of securities. If quotes were not available, the Company's incremental borrowing rate for similar types of debt was used.

Revenue Recognition

The Company utilizes cycle billing and accrues an estimated amount for unbilled revenue at the end of each reporting period.

Income Taxes

The Company has adopted Financial Accounting Standards Board (FASB) Statement No. 109, Accounting for Income Taxes. This statement is not materially different from FASB Statement No. 96, which the Company adopted in 1988. As a result, the Company establishes deferred tax liabilities and assets, as appropriate, for all temporary differences caused when the tax basis of an asset or liability differs from that reported in the financial statements. These deferred tax assets and liabilities must be determined using the tax rates scheduled by the tax law to be in effect when the temporary differences reverse.

The Regulatory Asset-Recoverable Taxes primarily reflects the future revenue requirements necessary to recover the tax benefits of existing temporary differences flowed through to ratepayers in the past. During 1993, the net change in the Regulatory Asset-Recoverable Taxes and Deferred income taxes included a $40 million increase resulting from the changes in the federal and Missouri state income tax laws effective January 1, 1993 and January 1, 1994, respectively. Although the Company has calculated its deferred tax assets and liabilities pursuant to FASB 109, operating income taxes were recorded in accordance with ratemaking principles. However, if FASB 109 were reflected in the Consolidated Statements of Income, net income would remain the same.

Investment tax credits have been deferred when utilized and are amortized to income over the remaining service lives of the related properties.

Accrued Refueling Outage Costs—Change In Accounting Principle

Effective January 1992, the Company changed its method of accounting for incremental costs to be incurred during scheduled Wolf Creek refueling outages. Instead of expensing these costs as incurred, the Company is accruing forecasted outage costs evenly (monthly) over the unit's operating cycle which normally lasts approximately 18 months. The Company believes this method of accounting produces a more meaningful presentation of yearly results of operations than the prior method. Since the accrual began in January 1992, when Wolf Creek returned on-line from a refueling outage, there was no cumulative effect for the change in accounting principle. The pro forma effects for the year ended December 31, 1991 were not material but would have increased net income by $3.2 million ($0.05 per share). Because there was no refueling outage in 1992, the effect of this change decreased 1992 net income by $7.8 million ($0.13 per share).

Environmental Matters

The Company's policy is to accrue environmental and cleanup costs when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated. The Company believes it has appropriately recorded all such costs related to environmental matters.

Reclassifications

Certain reclassifications have been made to previously issued financial statements in order to conform with the 1993 presentation.

2. PENSION PLANS AND OTHER EMPLOYEE BENEFITS

Pension Plans

The Company has defined benefit pension plans for all its regular employees, including officers, providing for benefits upon retirement, normally at age 65. In accordance with the Employee Retirement Income Security Act of 1974 (ERISA), the Company has satisfied at least its minimum funding requirements. Benefits under these plans reflect the employee's compensation, years of service and age at retirement.

Provisions for pensions are determined under the rules prescribed by FASB Statement No. 87-Employers' Accounting for Pensions. The following is the funded status of the plans:

	December 31	
	1993	1992
	(thousands)	
Accumulated Benefit Obligation:		
Vested	$209,193	$173,021
Non-vested	6,296	6,126
Total	$215,489	$179,147
Determination of Plan Assets less Obligations:		
Fair value of plan assets (a)	$315,179	$272,001
Projected benefit obligation (b)	279,525	241,902
Difference	$ 35,654	$ 30,099
Reconciliation of Difference:		
Contributions to trusts		
Prepaid	$ 10,677	$ 8,759
Accrued liability	(6,304)	(4,881)
Unamortized transition amount	16,756	18,828
Unrecognized net gain	18,197	11,494
Unrecognized prior service cost	(3,672)	(4,101)
Difference	$ 35,654	$ 30,099

(a) Plan assets are invested in insurance contracts, corporate bonds, equity securities, U.S. Government securities, notes, mortgages and short-term investments.
(b) Based on discount rates of 7% in 1993 and 8% in 1992; and increases in future salary levels of 4% to 5% in 1993 and 5% to 6% in 1992.

Components of provisions for pensions (in thousands):

	1993	1992	1991
Service cost	$ 8,671	$ 7,301	$ 6,162
Interest cost on projected benefit obligation	19,521	17,903	16,617
Actual return on plan assets	(49,875)	(24,541)	(45,542)
Other	27,715	3,653	27,026
Net periodic pension cost	$ 6,032	$ 4,316	$ 4,263

Long-term rates of return on plan assets of 8% to 8.5% were used.

Postretirement Benefits Other Than Pensions

In addition to providing pension benefits, the Company provides certain postretirement health care and life insurance benefits for substantially all retired employees.

During the first quarter of 1993 the Company adopted FASB Statement No. 106—Employers' Accounting for Postretirement Benefits Other Than Pensions. FASB 106 requires companies to accrue the cost of postretirement health care and life insurance benefits during an employee's active years of service. Previously, the Company expensed these costs as paid (pay-as-you-go). The Company currently recovers these costs through rates on a pay-as-you-go basis. As of December 31, 1992, the transition obligation under FASB 106 was approximately $23.5 million, with amortization over 20 years beginning in 1993.

Net periodic postretirement benefit cost (in thousands):

	1993
Service cost for benefits earned during the year	$ 616
Interest cost on accumulated postretirement benefit obligation (APBO)	1,893
Amortization of unrecognized transition obligation	1,175
Net periodic postretirement cost	3,684
Less: Pay-as-you-go costs	1,109
Net increase in cost due to FASB 106	$ 2,575

The increase in the annual health care cost trend rate for 1994 is assumed to be 13%, decreasing gradually over a seven year period to its ultimate level of 6%. The Company's health care plan requires retirees to participate in the cost when premiums exceed a certain amount. Because of this provision, an increase in the assumed health care cost trend rate by 1% in each year would only increase the APBO as of December 31, 1993 by approximately $786,000 and the aggregate service and interest cost components of net periodic postretirement benefit cost for 1993 by approximately $98,000.

Reconciliation of the status of postretirement benefit plans to amounts recorded in the Consolidated Balance Sheets (in thousands):

	December 31 1993
APBO:	
Retirees	$(10,672)
Fully eligible active plan participants	(6,405)
Other active plan participants	(10,501)
Unfunded APBO	(27,578)
Unrecognized loss	2,689
Unrecognized transition obligation	22,314
Accrued postretirement benefit obligation (included in Deferred Credits and Other Liabilities—Other)	$ (2,575)

The weighted average discount rate of 7% and future salary level increases of 4% were used to determine the APBO.

Long-Term Incentive Plan

In 1992, the shareholders adopted a 10 year, Long-Term Incentive Plan for officers and key employees. Awards issued under the Plan cannot exceed 3 million common stock shares. During 1993 and 1992, awards to purchase 63,125 and 86,000 shares of common stock were granted with exercise prices of $23.875 and $21.625 per share, respectively. During 1993, awards to purchase 4,000 shares were canceled. Under granted stock options, recipients are entitled to receive accumulated dividends as though reinvested if the options are exercised and if the market price at the time of exercise equals or exceeds the grant price. Under the assumption that all shares will eventually be exercised, the Company expensed $0.1 million and $0.2 million in 1993 and 1992, respectively, representing accumulated dividends and the change in stock price since the date of grant. At December 31, 1993, options for 145,125 shares of common stock were outstanding and options for 41,000 shares were exercisable.

3. INCOME TAXES

Income tax expense as shown in the Consolidated Statements of Income consists of the following:

	1993	1992	1991
		(thousands)	
Current income taxes:			
Federal	$ 41,207	$ 28,081	$ 33,667
State	5,589	4,657	5,556
Total	46,796	32,738	39,223
Deferred income taxes, net:			
Federal	22,274	20,488	23,696
State	3,228	3,491	4,368
Total	25,502	23,979	28,064
Investment tax credit, net	(4,345)	(4,521)	(7,009)
Total income tax expense	$ 67,953	$ 52,196	$ 60,278

The following table shows a reconciliation of the federal statutory income tax rate to the effective rate reflected in the Consolidated Statements of Income. See Note 1 to the Consolidated Financial Statements for a discussion of the Company's income tax policies.

	1993	1992	1991
Federal statutory income tax rate	35.0%	34.0%	34.0%
Differences between book and tax depreciation not normalized	1.3	1.7	1.8
Amortization of investment tax credit	(2.5)	(3.3)	(4.3)
State income taxes	3.3	3.9	4.0
Other	2.0	1.4	1.2
Effective income tax rate	39.1%	37.7%	36.7%

The significant temporary differences resulting in deferred tax assets and liabilities in the Consolidated Balance Sheets are as follows:

	December 31	
	1993	1992
	(thousands)	
Depreciation differences	$476,637	$449,701
Recoverable taxes	122,000	94,000
Other	25,534	26,968
Net deferred income tax liability	$624,171	$570,669

The net deferred income tax liability consists of the following:

	December 31	
	1993	1992
	(thousands)	
Gross deferred income tax assets	$ (63,187)	$ (64,746)
Gross deferred income tax liabilities	687,358	635,415
Net deferred income tax liability	$624,171	$570,669

4. COMMITMENTS AND CONTINGENCIES

Nuclear Liability and Insurance

The Price-Anderson Act currently limits the public liability of nuclear reactor owners to $9.4 billion, including attorney costs, for claims that could arise from a nuclear incident. Accordingly, the Company and the other owners of Wolf Creek have liability insurance coverage of this amount which consists of the maximum available commercial insurance of $200 million and Secondary Financial Protection (SFP). SFP coverage is funded by a mandatory program of deferred premiums assessed against all owners of licensed reactors for any nuclear incident anywhere in the country. The maximum assessment per reactor is $79.3 million ($37.3 million, Company's share) per incident. The owners of Wolf Creek are jointly and severally liable for these charges, payable at a rate not to exceed $10 million ($4.7 million, Company's share) per incident per year.

The owners of Wolf Creek also have $2.8 billion of property damage, decontamination and decommissioning insurance for loss resulting from damage to the Wolf Creek facilities. Nuclear insurance pools provide $1.3 billion of coverage, while Nuclear Electric Insurance Limited (NEIL) provides $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), premature decommissioning costs up to $117.5 million (Company's share) in excess of funds previously collected for decommissioning (as discussed in Note 1) with the remaining $47 million (Company's share) available for either property damage or premature decommissioning costs.

The owners of Wolf Creek have also procured extra expense insurance from NEIL. Under both the NEIL property and extra expense policies, the Company is subject to retroactive assessment if NEIL losses, with respect to each policy year, exceed the accumulated funds available to the insurer under that policy. The estimated maximum retroactive assessments for the Company's share under the policies total approximately $9 million per year.

In the event of a catastrophic loss at Wolf Creek, the amount of insurance available may not be adequate to cover property damages and extra expenses incurred. Uninsured losses, to the extent not recovered through rates, would be assumed by the Company and could have a material, adverse effect on the Company's financial condition and results of operations.

Nuclear Fuel Commitments

At December 31, 1993, Wolf Creek's nuclear fuel commitments (Company's share) were approximately $16 million for uranium concentrates through 1997, $126 million for enrichment through 2014 and $46 million for fabrication through 2014.

Tax Matters

The Company's federal income tax returns for the years 1985 through 1990 are presently under examination by the Internal Revenue Service (IRS). The IRS has issued Revenue Agent's Reports for the years 1985 through 1990. The Reports include proposed adjustments that would reduce the Company's Wolf Creek investment tax credit (ITC) by 25% or approximately $20 million and tax depreciation by 23% or approximately $190 million. These amounts include the continuing effect of the adjustments through December 31, 1993. These adjustments, principally, are based upon the IRS's contention that (i) certain start-up and testing costs considered by the Company to be costs of the plant, should be treated as licensing costs, which do not qualify for ITC or accelerated depreciation, and (ii) certain cooling and generating facilities should not qualify for ITC or accelerated depreciation.

If the IRS were to prevail on all of these proposed adjustments, the Company would be obligated to make cash payments, calculated through December 31, 1993, of approximately $95 million for additional federal and state income taxes and $50 million for corresponding interest. After offsets for deferred income taxes, these payments would reduce net income by approximately $30 million.

The Company has filed a protest with the appeals division of the IRS. Based upon their interpretation of applicable tax principles and the tax treatment of similar costs and facilities with respect to other plants, it is the opinion of management and outside tax counsel that the IRS's proposed Wolf Creek adjustments are substantially overstated. Management believes any additional taxes, together with interest, resulting from the final resolution of these matters will not be material to the Company's financial condition or results of operations.

Environmental Matters

The Company's operations must comply with federal, state and local environmental laws and regulations. The generation of electricity utilizes, produces and requires disposal of certain products and by-products including polychlorinated biphenyl (PCB's), asbestos and other potentially hazardous materials. The Federal Comprehensive Environmental Response, Compensation and Liability Act, the "Superfund" law, imposes strict joint and several liability for those who generate, transport or deposit hazardous waste as well as the current property owner and predecessor owner at the time of contamination. The Company continually conducts environmental audits designed to detect contamination and assure compliance with governmental regulations. However, compliance programs necessary to meet future environmental laws and regulations governing water and air quality, including carbon dioxide emissions, hazardous waste handling and disposal, toxic substances and the effects of electromagnetic fields, could require substantial changes to the Company's operations or facilities.

Interstate Power Company of Dubuque, Iowa (Interstate) filed a lawsuit in 1989 against the Company in the Federal District Court for the District of Iowa seeking from the Company contribution and indemnity under Superfund law for cleanup costs of hazardous substances at the site of a demolished gas manufacturing plant in Mason City, Iowa. The plant was operated by the Company for very brief periods of time before the plant was demolished in 1952. The site and all other properties the Company owned in Iowa were sold to Interstate in 1957. The Company estimates that the cleanup could cost up to $10 million. The Company's estimate is based upon an evaluation of available information from on-going site investigation and assessment activities, including the costs of such activities.

In August 1993, the Company, along with other parties to the lawsuit, received a letter from the Environmental Protection Agency (EPA) notifying each such party that it was considered a potentially responsible party for cleanup costs at the site. The EPA has also proposed to list the site on the National Priorities List.

The Company believes it has several valid defenses to this action including the fact that the 1957 sales documents included clauses which require Interstate to indemnify the Company from and against all claims and damages arising after the sale. However, the Court in an October 1993 order rejected this position, ruling that the indemnity clauses were not sufficiently broad to indemnify for environmental cleanup. This order will be final for appeal after a trial to allocate the cleanup costs among the parties, which is expected in 1994. Even if unsuccessful on the liability issue, the Company does not believe its allocated share of the cleanup costs will be material to its financial condition or results of operations.

Other Agreements

Under long-term contractual arrangements, the Company's share of purchased coal totaled approximately $17 million in 1993 and $21 million in 1992 and 1991. The Company's share of purchase commitments in 1993 dollars under the remaining terms of the coal contracts is approximately $110 million. The Company also purchases coal on the spot market.

The Company has a transmission line lease with another utility whereby, with FERC approval, the rental payments can be increased by the lessor, after which the Company is entitled to cancel the lease if able to secure an alternative transmission path. Total commitments under this lease are $1.9 million per year and approximately $60 million over the remaining life of the lease if the lease is not canceled.

Under other leases, the Company incurred rental expense during the last three years of approximately $15 million to $19 million per year. Rental commitments under these leases for railroad cars, computer equipment, buildings, a transmission line and similar items are approximately $114 million over the remaining life of the leases with payments during each of the next five years ranging from a high of $17 million in 1994 to $8 million in 1998. Capital leases are not material to the Company and are included in the amounts discussed above.

The Company has contracted to purchase capacity from other utilities through 2009. The obligations are as follows (cost in millions):

	Cost	Megawatts(mw)
1994	$12.4	470
1995	15.1	450
1996	19.4	500
1997	22.8	500
1998	22.8	500
1999	22.8	500
2000	16.6	150
Thereafter—annual amounts through 2009	10.4	150

5. SALE OF ACCOUNTS RECEIVABLE

In 1989, the Company entered into an agreement with a financial institution to sell, with limited recourse, an undivided interest in designated accounts receivable. Accounts receivable sold under this agreement totaled $60 million as of December 31, 1993, 1992 and 1991. Costs associated with the sale of customer accounts receivable of $2.2 million, $2.6 million and $3.5 million for 1993, 1992 and 1991, respectively, are included in Other Income and Deductions-Miscellaneous.

6. SHORT-TERM BORROWINGS

The Company borrows short-term funds from banks and through the sale of commercial paper as needed. Under minimal fee arrangements, the Company has confirmed bank lines of credit totaling $153 million, of which $149 million remains available at December 31, 1993.

7. COMMON STOCK EQUITY, PREFERRED STOCK AND REDEEMABLE PREFERRED STOCK

Retained earnings at December 31, 1993 included $16 million which was not available for cash dividends on common stock under the provisions of the Indenture of Mortgage securing First Mortgage Bonds.

During 1991, the Company reacquired and retired the 800,000 shares of the $2.33 and 800,000 shares of the $2.20 Cumulative No Par Preferred Stock with a combined stated value of $40 million. This transaction included a $4.7 million premium of which $2.9 million was charged against capital stock premium and expense and $1.8 million was charged against retained earnings.

In February 1992, the Company redeemed and retired the 130,000 shares of the 7.72% Cumulative Preferred Stock with a par value of $13 million. The cost of redeeming this stock included a premium of $0.3 million which was charged against retained earnings.

In April 1992, the Company issued $50 million, Cumulative No Par Preferred Stock, Auction Series A, stated value of $100 per share. The $0.9 million in costs associated with this issue were charged to capital stock premium and expense.

The issued cumulative preferred stock of $91 million may be redeemed at the option of the Company at prices which, in the aggregate, total $91 million.

Scheduled mandatory sinking fund requirements for the outstanding redeemable 4% Cumulative Preferred Stock are $160,000 per year.

At December 31, 1993, the Company had authorized 407,557 shares of Cumulative Preferred Stock at a par value of $100 per share, 1,572,000 shares of Cumulative No Par Preferred Stock and 11,000,000 shares of Preference Stock without par value.

If any dividends on its preferred stock are not declared and paid when scheduled, the Company could not declare or pay dividends on its common stock or acquire any shares in consideration thereof. If the amount of any such unpaid dividends equals four or more full quarterly dividends, the holders of preferred stock, voting as a single class, could elect representatives to the Company's Board of Directors.

On January 3, 1994, the Company registered 2,000,000 shares of its common stock with the Securities and Exchange Commission for a Dividend Reinvestment and Stock Purchase Plan (the Plan). Under the Plan, common shareholders and employees and directors of the Company and its subsidiaries have the opportunity to purchase shares of the Company's common stock by reinvesting dividends and/or making optional cash payments. Rather than issuing new shares, the Company intends to purchase the shares for the plan on the open market.

8. LONG-TERM DEBT

First Mortgage Bonds

The Company cannot issue additional First Mortgage Bonds authorized by the Indenture of Mortgage and Deed of Trust dated as of December 1, 1946, as supplemented, as long as any of the General Mortgage Bonds (discussed below) are outstanding. Substantially all of the Company's utility plant is pledged under the terms of the Indenture.

At December 31, 1993, $60 million was held as a special deposit and used on January 5, 1994 to redeem the maturing $60 million First Mortgage Bonds.

General Mortgage Bonds

The Company is authorized to issue General Mortgage Bonds under the General Mortgage Indenture and Deed of Trust dated December 1, 1986, as supplemented. The amount of additional bonds which may be issued is subject to certain restrictive provisions of the General Mortgage Indenture. The General Mortgage Indenture constitutes a mortgage lien on substantially all of the Company's utility plant and is junior to the lien of the First Mortgage. Upon retirement and/or maturity of the remaining outstanding First Mortgage Bonds, the General Mortgage Bonds will become first mortgage bonds.

The Company pledged General Mortgage Bonds in the amount of $531 million to secure the outstanding $453 million (including $74 million classified as current maturities of long-term debt) and the unissued $78 million of Medium-Term Notes as of December 31, 1993.

Scheduled Maturities

The amount of long-term debt maturing in each of the next five years is as follows (in millions): 1994 - $134.5; 1995 - $30.0; 1996 - $47.3; 1997 - $0.8; and 1998 - $61.9.

9. JOINTLY-OWNED ELECTRIC UTILITY PLANTS

The Company has joint ownership agreements with other utilities providing undivided interests in utility plants at December 31, 1993 as follows (in millions of dollars):

	Wolf Creek Unit	La Cygne Units	Iatan Unit
Company's share	47%	50%	70%
Utility plant in service	$ 1,326	$ 282	$ 247
Estimated accumulated depreciation (Production plant only)	$ 270	$ 150	$ 111
Nuclear fuel, net	$ 30	—	—
Company's accredited capacity-mw	532	678	469

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

10. QUARTERLY OPERATING RESULTS (UNAUDITED)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
		(thousands)		
1993				
Operating revenues	$191,380	$208,323	$256,919	$200,828
Operating income	$ 29,624	$ 38,878	$ 57,865	$ 29,935
Net income	$ 15,800	$ 25,731	$ 44,920	$ 19,321
Earnings per common share	$ 0.24	$ 0.40	$ 0.72	$ 0.30
1992				
Operating revenues	$180,022	$196,505	$229,425	$196,716
Operating income	$ 23,795	$ 34,351	$ 50,638	$ 31,790
Net income	$ 8,321	$ 21,335	$ 38,044	$ 18,634
Earnings per common share	$ 0.12	$ 0.33	$ 0.60	$ 0.29

The business of the Company is subject to seasonal fluctuations with peak periods occurring during summer months. See Management's Discussion and Analysis of Financial Condition and Results of Operations for discussion of items affecting quarterly results.

REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the accompanying consolidated balance sheets and statements of cumulative preferred stock and long-term debt of Kansas City Power & Light Company as of December 31, 1993 and 1992, and the related consolidated statements of income, retained earnings, and cash flows 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 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 provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kansas City Power & Light Company as of December 31, 1993 and 1992, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1993, in conformity with generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for incremental nuclear refueling outage costs in 1992.

Kansas City, Missouri
January 28, 1994

Coopers & Lybrand

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

KILOWATT (KWH) SALES AND OPERATING REVENUES

Sales and revenue data:

	Increase (Decrease) From Prior Year			
	1993		1992	
	KWH	Revenues (millions)	KWH	Revenues (millions)
Retail sales:				
Residential	13%	$ 30	(12)%	$ (33)
Commercial	3%	9	(2)%	(4)
Industrial	3%	3	6%	3
Other	1%	—	1%	—
Total retail	6%	42	(4)%	(34)
Sales for resale:				
Bulk power sales	27%	13	51%	12
Other	5%	—	(6)%	—
Total operating revenues		$ 55		$ (22)

Although 1993 temperatures have been milder than normal, residential and commercial sales reflect closer to normal temperatures during 1993 compared to the abnormally mild weather of 1992 and warmer than normal weather of 1991. Based on the Company's records [illegible] degree days above 65 degrees Fahrenheit, the summer of 1992 was the coolest since 1950. The weather conditions were the primary cause for the variances in residential and commercial sales although both 1993 and 1992 also reflect load growth. Industrial kwh sales continued to increase over prior years and reflect increased large customer usage in the steel, auto manufacturing, grain processing and plastic container production sectors.

Bulk power sales reflect an increase in the number of sales commitments, the Company's high unit and fuel availability, and the requirements of other electric systems.

Changes in total revenue per kwh are due to changes in the mix of kwh sales among customer classifications and the effect on certain classifications of declining price per kwh as kwh usage increases. Less than 1% of the Company's revenues are affected by an automatic fuel adjustment provision.

Tariffs have not changed materially since 1988. Effective January 1, 1994, Missouri jurisdictional retail rates were reduced 2.66%, or approximately $12.5 million annually, primarily to reflect the end of the Missouri Public Service Commission (MPSC) rate phase-in amortization. This agreement with MPSC and public counsel also includes a provision whereby none of the parties can file for a general increase or decrease in Missouri retail electric rates prior to January 1, 1996. Approximately two-thirds of total retail sales are from Missouri customers.

The level of future kwh sales will depend upon weather conditions, customer conservation efforts, competing fuel sources and the overall economy of the Company's service territory. Sales to industrial customers, such as steel and auto manufacturers, are also affected by the national economy. The level of bulk power sales in the future will depend upon the availability of generating units, fuel costs, requirements of other electric systems and the Company's system requirements.

Also, issues facing the electric utility industry such as transmission access, demand-side management programs, increased competition and retention of large industrial customers could affect sales. Alternative sources of electricity, such as cogeneration, could affect the retention of, and future sales to large industrial customers.

COMPETITION

The National Energy Policy Act of 1992 gave the Federal Energy Regulatory Commission (FERC) the authority to require electric utilities to provide wholesale transmission line access (wholesale wheeling) to independent power producers and other utilities. Amendments to the Public Utility Holding Company Act simplified the organization of exempt wholesale generators, who engage exclusively in generating electricity for wholesale markets. Although the Act prohibits FERC from ordering retail wheeling (allowing retail customers to select a different power producer and use the transmission facilities of the host utility to deliver the energy), the Act itself does not prevent the state commissions from doing so. The state commissions however, may be preempted by other provisions of the Federal Power Act. If retail wheeling were allowed, utilities with large industrial customers could face intense competition and potentially lose a major customer which could place an unfair, costly burden on the remaining customer base or shareholders.

The Company continues to evaluate the effects of competition on its operations and position itself for a more competitive marketplace. It has been participating in wholesale wheeling voluntarily and has tariffs in place to accommodate these activities. The Company has a diverse customer mix with less than 18% of total sales derived from industrial customers as compared to a utility average of approximately 35%. The Company's industrial rates are competitively priced compared to the regional average and its rate structure allows some flexibility in setting rates. In addition, Company sponsored programs help customers manage their electricity consumption, and control their costs.

FUEL, PURCHASED POWER, OTHER OPERATION AND MAINTENANCE EXPENSES

Wolf Creek completed its sixth scheduled refueling outage during 1993 and returned on-line after 73 days. The Company began accruing for this outage in January 1992 (see Note 1 to the Consolidated Financial Statements for a discussion of the 1992 change in accounting principle). The prior refueling outage began in 1991, before the Company started accruing for these costs, and extended into January 1992. Because these costs, as well as a forced outage in 1992, had not been accrued, all expenses associated with these outages were expensed as incurred. As a result, 1992 expenses associated with Wolf Creek outages (including amounts accrued beginning in January 1992) exceeded amounts expensed in 1993 by $5. 6 million ($0. 06 per share) and 1992 expenses were less than 1991 expenses by $4. 6 million ($0. 05 per share). The next refueling outage is scheduled to begin in September 1994.

Combined fuel and purchased power expenses for 1993 increased over 1992 and 1991 reflecting additional sales. Partially offsetting these increases, fuel prices and freight rates have gradually decreased since 1991.

Other operation expenses increased during 1993 and 1992 reflecting increased generating plant production expenses and higher levels of administrative and general expenses mostly due to increased wages and employee benefits, and the 1993 accrual of postretirement benefits (see Note 2 to the Consolidated Financial Statements).

The Company continues to place emphasis on cost control. Processes are being reviewed and changed to provide increased efficiencies and improved operations.

INCOME TAXES

The change in income tax expense is mostly due to the changes in income subject to tax, but 1993 also reflects an increase of approximately $2 million in federal income tax expense because federal income tax rates increased.

GENERAL TAXES

Components of general taxes (in thousands):

	1993	1992	1991
Property taxes	$ 45,545	$ 44,300	$ 38,803
Gross receipts taxes	40,659	39,232	41,223
Other general taxes	9,455	8,929	8,499
Total general taxes	$ 95,659	$ 92,461	$ 88,525

Increases in property taxes since 1991 are primarily due to the Kansas school finance legislation. The Company estimates the effects of this legislation will increase future property taxes over 1993 levels by approximately $1 million.

The majority of Missouri customers are billed gross receipts tax based on billed revenues.

OTHER INCOME AND DEDUCTIONS

Miscellaneous and Income Taxes—1992 reflects gains from the sale of property and other contract settlements.

INTEREST CHARGES

Declines in long-term interest expense since 1991 reflect lower interest rates on variable rate debt and the retirement, repayment or refinancing of debt. The average interest rate paid on long-term debt including current maturities declined to 6.0% in 1993 compared to 6.6% in 1992 and 7.5% in 1991.

Declines in short-term interest expense reflect the decreasing interest rates since 1991 and a lower level of short-term debt outstanding during 1993. The average daily outstanding balance of short-term debt decreased to $16 million in 1993 from $60 million in 1992 and $50 million in 1991.

PREFERRED STOCK DIVIDEND REQUIREMENTS

The 1992 decrease in the preferred stock dividend requirements compared to 1991 reflects the refinancing of higher rate preferred stock with variable rate preferred stock.

EARNINGS PER SHARE (EPS)

EPS for 1993 increased $0.31 over 1992 and EPS for 1992 decreased $0.23 from 1991.

The effects of weather increased 1993 EPS by approximately $0.25 over 1992 and decreased 1992 EPS by approximately $0.46 from 1991. Temperatures in 1993 were milder than normal, but closer to normal compared to the extremely mild weather in 1992 and warmer than normal weather of 1991. Based on a statistical relationship between sales and the differences in actual and normal temperatures for the year, the Company estimates the effects of abnormal weather for the last three years were as follows:

	1993	1992	1991
Estimated effects of abnormal weather on EPS	$ (0.10)	$ (0.35)	$ 0.11

In addition to the effects of abnormal weather on EPS, 1993 expenses associated with Wolf Creek outages (including outage accruals which began in January 1992) decreased from 1992 resulting in an increase in EPS of $0.06. These same 1992 expenses decreased from 1991 causing an increase in 1992 EPS of $0.05.

EPS for 1993 and 1992 reflect efforts of the Company to control costs despite increases in production expenses and general and administrative expenses. Also, since 1991, the Company has refinanced a significant portion of its long-term debt and preferred stock to take advantage of lower rates. EPS for 1992 also reflect gains from the sales of property and other contract settlements.

PROJECTED CONSTRUCTION EXPENDITURES

Construction expenditures, excluding AFDC, were $129. 2 million in 1993 and are projected for the next five years as follows:

	Construction Expenditures					
	1994	1995	1996	1997	1998	Total
	(millions)					
Generating facilities	$ 52.8	$ 74.3	$ 67.4	$ 114.1	$ 148.3	$ 456.9
Nuclear fuel	19.3	20.7	8.1	21.0	25.7	94.8
Transmission facilities	11.1	10.6	8.5	8.7	8.8	47.7
Distribution and general facilities	70.4	53.7	52.9	52.9	54.5	284.4
Total	$ 153.6	$ 159.3	$ 136.9	$ 196.7	$ 237.3	$ 883.8

The Company's resource plan includes four new 146 megawatt (mw) gas-fired combustion turbines scheduled to be completed from 1998 through 2000. In addition, the plan envisions a new 705 mw (250 mw, Company's share) coal-fired generating unit scheduled to begin construction in 1997 and be completed by 2002. The projected construction expenditures include $200.2 million of forecasted costs for these projects during the next five years. The Company's resource plan is subject to periodic review and modification. The next integrated resource plan will be submitted to the MPSC in July 1994.

WOLF CREEK

Wolf Creek is one of the Company's principal generating facilities representing approximately 17% of the Company's accredited generating capacity and 26% of the Company's annual kwh generation during the last three years, and has the lowest fuel cost of any of its generating facilities. The plant operated at 80%, 85% and 59% of capacity for 1993, 1992 and 1991, respectively. Wolf Creek's assets and operating expenses represent approximately 50% and 20% of the Company's total assets and operating expenses, respectively. Currently no major equipment replacements are anticipated and the Company estimates the cost of nuclear fuel per million BTU, after the next refueling in the fall of 1994, will increase from approximately 35% to 40% of the cost of coal. Based on contract prices and projected future spot market prices for nuclear fuel and coal, it is anticipated that by 1996 the cost of nuclear fuel will increase in relation to coal to be about one-half the cost of coal.

An extended shut-down of the unit could have a substantial adverse effect on the Company's business, financial condition, and results of operations. Higher replacement power and other costs would be incurred as a result. Although not expected, an abnormal shut-down of the plant could be caused by adverse incidents at the plant or by actions of the Nuclear Regulatory Commission reacting to safety concerns at the plant or other similar nuclear facilities. If a long-term shut-down occurred, the state regulatory commissions could consider reducing rates by excluding Wolf Creek investment from rate base.

Ownership and operation of a nuclear generating unit exposes the Company to potential retroactive assessments and property losses in excess of insurance coverage. These risks are more fully discussed in Note 4 to the Consolidated Financial Statements-Commitments and Contingencies-Nuclear Liability and Insurance.

ENVIRONMENTAL MATTERS

The Company's policy is to act in an environmentally responsible manner and utilize the latest technological processes possible to avoid and treat contamination. The Company continually conducts environmental audits designed to assure compliance with governmental regulations and detect contamination. However, these regulations are constantly evolving; governmental bodies may impose additional or more rigid environmental regulations which could require substantial changes to the Company's operations or facilities.

See Note 4 to the Consolidated Financial Statements-Commitments and Contingencies-Environmental Matters-for discussion of costs of compliance with environmental laws and regulations and a potential liability (which the Company believes is not material to its financial condition or results of operations) for cleanup costs under the Federal Superfund law.

Clean Air Act Amendments of 1990 contain two programs significantly affecting the utility industry. Based on the results of current studies, the Company estimates total capital expenditures needed to comply with existing and proposed acid rain program regulations will be $4.1 million for the installation of continuous emission monitoring equipment. The Company has spent $2.9 million as of December 31, 1993 and has included the remaining $1.2 million in the five year projected construction expenditures. Future acid rain program regulations may require the Company to make further capital expenditures, but it is not possible to estimate those expenditures, if any. The other utility-related program calls for a study of certain air toxic substances. Based on the outcome of this study, regulation of air toxic substances, including mercury, could be required. The Company cannot, at this time, predict the likelihood of any such regulations or compliance costs.

CAPITAL REQUIREMENTS AND LIQUIDITY

On January 3, 1994, Moody's Investors Service upgraded the credit rating of the Company's bonds due to an improved financial profile and low-cost operations. The Company's long-term debt was upgraded as follows: secured pollution control bonds to A1 from A2; general mortgage bonds-medium-term notes to A1 from A3; unsecured pollution control bonds to A2 from Baa1; and, preferred stock to a2 from a3. In addition, in 1993 Standard & Poor's Corporation and Duff & Phelps upgraded the Company's General Mortgage Bonds as follows: Standard and Poor's from A- to A; and Duff & Phelps from A to A+. Improved ratings will make it less costly for the Company to raise funds when needed and will contribute to t . Company's continued efforts to meet the challenge of increased competition in the utility industry.

The Company's capital structure at December 31, 1993 (including current maturities of long-term debt less special deposit for retirement of debt) consisted of 49. 1% common stock equity, 5. 1% preferred stock and 45. 8% long-term debt. The Company's goal is to maintain a capital structure in which the percentages of common stock equity and long-term debt are approximately equal.

The Company currently estimates that it will be able to meet a significant portion of the projected construction expenditures with internally-generated funds. It is anticipated that funds for maturing debt through 1998 totaling $274. 5 million will be provided from operations, refinancings or short-term debt. As of December 31, 1993, the Company had $78 million of registered but unissued Medium-Term Notes and $149 million of unused bank lines of credit. Uncertainties which affect the degree to which these capital requirements will be met with funds provided from operations include such items as the effect of inflation on operating expenses, the level of kwh sales, regulatory actions, compliance with future environmental regulations, availability of the Company's generating units and the level of bulk power sales with other utilities.

The Company currently uses an accelerated depreciation method for tax purposes. The accelerated depreciation on the Wolf Creek plant has reduced the Company's tax payments during the last three years by approximately $30 million per year. Accelerated depreciation on Wolf Creek ends in 1994.

See Note 4 to the Consolidated Financial Statements-Commitments and Contingencies-Tax Matters-for discussion of the Company's federal income tax returns for the years 1985 through 1990 which are presently under audit by the Internal Revenue Service.

In order to take advantage of the potential benefits inherent in a larger energy system, the Company might incur additional debt and/or issue additional equity to finance system growth or new growth opportunities, through business combinations or other investments such as an exempt wholesale generator.

Summary of Operations and Financial Data

Summary of Earnings	1993	1992	1991	1990	1989	1983
Operating Revenues (000's)	$ 857,450	$ 802,668	$ 825,101	$ 815,570	$ 790,216	$ 583,138
Operating Expenses (000's)	701,148	662,094	653,793	631,243	602,685	478,655
Operating Income (000's)	156,302	140,574	171,308	184,327	187,531	104,483
Other Income and Deductions (000's)	1,909	3,163	(906)	(6,359)	6,477	53,834
Income before Interest Charges (000's)	158,211	143,737	170,402	177,968	194,008	158,317
Interest Charges (000's)	52,439	57,403	66,509	75,236	85,390	31,836
Net Income (000's)	105,772	86,334	103,893	102,732	108,618	126,481
Preferred and Preference Stock Dividend Requirements (000's)	3,153	3,062	6,023	6,360	6,359	21,570
Applicable to Common Stock (000's)	$ 102,619	$ 83,272	$ 97,870	$ 96,372	$ 102,259	$ 104,911
Average Shares Outstanding	61,908,726	61,908,726	61,908,726	61,899,526	61,854,514	50,556,776
Earnings per Common Share	$ 1.66	$ 1.35	$ 1.58	$ 1.56	$ 1.65	$ 2.08
Return on Year-end Common Equity	11.8%	9.8%	11.4%	11.3%	12.2%	15.7%
Cash Dividends per Share	$ 1.46	$ 1.43	$ 1.37	$ 1.31	$ 1.25	$ 1.10
Capitalization (000's)*						
Common Stock Equity	$ 866,151	$ 853,924	$ 860,229	$ 851,282	$ 835,917	$ 666,273
Preferred Stock	$ 89,000	$ 89,000	$ 52,000	$ 92,000	$ 92,000	$ 112,000
Preferred Stock (Redeemable)	$ 1,756	$ 1,916	$ 2,076	$ 2,236	$ 2,396	$ 56,156
Preference Stock (Redeemable)	$ —	$ —	$ —	$ —	$ —	$ 45,833
Long-term Debt	$ 868,152	$ 814,709	$ 822,680	$ 850,409	$ 918,654	$ 805,644
Other Data and Ratios						
Construction Expenditures (000's)	$ 129,199	$ 129,559	$ 122,447	$ 92,558	$ 103,169	$ 182,547
Total Assets (000's)	$ 2,755,068	$ 2,646,923	$ 2,615,039	$ 2,598,859	$ 2,620,826	$ 2,071,015
Book Value per Share	$ 13.99	$ 13.79	$ 13.90	$ 13.75	$ 13.50	$ 11.76
Common Stock Equity Ratio	51.2%	49.3%	49.9%	50.2%	46.2%	39.5%
Common Stock Price						
High	$ 26¼	$ 24½	$ 23¾	$ 18	$ 18⅛	$ 11⅜
Low	$ 21⅜	$ 19⅞	$ 17⅞	$ 14⅝	$ 14⅛	$ 8⅜
Ratio of Earnings to Fixed Charges	3.80	3.12	3.22	2.96	2.92	3.43

*Capitalization includes amounts to be redeemed or purchased and current maturities.

Electric Statistics

Electric Sales Statistics	1993	1992	1991	1990	1989	1983
Revenues (000's)						
Residential	$ 287,862	$ 258,124	$ 291,579	$ 273,080	$ 255,913	$ 199,713
Commercial	360,219	351,024	355,750	347,087	332,150	227,286
Industrial	121,515	118,389	114,979	112,999	110,413	93,963
Other	14,514	14,316	14,193	14,035	13,971	11,104
Total Retail	784,110	741,853	776,501	747,201	712,447	532,066
Bulk Power	60,636	48,058	35,839	52,862	57,209	20,595
Other sales for resale	4,445	4,319	4,535	4,756	5,174	17,678
Total	849,191	794,230	816,875	804,819	774,830	570,339
Other Electric Revenues	8,259	8,438	8,226	8,093	7,936	3,626
Total	$ 857,450	$ 802,668	$ 825,101	$ 812,912	$ 782,766	$ 573,965
Sales in K.'watt-hours (000's)						
Residential	3,582,925	3,172,611	3,613,751	3,334,828	3,165,473	2,719,062
Commercial	5,141,169	4,984,285	5,072,586	4,871,569	4,699,160	3,498,936
Industrial	2,507,205	2,429,883	2,294,734	2,213,465	2,162,396	2,039,736
Other	72,556	72,129	71,198	71,694	72,075	68,307
Total Retail	11,303,855	10,658,908	11,052,269	10,491,556	10,099,104	8,326,041
Bulk Power	3,725,115	2,940,905	1,945,182	3,187,751	3,528,919	861,200
Other sales for resale	108,581	102,971	109,327	113,799	120,509	410,338
Total	15,137,551	13,702,784	13,106,778	13,793,106	13,748,532	9,597,579
Average Number of Customers						
Residential	367,792	365,069	362,878	359,875	356,609	309,909
Commercial	49,004	48,522	48,042	47,551	46,857	40,550
Industrial	2,317	2,328	2,372	2,400	2,452	2,488
Other	131	133	134	132	133	131
Total Retail	419,244	416,052	413,426	409,958	406,051	353,078
Bulk Power	25	24	23	23	22	19
Other sales for resale	12	12	12	13	12	19
Total	419,281	416,088	413,461	409,994	406,085	353,116
Residential Sales						
Average kwh per customer	9,742	8,690	9,959	9,267	8,877	8,774
Average revenue per kwh-cents	8.034	8.136	8.069	8.189	8.085	7.345
Load Statistics						
Generated (net)-kwh (000's)	14,558,295	13,416,669	12,922,963	13,836,091	13,764,615	9,191,332
Purchased-kwh (000's)	1,206,514	924,107	880,545	675,507	666,827	1,067,195
Total-kwh (000's)	15,764,809	14,340,776	13,803,508	14,511,598	14,431,442	10,258,527
Maximum net hourly demand in megawatts—winter	1,713	1,687	1,674	1,680	1,829	1,435
—summer	2,819	2,624	2,751	2,711	2,541	2,324
Net generating capability in megawatts (summer)	3,085	3,089	3,090	3,048	3,025	2,634
Net capacity in megawatts purchased—summer	380	306	231	186	81	41
Btu per kwh generated	10,641	10,632	10,637	10,774	10,674	10,874
Number of Employees						
December 31	2,735	2,782	2,881	2,857	2,873	2,939
December 31—Adjusted*	3,130	3,181	3,276	3,243	3,251	2,708

*Excludes employees allocated to other participating companies at La Cygne and Iatan stations and includes employees allocated from Wolf Creek.

Corporate Information

SHAREHOLDER RELATIONS

For shareholder information or assistance with your account, please call or write the Shareholder Relations Department at the address below. Out-of-state shareholders may call 1-800-245-5275.

Kansas City Power & Light Company
Shareholder Relations Department
P.O. Box 418679
Kansas City, MO 64141-9679
816-556-2053

INVESTOR RELATIONS

Members of the financial community seeking corporate information may contact Investor Relations at 816-556-2312.

CHANGE OF ADDRESS

To report a change of address, use the form attached to your dividend check or send written notification to Shareholder Relations.

DUPLICATE MAILINGS

If you are receiving duplicate mailings, your stock may be registered in different ways. For assistance in consolidating your accounts or elimir ting duplicate mailings, please contact United Missouri Bank.

DIRECT DEPOSIT OF DIVIDENDS

Convenient direct deposit of dividends is available to KCPL shareholders who wish to have dividends deposited directly to personal checking, savings or other accounts. Electing direct deposit will change only the mailing of dividends. Annual and quarterly reports and proxy materials will not be affected. For an enrollment form, please contact Shareholder Relations or United Missouri Bank.

DIVIDEND REINVESTMENT & STOCK PURCHASE PLAN

At shareholder request, KCPL has begun a new Dividend Reinvestment and Stock Purchase Plan. The Plan is a convenient and economical way for shareholders to increase their investment in KCPL Common Stock. Administrative charges are paid by KCPL; participants pay a nominal broker commission to purchase or sell Plan shares. For details and an enrollment form, contact Shareholder Relations.

TRANSFER AGENT AND STOCK REGISTRAR

For Common and Preferred Stock

United Missouri Bank, n.a.
Securities Transfer Division
P.O. Box 410064
Kansas City, MO 64141-0064
816-860-7786

FORM 10-K

Copies of the Company's 1993 annual report filed with the Securities and Exchange Commission on Form 10-K will be provided at no charge to any shareholder or beneficial owner of shares in the Company's stock upon written request to:

Jeanie Sell Latz
Corporate Secretary
Kansas City Power & Light Company
P.O. Box 418679
Kansas City, MO 64141-9679

TWO-YEAR COMMON STOCK HISTORY

The Company's Common Stock price range and dividends paid per share were as follows:

	1993		1992		Dividends Paid		
Quarter	High	Low	High	Low	1994	1993	1992
First	25[illegible]	22	23[illegible]	19[illegible]	$0.37	$0.36	$0.35
Second	25[illegible]	23[illegible]	22½	20[illegible]		0.36	0.36
Third	26[illegible]	24[illegible]	24½	21[illegible]		0.37	0.36
Fourth	25	21[illegible]	23[illegible]	21[illegible]		0.37	0.36

EXCHANGE LISTING AND STOCK SYMBOL

Common Stock is listed on the New York Stock Exchange (NYSE) and the Midwest Stock Exchange.

NYSE Ticker Symbol: KLT

Number of Common shareholders: 31,267 at December 31, 1993.

All dividends paid by the Company in 1993 were determined to be dividend income and no portion was considered a return of capital.

PREFERRED STOCK DIVIDENDS

Quarterly dividends on Preferred Stock were declared in each quarter of 1993 and 1992 as follows:

Cumulative Preferred Stock	
Series	Amount
3.80%	$0.95
4.00%	1.00
4.20%	1.05
4.35%	1.0875
4.50%	1.125

Company Officers*

DRUE JENNINGS, 47
Chairman of the Board and President
1980

BERNARD J. BEAUDOIN, 53
Senior Vice President - Finance and Chief Financial Officer
1984

SAMUEL P. COWLEY, 59
Senior Vice President - Corporate Affairs and Chief Legal Officer
1977

RONALD G. WASSON, 49
Senior Vice President - Administrative and Technical Services
1983

FRANK L. BRANCA, 46
Vice President - Power Supply
1989

CHARLES R. COLE, 47
Vice President - Customer Services
1990

JAMES L. HOGAN, 63
Vice President - Environmental and Research Services
1984

MARCUS JACKSON, 42
Vice President-Power Production
1989

TURNER WHITE, 44
Vice President- Communications
1990

JOHN J. DeSTEFANO, 44
Treasurer
1989

JEANIE SELL LATZ, 42
Corporate Secretary
1991

NEIL ROADMAN, 48
Controller
1980

MARK C. SHOLANDER, 48
General Counsel
1986

*Listing includes age, title and year promoted to officer

Board of Directors

DRUE JENNINGS*
Chairman of the Board and President

WILLIAM H. CLARK*
President, Urban League of Greater Kansas City –community service agency

ROBERT J. DINEEN*
Chairman, Layne, Inc. –drilling services company

ARTHUR J. DOYLE*
Retired Chairman of the Board

W. THOMAS GRANT II
Chairman of the Board and Chief Executive Officer, Seafield Capital Corporation – diversified insurance, financial and laboratory services company

GEORGE E. NETTELS, JR.
Chairman of the Board Midwest Minerals, Inc. –construction mineral processing and quarry operations
President, Yampa Resource Associates, Inc. –mined land reclamation operation

GEORGE A. RUSSELL
President, University of Missouri

DR. LINDA HOOD TALBOTT
President, Talbott & Associates –consultants in planning, management and development

ROBERT H. WEST*
Chairman of the Board and Chief Executive Officer, Butler Manufacturing Company –supplier of non-residential building systems

*Member, Executive Committee

CREDITS

Designed by:
West Associates Advertising and Design, Inc.
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Communications Dish - Bill Heinsohn

Kansas City Power & Light Company
1201 Walnut
Kansas City, Missouri 64106-2124

KCPL

KANSAS ELECTRIC POWER COOPERATIVE, INC.

Financial Statements for the Years Ended December 31, 1993 and 1992, and Independent Auditors' Report

Deloitte &
Touche

Suite 400
1010 Grand Avenue
Kansas City, Missouri 64106-2232

Telephone: (816) 474-6180

Independent Auditors' Report

Board of Trustees
Kansas Electric Power Cooperative, Inc.

We have audited the accompanying balance sheet of Kansas Electric Power Cooperative, Inc. as of December 31, 1993, and the related statements of operations, patronage capital (deficit) and other equities, and cash flows for the year then ended. These financial statements are the responsibility of the Cooperative's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Cooperative as of and for the year ended December 31, 1992 were audited by other auditors whose report, dated February 17, 1993, expressed a qualified opinion on those financial statements and included an explanatory paragraph that described the departure from generally accepted accounting principles discussed in Note 1 to the financial statements.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 audit provides a reasonable basis for our opinion.

As more fully described in Note 1 to the financial statements, certain depreciation and amortization methods have been used in the preparation of the financial statements which do not, in our opinion, conform to generally accepted accounting principles.

In our opinion, except for the effects on the 1993 financial statements of the matters referred to in the preceding paragraph, such financial statements present fairly, in all material respects, the financial position of Kansas Electric Power Cooperative, Inc. as of December 31, 1993 and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Deloitte & Touche

February 18, 1994

KANSAS ELECTRIC POWER COOPERATIVE, INC.

BALANCE SHEETS
DECEMBER 31, 1993 AND 1992

ASSETS	1993	1992
UTILITY PLANT:		
Electric plant in service	$ 201,548,014	$ 200,168,121
Less allowances for depreciation	24,513,462	20,931,899
Net utility plant	177,034,552	179,236,222
Construction work in process	1,215,106	1,082,312
Nuclear fuel, less accumulated amortization of $10,541,087 and $10,594,156 at December 31, 1993 and 1992, respectively	3,998,923	4,839,135
Total utility plant	182,248,581	185,157,669
RESTRICTED ASSETS:		
Cash and cash equivalents	214,956	209,858
Investments in associated organizations	2,619,728	2,668,927
Bond fund reserve	3,925,832	3,923,577
Decommissioning fund assets	1,714,265	1,384,226
Total restricted assets	8,474,781	8,186,588
CURRENT ASSETS:		
Cash and cash equivalents	9,767,980	3,240,493
National Rural Utilities Cooperative Finance Corp. patronage capital certificate	51,740	4,292
Accounts receivable from members	5,850,733	5,807,523
Materials and supplies inventory	2,150,134	2,023,214
Other assets and prepaid expenses	480,627	462,769
Total current assets	18,301,214	11,538,291
OTHER LONG-TERM ASSETS:		
Deferred charges, less accumulated amortization of $4,765,714 and $4,079,857 at December 31, 1993 and 1992, respectively	25,143,793	24,910,243
Deferred incremental outage costs	1,019,668	383,199
Unamortized bond issue cost	1,162,801	1,224,315
Wolf Creek Nuclear Operating Corp. investments, at cost	1,627,853	1,281,530
Total other long-term assets	28,954,115	27,799,287
TOTAL ASSETS	$ 237,978,691	$ 232,681,835

CAPITALIZATION AND LIABILITIES	1993	1992
CAPITALIZATION:		
Patronage capital (deficit) and other equities:		
Memberships	$ 2,900	$ 2,900
Patronage capital (deficit) unallocated and other equities	(5,947,207)	(9,360,747)
Total patronage capital (deficit) and other equities	(5,944,307)	(9,357,847)
Long-term debt, less current portion	226,630,800	230,192,632
Total capitalization	220,686,493	220,834,785
LIABILITIES:		
Current liabilities:		
Accounts payable	4,242,567	3,799,167
Payroll and payroll related liabilities	63,524	57,380
Accrued property taxes	1,395,290	1,305,242
Accrued interest payable	3,212,821	719,032
Current portion of long-term debt	4,075,406	3,333,865
Total current liabilities	12,989,608	9,214,686
Other liabilities:		
Decommissioning liability	1,714,265	1,384,226
Arbitrage rebate payable	446,238	283,828
Wolf Creek Nuclear Operating Corp. liabilities	2,142,087	964,310
Total other liabilities	4,302,590	2,632,364
COMMITMENTS AND CONTINGENCIES		
TOTAL CAPITALIZATION AND LIABILITIES	$ 237,978,691	$ 232,681,835

See notes to financial statements.

KANSAS ELECTRIC POWER COOPERATIVE, INC.

STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 1993 AND 1992

	1993	1992
OPERATING REVENUE:		
Member	$69,118,520	$64,966,632
Nonmember	800,634	152,831
Total operating revenue	69,919,154	65,119,463
OPERATING EXPENSES:		
Power purchased	31,146,947	32,227,238
Nuclear fuel	2,055,015	1,781,054
Nuclear plant operations	3,178,107	3,343,035
Nuclear plant maintenance	1,737,963	1,988,831
Nuclear plant administrative and general	5,035,637	4,763,824
Administrative and general	2,205,212	2,285,447
Amortization of deferred charges	685,857	616,414
Depreciation	3,762,844	3,297,269
Total operating expenses	49,807,582	50,303,112
Operating margin	20,111,572	14,816,351
INTEREST INCOME	606,593	632,815
Income before interest expense	20,718,165	15,449,166
INTEREST EXPENSE ON LONG-TERM DEBT	17,304,625	17,751,838
Net margin (loss)	$ 3,413,540	$ (2,302,672)

See notes to financial statements.

KANSAS ELECTRIC POWER COOPERATIVE, INC.

STATEMENTS OF PATRONAGE CAPITAL (DEFICIT) AND OTHER EQUITIES
YEARS ENDED DECEMBER 31, 1993 AND 1992

	Memberships	Patronage Capital (Deficit) Unallocated	Other Equities	Total
Balance, January 1, 1991	$2.900	$(12,557,706)	$5,499,631	$(7,055,175)
1992 net margin (loss)		(2,935,487)	632,815	(2,302,672)
Balance, December 31, 1992	2,900	(15,493,193)	6,132,446	(9,357,847)
1993 net margin		2,806,947	606,593	3,413,540
Balance, December 31, 1993	$2,900	$(12,686,246)	$6,739,039	$(5,944,307)

See notes to financial statements.

KANSAS ELECTRIC POWER COOPERATIVE, INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1993 AND 1992

	1993	1992
CASH FLOWS FROM OPERATIONS:		
Cash received from member sales	$69,319,804	$64,867,371
Cash received from nonmember sales	705,340	153,745
Cash paid for purchased power	(31,341,538)	(32,093,193)
Cash paid for Wolf Creek operations	(7,664,034)	(6,926,075)
Cash paid for KEPCo operations	(2,128,892)	(2,309,943)
Interest paid	(14,749,319)	(17,753,553)
Property taxes paid	(2,724,225)	(2,161,509)
Interest received	716,194	709,201
Cash paid to decommissioning trust	(266,336)	(297,250)
Miscellaneous cash received	2,364	5,353
Net cash from operations	11,869,358	4,194,147
CASH FLOWS FROM INVESTING ACTIVITIES:		
Nuclear fuel purchases	(672,514)	(2,037,189)
Plant additions	(1,667,316)	(1,079,342)
Wolf Creek Nuclear Operating Corp. investments	(181,750)	(239,224)
Net cash from investing activities	(2,521,580)	(3,355,755)
CASH FLOWS FROM FINANCING ACTIVITIES - Repayment of long-term debt	(2,820,291)	(2,940,637)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,527,487	(2,102,245)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,240,493	5,342,738
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 9,767,980	$ 3,240,493

(Continued)

KANSAS ELECTRIC POWER COOPERATIVE, INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1993 AND 1992

	1993	1992
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net margin (loss)	$ 3,413,540	$(2,302,672)
Adjustments to reconcile net margin (loss) to net cash from operating activities:		
Depreciation	3,762,844	3,297,269
Amortization of nuclear fuel	1,512,726	1,358,088
Amortization of deferred charges	685,857	616,414
Amortization of deferred incremental outage costs	1,657,783	2,390,667
Amortization of bond issue costs	61,514	61,800
Accretion of discount/amortization of premium	(2,255)	(2,255)
Loss on sales of assets	3,645	22,021
(Increase) in restricted cash and short-term investments	(5,098)	(6,525)
(Increase) decrease in investments in associated organizations	49,199	(211)
(Increase) in Wolf Creek Nuclear Operating Corp. investments	(164,573)	(64,518)
(Increase) in decommissioning fund assets	(330,039)	(347,978)
Increase in decommissioning liability	330,039	347,978
(Increase) in deferred charges	(919,407)	
(Increase) in deferred incremental outage expense	(2,294,252)	(369,083)
Increase in arbitrage payable	162,410	157,848
Increase in Wolf Creek Nuclear Operating Corp. liabilities	1,177,777	345,249
Other	(30,297)	
Net change in current assets and liabilities:		
National Rural Utilities Cooperative Finance Corp. patronage capital certificate	(47,448)	4,185
Accounts receivable	(43,210)	(302,077)
Materials and supplies inventory	(126,920)	(155,521)
Other assets and prepaid expenses	(17,858)	(109,010)
Accounts payable	443,400	(1,159,619)
Payroll and payroll related liabilities	6,144	6,091
Accrued property taxes	90,048	469,520
Accrued interest payable	2,493,789	(63,514)
Total adjustments	8,455,818	6,496,819
Total cash from operations	$11,869,358	$ 4,194,147

See notes to financial statements.

(Concluded)

KANSAS ELECTRIC POWER COOPERATIVE, INC.

Notes to Financial Statements
Years Ended December 31, 1993 and 1992

1. DEPARTURES FROM GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

Effective February 1, 1987, the Kansas Corporation Commission (KCC) issued an order to Kansas Electric Power Cooperative, Inc. (KEPCo) requiring the use of present worth (sinking fund) depreciation and amortization. As more fully described in Notes 3 and 6, such depreciation and amortization practices constitute phase-in plans which do not meet the requirements of Statement of Financial Accounting Standards (SFAS) No. 92, *Accounting for Phase-In Plans*. The effect of these departures on the financial statements is as follows:

Overstated (Understated)	1993	1992
Net utility plant	$29,477,355	$25,680,852
Deferred charges	3,957,272	3,491,993
Deficit in patronage capital (deficit)	(33,434,627)	(29,172,845)
Net loss	(4,261,782)	(4,411,299)

2. SUMMARY OF SIGNIFI ANT ACCOUNTING POLICIES

System of Accounts - KEPCo maintains its accounting records substantially in accordance with the Rural Electrification Administration (REA) Uniform System of Accounts and in accordance with accounting practices prescribed by the KCC.

Utility Plant and Depreciation - Utility plant is stated at cost. The costs of repairs and minor replacements are charged to operating expense as appropriate. Costs of renewals and betterments are capitalized. The original cost of utility plant retired and the cost of removal, less salvage, are charged to accumulated depreciation.

Through January 31, 1987, the provision for depreciation for electric plant in service was computed on the straight-line method at a 3.44% annual composite rate. Effective February 1, 1987, in accordance with an order issued by the KCC, the provision for depreciation is computed on a present worth (sinking fund) method which provides for increasing annual provisions over 27.736 years. The composite rates for the years ended December 31, 1993 and 1992 were 1.970% and 1.719%, respectively. Pursuant to a KCC rate order dated March 27, 1992, beginning January 1, 1992, all additions, betterments and improvements are depreciated on a straight-line basis over 30 years. The provision for depreciation, computed on a straight-line basis, of other components of utility plant are as follows:

Transportation and equipment	25 to 33%
Office furniture and fixtures	10 to 20%
Leasehold improvements	20%
Transmission equipment	10%

Nuclear Fuel - 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 nuclear fuel expense based upon the quantity of heat produced for the generation of electric power. The permanent disposal of spent fuel is the responsibility of the Department of Energy (DOE). KEPCo pays one mill per net kwh of nuclear generation to the DOE for the future disposal service. These disposal costs are charged to nuclear fuel expense.

Investments in Associated Organizations - Investments in associated organizations are carried at cost and consist principally of patronage capital certificates, capital term certificates and subordinated term certificates of the National Rural Utilities Cooperative Finance Corp. (CFC). CFC patronage capital certificates maturing within one year of the balance sheet date are reflected as a current asset.

Cash Equivalents - All highly liquid investments purchased with maturities of three months or less are considered to be cash equivalents and are stated at cost which approximates market.

Materials and Supplies Inventory - Materials and supplies inventory for the Wolf Creek Generating Station (Wolf Creek) is stated at cost determined by the average cost method.

Unamortized Bond Issue Costs - Unamortized bond issue costs related to the issuance of the floating/fixed rate pollution control revenue bonds and mortgage notes payable to the CFC are being amortized using the interest method over the remaining life of the bonds.

Decommissioning Fund Assets/Decommissioning Liability - At December 31, 1993 and 1992, $1,714,265 and $1,384,226, respectively, has been collected and is being retained in an interest-bearing trust fund to be used for the physical decommissioning of Wolf Creek. The decommissioning funds have been invested by the trustee primarily in United States Treasury obligations and are carried at cost. During 1989, the KCC extended the estimated useful life of the Wolf Creek Generating Station to 40 years from the original estimate of 30 years only for the determination of decommissioning costs. Additionally, the estimated cost of decommissioning Wolf Creek was increased to $206 million in 1988 dollars. KEPCo is responsible for a 6% share of the decommissioning costs for Wolf Creek. These costs are being recovered and charged to operations over the life of the plant. On September 1, 1993, Wolf Creek Nuclear Operating Corporation (WCNOC) filed an application, on behalf of its owners, with the KCC for an order approving a 1993 Wolf Creek Decommissioning Cost Study which estimates the total cost to be $370 million in 1993 dollars. If approved by the KCC, management expects such increases in cost to be recovered through the ratemaking process.

Cash Surrender Value of Life Insurance Contracts - The following amounts related to WCNOC corporate-owned life insurance contracts, primarily with one highly-rated major insurance company are recorded on the balance sheets in WCNOC investments:

	1993	1992
Cash surrender value of contracts	$1,296,765	$1,066,439
Borrowings against contracts	358,587	358,587
Net	$ 938,178	$ 707,852

Income Taxes - As a tax-exempt cooperative, KEPCo is exempt from income taxes under Section 501(c)(12) of the Internal Revenue Code of 1986, as amended. Based on its review in 1993, it is management's opinion that KEPCo has met the requirements of this section and will continue to do so for the foreseeable future. Accordingly, provisions for income taxes have not been reflected in the accompanying financial statements.

Patronage Capital (Deficit) and Other Equities - Operating margin, net of interest expense, is credited or charged to patronage capital (deficit) unallocated. Nonoperating margin (interest income) is credited to other equities; however, upon an affirmative vote of the membership, margins may be allocated to patronage capital unallocated.

Rates - The KCC has authority to establish KEPCo's electric rates subject to the times interest earned ratio and debt service coverage set forth by the REA.

KEPCo believes it is probable that future rates, as established by the KCC, will allow the recovery of deferred charges (see Note 6). If subsequent recovery is not permitted, the unrecovered deferred balances would be charged to expense at that time.

Revenues - Revenues from the sale of electricity are recorded based on billings to customers and on contracts and scheduled power usages, as appropriate.

Reclassifications - KEPCo has reclassified the presentation of certain prior year information to conform with the current presentation.

3. WOLF CREEK GENERATING STATION

KEPCo owns 6% of the Wolf Creek Generating Station near Burlington, Kansas. The remainder is owned by the Kansas City Power & Light Company (KCPL - 47%) and Kansas Gas & Electric Company (KGE - 47%). KGE is a wholly owned subsidiary of Western Resources, Inc. Substantially all of KEPCo's utility plant represents its share of the Wolf Creek Generating Station. KEPCo is entitled to a proportionate share of the capacity and energy from Wolf Creek which is used to supply a portion of KEPCo's members' requirements. KEPCo is billed for 6% of the operations, maintenance and administrative and general costs related to Wolf Creek. All operations are accounted for in the same manner as would be a wholly owned facility.

The KCC declared Wolf Creek commercially operable on September 3, 1985. KEPCo's total investment includes interest and administrative costs during construction.

Effective February 1, 1987, the KCC issued an order to KEPCo to utilize a present worth (sinking fund) depreciation method which does not conform with generally accepted accounting principles and which constitutes a phase-in plan which does not meet the requirements of SFAS No. 92. If depreciation on electric plant in service was calculated using a method in accordance with generally accepted accounting principles, depreciation expense would be increased and KEPCo's operating margin would be decreased by $3,796,503 and $3,893,102 for the years ended December 31, 1993 and 1992, respectively. In addition, net utility plant would be decreased and the deficit in patronage capital (deficit) unallocated would be increased by $29,477,355 and $25,680,852 at December 31, 1993 and 1992, respectively.

4. INVESTMENTS

KEPCo's portfolio, which is included in the balance sheet at cost as cash and cash equivalents (including restricted assets), is invested in fixed-income securities and is composed of the following securities at December 31:

	1993	1992
Deposits at federally insured banks	$ 65,486	$ 6,056
United States Government agency obligations		2,994,295
Collateralized repurchase agreements	6,417,450	450,000
CFC - Commercial paper	3,500,000	

KEPCo has entered into a bond covenant whereby the Cooperative is required to maintain, with a trustee, a Bond Fund Reserve of a stipulated amount of approximately $3.9 million, sufficient to satisfy certain future interest and principal obligations. The amount held in the Bond Fund Reserve is invested by the trustee in various municipal securities, pursuant to the restrictions of the indenture agreement, which are carried at cost.

5. INVESTMENTS IN ASSOCIATED ORGANIZATIONS

At December 31, 1993 and 1992, investments in associated organizations consisted of the following:

	1993	1992
CFC:		
Membership	$ 1,000	$ 1,000
Capital term certificates	395,970	395,970
Subordinated term certificates	2,205,000	2,205,000
Patronage capital certificates	5,067	56,526
Other	12,691	10,431
	$2,619,728	$2,668,927

6. DEFERRED CHARGES

Disallowed Costs - Effective October 1, 1985, the KCC issued a rate order relating to KEPCo's investment in Wolf Creek which disallowed approximately $22.9 million of KEPCo's investment in Wolf Creek. A subsequent rate order, effective February 1, 1987, allows KEPCo to recover these disallowed costs and other costs related to the disallowed portion for the period from September 3, 1985 through January 31, 1987, over a 27.736 year period starting February 1, 1987. KEPCo is using present worth (sinking fund) amortization to recover the disallowed costs which enables it to meet the times interest earned ratio and debt service requirements in the KCC rate order dated January 30, 1987. The method used by KEPCo constitutes a phase-in plan which does not meet the requirements of SFAS No. 92. If amortization to recover the disallowed costs was calculated using a method in accordance with generally accepted accounting principles, amortization of deferred charges would be increased and KEPCo's operating margin would be decreased by $465,279 and $518,197 for the years ended December 31, 1993 and 1992, respectively. In addition, deferred charges would be decreased and the deficit in patronage capital (deficit) unallocated would be increased by $3,957,272 and $3,491,993 at December 31, 1993 and 1992, respectively.

Revenue and Expenses for the Period from September 3, 1985 through September 30, 1985 - Although the Wolf Creek Generating Station began commercial operations on September 3, 1985, the KCC ordered KEPCo to accumulate all revenues and expenses related to the operation of Wolf Creek for the period from September 3, 1985 through September 30, 1985 in deferred charges. The KCC issued an order on February 1, 1987 which allowed KEPCo to recover these costs over a ten year period. Annual amortization of such costs increases over the recovery period.

Decommissioning and Decontamination Assessments - The Energy and Policy Act of 1992 established a fund to pay for the decontamination and decommissioning of nuclear enrichment facilities operated by the DOE. A portion of this fund not to exceed $2.25 billion is to be collected from utilities that have purchased enrichment services from the DOE. This portion is limited to no more than $150 million each year and will be in the form of annual assessments that will not be imposed for more than 15 years. KEPCo has recorded its portion of this liability as approximately $1,019,000 which is being paid over 15 years. KEPCo has recorded a related deferred asset which is being amortized to nuclear fuel expense over the 15 year assessment period. Management expects to include these assessments in its next rate case to be filed with the KCC and believes it is reasonable to expect approval for recovery of these assessments.

Deferred Incremental Outage Costs - On April 9, 1991, the KCC issued an order that allowed KEPCo to defer its 6% share of the incremental maintenance and replacement power costs associated with refueling of the Wolf Creek Generating Station. Such deferred costs are being amortized over the operating cycle coincident with the recognition of the related revenues.

7. LONG-TERM DEBT

Long-term debt consists of mortgage notes payable to the United States of America acting through the Federal Financing Bank (FFB), the CFC and others. Substantially all of KEPCo's assets are pledged as collateral. The terms of the notes as of December 31 are as follows:

	1993	1992
Mortgage notes payable to the FFB at rates varying from 5.674% to 9.366%, payable in quarterly installments through 2018.	$128,747,364	$130,317,007
Mortgage notes payable to the CFC at a rate of 10.028% through December 1997 and 9.83% thereafter, payable semi-annually, principal payments commencing in 2003 and continuing annually through 2017.	51,340,000	51,340,000
Mortgage notes payable to the CFC at a rate of 9.5274% through December 1997 and 9.33% thereafter, payable semi-annually, principal payments commencing in 1989 and continuing annually through 2002.	9,518,842	10,169,490
Floating/fixed rate pollution control revenue bonds, City of Burlington, Kansas, Pooled Series 1985C, variable interest rate (2.53% at December 31, 1993) payable annually through 2015.	41,100,000	41,700,000
	230,706,206	233,526,497
Less current portion	4,075,406	3,333,865
	$226,630,800	$230,192,632

Aggregate maturities of mortgage notes payable to the Federal Financing Bank and National Rural Utilities Cooperative Finance Corporation and floating/fixed rate pollution control revenue bonds as of December 31, 1993 are as follows:

Year	Amount
1994	$ 4,075,406
1995	3,905,814
1996	4,335,251
1997	4,626,121
1998	4,823,796
Thereafter to 2018	208,939,818
	$230,706,206

At December 31, 1993, KEPCo has FFB approved loans guaranteed by REA with balances of $128,7[illegible],364. Of this amount, $4,985,973 currently has a maturity date of March 31, 1994. Upon ma[illegible]f each short-term advance, KEPCo may renew the advance for another two year period or elect to extend the maturity date on a long-term basis. The above schedule of long-term debt maturities assumes that the $4,985,973, which matures on March 31, 1994, will be extended based on the above options.

In addition, restrictive covenants require KEPCo to design rates that would enable it to maintain a times interest earned ratio and debt service coverage of at least one-to-one in at least two out of every three years.

Restricted cash and short-term investments consist of unexpended loan proceeds remaining in the Construction Fund. These funds will be utilized for scheduled principal reduction of the originating debt.

8. SHORT-TERM BORROWINGS

KEPCo has available a $12 million line of credit with the CFC which remained unused at December 31, 1993.

9. OPERATING LEASE

KEPCo leases office space under a noncancellable operating lease expiring on December 31, 1996. The minimum lease payments can be increased to the extent that taxes and insurance paid by the lessor exceed 1987 levels.

Future minimum lease payments for office space and equipment leased at December 31, 1993 are as follows:

Year	Amount
1994	$ 85,872
1995	80,835
1996	73,932
	$240,639

The related rental expense for 1993 and 1992 was $81,489 and $99,138, respectively.

10. BENEFIT PLANS

National Rural Electric Cooperative Association (NRECA) Retirement and Security Program - KEPCo participates in the NRECA retirement and security program for its employees. All employees of members of NRECA are eligible to participate in the program. A moratorium on contributions was in effect for the period July 1, 1987 through December 31, 1993 due to reaching the full funding limitation. In the master multiemployer plan which is available to all members of NRECA, the accumulated benefits and plan assets are not determined or allocated by individual employee. KEPCo has no pension expense for the plan for the years ended December 31, 1993 and 1992.

Substantially all employees of KEPCo also participate in the NRECA Savings Plan 401(k) option. Under the plan, KEPCo contributes amounts not to exceed 3%, dependent on the employee's level of participation, of the respective employee's base pay to provide additional retirement benefits. KEPCo contributed approximately $30,595 and $29,537 to the plan in 1993 and 1992, respectively.

Wolf Creek Nuclear Operating Corporation Retirement Plan - KEPCo has an obligation to the WCNOC Retirement Plan for its 6% ownership interest in the Wolf Creek Generating Station. This plan provides for benefits upon retirement, normally at age 65. In accordance with the Employee Retirement Income Security Act of 1974 (ERISA), KEPCo has satisfied at least its minimum funding requirements. Benefits under this plan reflect the employee's compensation, years of service and age at retirement.

Provisions for pensions are determined under the rules prescribed by SFAS No. 87. The following sets forth KEPCo's share of the plan's actuarial present value and funded status at November 30, 1993 and 1992 (the plan years) and a reconciliation of such status to the financial statements as of December 31:

	1993	1992
Accumulated benefit obligation:		
Vested	$ 423,782	$ 266,846
Nonvested	178,577	128,539
Total	$ 602,359	$ 395,385
Fair value of plan assets	$ 739,335	$ 569,765
Projected benefit obligation	1,492,578	1,191,226
Projected benefit obligation in excess of plan assets	(753,243)	(621,461)
Unamortized transition amount	130,636	137,894
Unrecognized net gain	3,745	(38,018)
Unrecognized prior service cost	58,688	62,045
Accrued pension liability	$ 560,174	$ 459,540

Plan assets are invested in insurance contracts, corporate bonds, equity securities, U.S. Government securities and short-term investments.

Actuarial assumptions:

	1993	1992
Discount rate	7%	8%
Annual salary increase rate	5%	6%
Long-term rate of return	8%	8%

KEPCo's share of the net periodic pension costs were as follows for the years ended December 31:

	1993	1992
Service cost	$162,180	$154,471
Interest cost on projected benefit obligation	103,453	88,309
Actual return on plan assets	(48,439)	(64,387)
Other	8,972	36,311
Total pension expense	$226,166	$214,704

11. CONTINGENCIES

Litigation - There is a provision in the Wolf Creek operating agreement whereby the owners treat certain claims and losses arising out of the operation of the Wolf Creek Generating Station as a cost to be born by the owners separately (but not jointly) in proportion to their ownership shares. Each of the owners has agreed to indemnify the others in such cases.

As is the case with other electric utilities, KEPCo, from time to time, is subject to various actions which occasionally include punitive damage claims. KEPCo maintains insurance providing liability coverage; however, the insurance companies generally reserve the right to challenge insurance coverage for punitive damage recoveries. In the opinion of the general counsel of KEPCo, there is not a significant probability that, as a result of pending or threatened personal injury actions, KEPCo will be liable for payment of actual or punitive damages in an amount material to the financial position of KEPCo.

Nuclear Liability and Insurance - The Price-Anderson Act and its amendments currently limit the public liability, including attorney costs, of nuclear reactor owners for claims that could arise from a nuclear incident to $9.4 billion. The Wolf Creek owners (Owners) have liability insurance coverage of this amount which consists of the maximum available private insurance of $200 million and the balance is provided by an assessment plan mandated by the Nuclear Regulatory Commission. Under this plan, the Owners are jointly and severally subject to a retrospective assessment of up to $79.28 million ($4.76 million - KEPCo'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 ($600,000 - KEPCo's share) in retrospective assessments per incident per year.

The owners of Wolf Creek also have property damage, decontamination and decommissioning insurance for loss resulting from damage to the Wolf Creek facilities in the amount of $2.8 billion ($168 million - KEPCo's share). Nuclear insurance pools provide $1.3 billion of coverage. Nuclear Electric Insurance Limited (NEIL) provides $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 ($168 million - KEPCo's share), if any, can be used for property damage up to $140 million (KEPCo's share) and premature decommissioning costs up to $15 million (KEPCo's share) in excess of funds previously collected for decommissioning.

The owners of Wolf Creek have also procured extra expense insurance from NEIL. Under both the NEIL property and extra expense policies, the Company is subject to retroactive assessment if NEIL losses, with respect to each policy year, exceed the accumulated funds available to the insurer under that policy. The estimated maximum retroactive assessments for KEPCo's share under the policies total approximately $1,149,000 per year.

In the event of a catastrophic loss at Wolf Creek, the amount of insurance available may not be adequate for property damages and extra expenses incurred. Uninsured losses, to the extent not recovered through rates, would be assumed by KEPCo and could have a material adverse effect on KEPCo's financial condition.

Nuclear Fuel Commitments - At December 31, 1993, Wolf Creek's nuclear fuel commitments (KEPCo's share) were approximately $2.3 million for uranium concentrates through 1997, $15.8 million for enrichment through 2014 and $5.8 million for fabrication through 2012.

REA Development - KEPCo has received notification from the REA that, because KEPCo's financial statements are not in conformance with generally accepted accounting principles, as discussed in Note 1, the REA will evaluate all requests for action on the basis of financial information prepared as if the straight-line method of depreciation and amortization had been used.

12. 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 SFAS No. 107:

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

Decommissioning Trust, Investments in Associated Organizations and Bond Fund Reserve - The fair value of these assets is based on quoted market prices at December 31, 1993.

Variable-rate Debt - The carrying amount approximates the fair value because of the short-term variable rates of those 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 current rates offered to KEPCo for debt of the same remaining maturities.

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

	December 31, 1993	
	Carrying Value	Fair Value
Cash and cash equivalents (including restricted assets)	$ 9,982,936	$ 9,982,936
Investments in associated organizations (including restricted assets)	2,671,468	3,303,250
Bond fund reserve	3,925,832	5,041,906
Decommisisioning trust	1,714,265	1,711,851
Variable-rate debt	41,100,000	41,100,000
Fixed-rate debt	189,606,206	208,683,833

13. OTHER MATTERS

On March 27, 1992, the KCC issued a rate order increasing KEPCo's energy rate by 2.5 mills per kwh effective April 1, 1992.

On December 31, 1992, the KCC issued a rate order allowing KEPCo to collect $859,000 per year through an increase of .66 mills per kwh in KEPCo's energy rates effective January 1, 1993. The increase allows KEPCo to recover additional property taxes resulting from legislation passed during the 1992 Kansas legislative session.

On January 12, 1994, KEPCo refinanced $10.3 million of mortgage notes payable to the Federal Financing Bank. The new interest rate is 6.107% compared to the old rate of 9.366% and is projected to save KEPCo $4.7 million over the life of the notes.

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