THE KANSAS POWER AND LIGHT COMPANY

ANNUAL REPORT 1991

a tradition of customer satisfaction…

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The legal name of the Company is The Kansas Power and Light Company, and it is under this name stock is traded and dividends distributed. The Company does business throughout its service area under the trade name KPL Gas Service.

The Kansas Power and Light Company's Annual Report for 1991 was prepared for the general information of the shareholders and employees of the Company and is not intended to be used in connection with any sale, or offer to buy, any security of the Company.

Shareholders may obtain without charge a copy of periodic reports filed with the Securities and Exchange Commission. Requests should be addressed to the Shareholder Relations Department, P.O. Box 889, Topeka, Kansas 66601.

The annual meeting of shareholders is held on the first Tuesday in May. In 1992 the meeting will be held May 5 in Topeka, Kansas, at 11:00 a.m.

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

Wilson K. Cadman
Vice Chairman of the Board

DEAR SHAREHOLDER:

A unanimous decision on October 28, 1990, by the Boards of Directors of The Kansas Power and Light Company (KPL) and Kansas Gas and Electric Company (KG&E) to enter into a merger agreement approaches a successful conclusion. With receipt of all necessary regulatory approvals (see "Year in Review" and Note 2 of the Consolidated Financial Statements), the Company expects to conclude the merger in the first quarter of 1992 and KG&E will be merged into a wholly-owned KPL subsidiary.

KPL has mailed "Forms of Election" to KG&E common stockholders so they may indicate their preference for cash, KPL common stock, or a combination of cash and common stock in exchange for their KG&E common shares.

Integration of the two companies is underway and some of the changes it entails are reflected in this insert, including our new Company officers. Your proxy statement will identify the five directors from the KG&E Board who will be incorporated into the KPL Board. We will continue to keep you informed about integration throughout the year with regular quarterly reports and letters included with your dividend payments.

We thank you for your continued interest in our Company. We look forward with enthusiasm to the exciting challenges we will encounter in the coming years.

Sincerely,

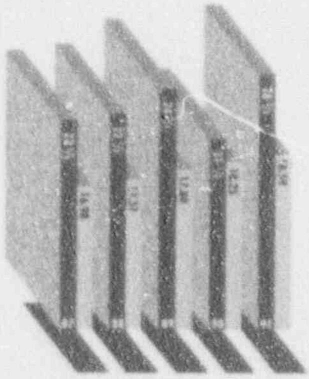
John E. Hayes, Jr.
Chairman of the Board,
President, and Chief Executive Officer

Wilson K. Cadman
Vice Chairman of the Board

HIGHLIGHTS

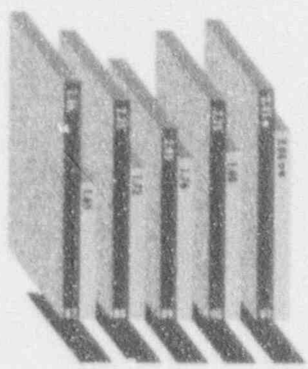
	1991	1990
COMMON STOCK DATA		
Earnings Per Share	$ 2.41*	$ 2.25
Dividends Per Share	2.04**	1.80
Book Value Per Share	18.59	18.25
Average Shares Outstanding	34,566,170	34,566,170
FINANCIAL DATA *(Millions of Dollars)*		
Operating Revenues	$1,162	$1,150
Operating Expenses	1,033	1,018
Net Income	90*	80
Gross Plant in Service	2,535	2,422
OPERATING DATA		
Natural Gas:		
Sales (Thousands of MCF)		
Gas Service	161,987*	143,788
Transportation	78,055	72,623
Total	240,042*	216,411
Customers (Average)	1,067,840	1,059,140
Electric:		
Sales (Thousands of MWH)		
Electric Service	8,728*	8,216
Firm Interchange	810	913
Total	9,538*	9,129
Customers (Average)	306,203	303,535

COMMON STOCK VALUES
(Dollars per share)



MARKET BOOK

EARNINGS AND DIVIDENDS
(Dollars per share)



EARNINGS DIVIDENDS

*Includes cumulative effect to January 1, 1991, of change in revenue recognition, a $17,360,000 or $0.50 per share increase. The cumulative effect of this change increased natural gas sales by 14,838,000 MCF and electric sales by 256,000 MWH.

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

CHAIRMAN'S LETTER

Dear Shareholder:

1991 was an exciting year.

Merger activities and declining interest rates combined to boost our common stock and raise its market price during 1991.

Earnings for 1991 were $2.41 per share of common stock, an increase of seven percent.

At the January 1992 meeting, the Board of Directors increased the quarterly dividend on common stock to 17½ cents, up one cent from the 1991 quarterly rate. On an annualized basis, the indicated 1992 rate is $1.90.

We are pleased to report that all regulatory approvals have been received for the merger of Kansas Gas and Electric Company (KG&E) into a subsidiary of The Kansas Power and Light Company. We are proceeding to finalize the merger and complete the acquisition of KG&E stock.

Our challenge now is to move forward with this opportunity. We expect full integration of the two companies before the end of March.

Over the past 16 months, our employees have met and defined corporate philosophies, studied operating procedures, and prepared for integration. The employee integration efforts not only identified and defined the means to ca[illegible] merger-related savings, they ensure our success.

The combination of our resources allows us to take advantage of efficiencies and savings from joint energy dispatch, combined meter-reading/billing functions, consolidated service centers/service personnel, and other identified combinations, to provide enhanced customer satisfaction, to share benefits with customers and shareholders, and, of course, to better meet competitive challenges.

While this report was designed to show our Company as of December 31, 1991, we want to share with you some of the exciting changes that are occurring. The special section included under the cover of this report reflects some of the merger-related reorganization.

Above: *John Hayes, front, visits with Les Krull, plant manager, Hallmark Cards, Inc., Topeka.*

Right: *At the Topeka customer office, John Hayes discusses the new bill format.*

The merger is only part of the change which faces our Company and our industry. The energy marketplace is changing.

Just as other industries learned to capitalize on change and became customer oriented and market driven, so too must energy utilities learn to accept customers having a much greater degree of control than they had in the past.

Customers want choices—product choices, service choices, and price choices. We must offer those choices or risk losing revenue as others seek to provide our traditional services.

Our industry is changing through the gradual emergence of competitors that offer other sources of energy supply for utility customers. Customers will look to other suppliers—pipeline companies or independent power producers—if we are unable or unwilling to meet their demands.

Competition, too, places more attention on what customers want. It is not sufficient merely to meet existing customer demands: one must anticipate new demands.

Our challenge is two-fold: 1) recognize and meet customer demands, and 2) seek new markets or revenue sources.

An anchor in meeting these challenges is our Company's tradition of customer satisfaction and our commitment to build on that strength and increase the satisfaction level for all our customers.

Companies succeed, and retain customers, only if they provide customer satisfaction. Our core business is tied directly to our customers and their growth. We recognize that customers are individual in their interests and concerns, and that satisfaction takes many forms. We must be flexible in meeting their interests while assuring reliable service at a reasonable price in order to provide satisfaction.

That flexibility is found in how we add value to our service. It is in such measures as providing a return envelope with the monthly bill statement and trained engineers who can use technology to assist customers in making wise energy use decisions. It is concerned customer consultants who promptly respond to inquiries or counselors who help a customer create a budget that covers all personal expenses. It is in taking the time to be a helping hand for our communities through volunteer and Company-sponsored programs.

We are concerned with the quality of our services as well as the quantity. We strive to provide customer service in a timely and satisfying manner. We motivate our employees to go beyond the "expected," to provide assistance to businesses seeking new strategies and find innovative solutions to customers' real life circumstances. We continue our commitment to use the latest technologies and environmentally sound practices to serve our customers, large and small.

We are dedicated to customer satisfaction and that will be our theme for 1992 and beyond.

I believe your Board of Directors', Company officers', and employees' decisions and actions have set the stage for your Company to be successful in this evolving, competitive marketplace. Our new Company shares this truth with its forebears—we are only as strong as those we serve, and our customers are stronger because we satisfactorily meet their needs.

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

THE PROMISE— CUSTOMER SATISFACTION

When questioned by *Industry Week* this past year, more than 80 percent of the top officers in 360 U.S. companies surveyed said "customer satisfaction" was their main concern.

It is our primary goal at KPL.

This is not a new position. We are justly proud of an 85 percent positive rating by our customers, compared to a 73 percent utility company average nationwide. However, such a rating does leave room for improvement, and we are dedicated to making that improvement.

Included in the objectives of the Company, as outlined by our Mission Statement, are goals related to customer satisfaction:

- To provide a customer service level that generates customer satisfaction;
- To enhance the Company's reputation for leadership and quality service with customers, employees, and representatives of government and media within the communities we serve;
- To be a professional, caring, and dedicated employee force;
- To acquire, construct, operate, and maintain the necessary resources to provide and deliver safe and reliable energy services for our customers; and
- To become through growth and development a larger, financially strong energy company.

With these lofty goals before us, how will we secure tangible results?

Only customers can define customer satisfaction and determine whether we are successful in achieving that goal.

Customer satisfaction is more than customer service. Satisfaction also involves offering customers service and product options. The energy industry has become increasingly competitive, as customers, especially large ones, can procure energy services from non-traditional suppliers. We recognize these realities, and help our customers make informed decisions through our customer service and marketing efforts.

Satisfaction is found in a quality product — reliable and safe electric and natural gas service. We have initiated programs that help customers receive the quality power they require at their homes and businesses, assure safe, reliable energy delivery, and demonstrate how to use energy wisely — from both an economic and a safety point-of-view.

We will strive for better customer acceptance and performance ratings in the future. It will not be easy; as greater satisfaction levels are reached, each increment of improvement becomes more difficult to achieve. We are, however, committed to that achievement. The vitality and future growth of our Company depends largely on how satisfied our customers are with our products and services.

A Changing Industry

Industry change is being driven by customer demands, technological innovations, and economic developments. Our response to these changes will define our ability to grow and prosper.

Competition is the foundation of our economic system. At KPL, we welcome the opportunities available through competition. We are leading the changes facing the natural gas and electric industries, and using these changes to benefit the Company.

For example, our KPL/KG&E merger settlement filed with the Federal Energy Regulatory Commission (FERC) positions us as industry leaders in the open access for electric transmission arena. As Congress considers reform of transmission access and the Public Utility Holding Company Act, our merger settlement holds promise as a model for responsible change and a more competitive energy market environment.

WHAT ARE WE DOING TODAY?

CSS

Our Customer Service System (CSS) is a computer system that enables users to gain access to information for customers quickly and accurately. This state-of-the-art system was placed in operation late in 1991.

Employees, from customer information representatives to servicepersons, use the CSS to both transfer and review information that includes billing, meter readings, account status, and work orders. Information is immediately updated and available to all system users. Bill payments are recorded and new service hook-ups speedily processed. Because the new system was designed to be "user-friendly," it enables all employees to perform their jobs better for our customers.

Another customer service improvement resulting from the CSS is a new customer bill form. At the end of 1991, customers received an enlarged bill containing more, easier-to-read information about their account and including a return-mail envelope. The new bill format replaces the postcard bill and allows for inclusion of safety, conservation, and other notices with the monthly bill.

The new bill also utilizes the most automated mailing procedures available, including KPL pre-sorting of the mailing for postal carriers before delivery to the Postal Service. Use of this innovative, cost-effective mailing system is a first for the region.

Environment

The Company's commitment to the environment has long been recognized within the energy industry. Company electric generation facilities are designed to meet or exceed government regulations for protection of our air and water. We strive to employ the latest developments in hazardous materials handling and disposal. We participate in the recycling of many materials.

Our commitment is deeper than just meeting legal requirements; environmentalism is part of the corporate culture. Employees from across the Company serve on a task force which both proposes and oversees environmental projects that range from recycling to preservation of wetlands.

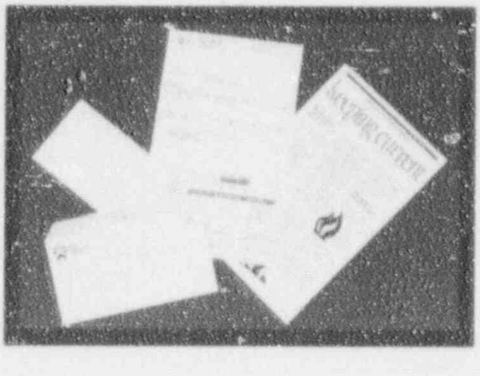
A second lake at the Jeffrey Energy Center (JEC), the Company's coal-fired electric generating plant in northeast Kansas, was opened to public fishing in 1991. The auxiliary make-up water lake is one of the state's deepest man-made lakes and is being managed by the Kansas Department of Wildlife and Parks.

WILDCARE, the University of Kansas Animal Care Unit's rehabilitation program for injured or orphaned wildlife, was supported by task force efforts through production of a videotape, construction of a flight pen for eagles, and other construction work at the WILDCARE facilities.

The video educates children and adults to the dangers of handling wildlife and stresses the importance of calling trained personnel to handle lost or injured animals.

In Wyandotte and Johnson Counties, KPL is participating in

Left: *Customers receive a new bill format which includes a return envelope and quarterly newsletter. The new form is easier to read and contains more information than the former postcard bill form, while the newsletter contains energy conservation and safety suggestions.* ***Right:*** *KPL phone centers and customer offices are staffed by trained consultants who pleasantly and professionally respond to customer inquiries.*



the Kansas City Kestrel Project, administered by the Kansas Department of Wildlife and Parks. The natural nesting sites of the kestrel, or sparrow hawk, are rapidly disappearing because of urban development in those counties. The Company is placing nesting boxes on electric transmission poles to substitute for the diminishing tree cavities kestrels generally favor.

KPL employees are working with the Oklahoma Department of Wildlife Conservation to develop a marshlands habitat on an abandoned oil field north of Nowata, Oklahoma, known as the Upper Verdigris Wetlands.

Alternative Fuel Vehicles An aggressive national alternative fuel vehicles program could lead to significant emissions reductions in carbon dioxide, carbon monoxide, nitrogen oxides, and other reactive organic compounds, as well as economic and national security benefits for the country.

KPL is part of the research and testing of both electric-and natural gas-fueled vehicles. The Company and the Kansas Electric Utilities Research Program are helping fund research using a full-sized electric van at Kansas State University. The "G-Van" was delivered in the fall of 1991 and is one of about 150 being studied by utilities and universities across the country in a program spearheaded by the Electric Power Research Institute and General Motors.

(Photo by Kent VanHorsen)

Company volunteers and corporate funding constructed an eagle flight pen at the WILDCARE animal rehabilitation facility.

The Company is more directly involved in the development of compressed natural gas (CNG) fueled vehicles. A prototype is currently being tested by KPL. In 1992, the Company's standard fleet replacement program includes 20 pick-up trucks and service vans that are dedicated natural gas vehicles. These 20 vehicles are among the first 1,000 dedicated natural gas vehicles to be manufactured by GMC and will be used in the Kansas City and Topeka areas.

Natural Gas Fueling Station In October, the Company joined the State of Kansas and Amoco Oil Company in announcing a downtown Topeka retail CNG fueling facility. KPL will transport natural gas to the Amoco station and help expand the nation's CNG refueling network. Amoco was the first major oil company to introduce CNG at a retail location.

The Topeka project has as a customer base the Company's dedicated natural gas vehicles and the conversion of some 30 vehicles by the State of Kansas to natural gas. The retail operation will help both KPL and Amoco gain valuable experience in the marketing of CNG to better enable us to serve changing customer fuel needs as the 1990 Clean Air Act enacted by Congress requires the conversion of fleet vehicles to alternative fuels.

KPL Enterprises

Since its establishment in October 1990, the Company's wholly-owned subsidiary—KPL Enterprises, Inc.—has developed several non-utility, energy-related ventures. The subsidiary includes Rangeline Corporation, which began operations in 1988 and now is incorporated into KPL Enterprises. Rangeline is primarily a marketer of natural gas in the midwest that works with businesses that do not have the internal expertise to acquire or arrange for the acquisition and transportation of natural gas from outside suppliers. KPL Enterprises also includes Contract Compression, Inc., a compression service to oil and gas producers principally in Texas, New Mexico, Louisiana, Mississippi, and the Gulf of Mexico; KPL Limited Partners, Inc., which holds partnership interests in AMRplus and a regional venture capital group; and TRIARK Gas Gathering, which constructs, owns, and operates gas gathering, compression, and treatment facilities in the Arkoma Basin of Oklahoma and Arkansas.

Electronic Meter Reading KPL Enterprises' partnership in AMRplus, a research and development association developing advanced meter-reading technology, includes the hand-held electronic meter-reading device which Company meter readers began using during the spring of 1991.

Known as the Datacap, the device makes it easier for meter readers to record information, improving accuracy and productivity. The battery-operated unit allows the user to enter data on a keypad. The device determines whether the current meter reading is within normal ranges for that particular customer, and if not, requests a re-check.

When the route is completed, the data are transmitted electronically to a computer at the local office and then to the Company's customer billing computer in Topeka, where the bill is prepared and customer account information is instantaneously updated.

Another "high-tech" meter reading device being developed by the Company's limited partnership enables meter readers to collect readings from up to 1,000 feet away. The Genesis Meter Module makes inaccessible meters a thing of the past. An electronic device on the meter transmits the data via radio waves to the meter reader's hand-held unit.

Investment in such technologies will return dividends to the Company—financial as well as operational—as utilities strive to increase employee efficiency and productivity in the competitive energy marketplace.

Safety Activities Recognized

The Company's program to achieve one of the nation's safest natural gas delivery systems continued to be recognized in 1991. A "Creative Partnership" award was presented to KPL by R. W. Lyall & Company for exhibiting, "in spirit as well as action, those principles and business practices that identify everyone's mutual concern for safety, performance, reliability, cost competitiveness, and advanced technologies."

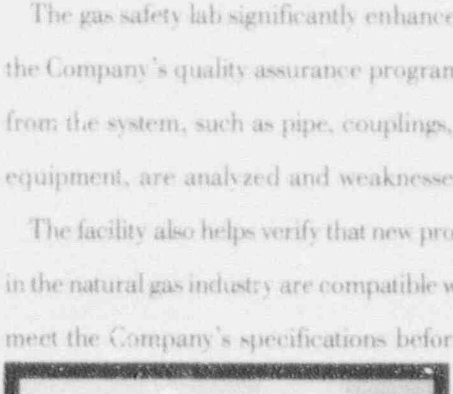
Our safety commitment includes a comprehensive review of our natural gas system by Stone & Webster Consultants and a performance-based service line replacement program. Through early detection and preventative measures, natural gas leaks are being repaired before problems develop.

Gas Safety and Development Laboratory In September, KPL joined a select few natural gas companies which operate high-technology gas safety laboratories. The modern laboratory is located in Kansas City, Missouri. Its facilities are available to all Company operating areas and provide a variety of testing services aimed at assuring products perform as expected.

The gas safety lab significantly enhances the effectiveness of the Company's quality assurance program. Materials removed from the system, such as pipe, couplings, and other parts and equipment, are analyzed and weaknesses identified.

The facility also helps verify that new products or technologies in the natural gas industry are compatible with KPL's system and meet the Company's specifications before they are approved for purchase.

Equipment in the lab includes a computerized gas chromatograph that is used to distinguish various gases and to test the heat content

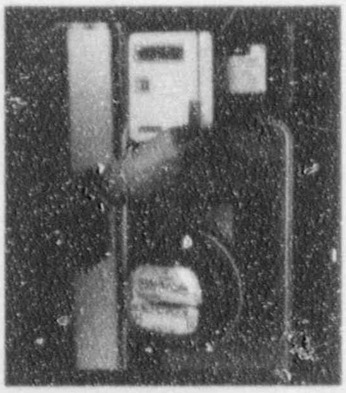


Specialized testing equipment at the Company's new gas safety laboratory in Kansas City helps the Company maintain quality service and assure only superior products are used.

of gas. An ultrasonic flow detector checks for weaknesses in metal and plastic parts that otherwise could only be detected by destructive testing of the parts. When necessary, destructive tests are possible with a testing machine capable of generating up to 60,000 pounds of pushing or pulling force and a "quick burst tank" which exerts up to 2,500 pounds per square inch pressure.

Fire Safety School To better prepare our own employees, and provide a learning opportunity for area fire departments, the Company in September opened a natural gas fire safety school. Located near the Abilene Compressor Station, the fire school helps develop the skills necessary to safely and quickly extinguish natural gas fires.

Between 600 and 800 employees will attend the one-day training seminars each year, with refresher courses every three years. The training includes an intensive classroom session on the nature of natural gas, natural gas safety, and methods and techniques for extinguishing natural gas fires. During hands-on training, students perform fire-fighting exercises in five different modes depicting distinct natural gas fire situations. All trainers are certified fire safety instructors.



Top: Customer satisfaction through energy consumption management is the goal of the PowerStat program, which uses pre-payment and use-record devices for residential electric service.
Bottom: Employees learn the best techniques for fighting natural gas fires at the Company's new fire safety school in Abilene, Kansas.

PowerStat

Some Topeka apartment-dwellers are helping the Company test a new concept in energy purchasing. PowerStat, a 12-month joint research project of KPL, the University of Kansas, and the Kansas Electric Utilities Research Program, allows customers to control energy use and subsequent electric purchases.

PowerStat enables customers to pre-purchase electricity for their homes. Volunteers in the research project purchase "Powercards," similar in appearance to a credit card. When the Powercard's magnetic strip is passed through a slot on the PowerStat unit, the energy purchase is deposited in the device. The PowerStat display unit serves as an "energy bank" and provides the customer with information about present use, use for the previous day and previous month, and the cost per kilowatt-hour being paid for current electric use. When the "energy bank" is running the unit blinks and beeps to warn the customer that another Powercard should be inserted.

The research project will provide KPL with information about whether PowerStat can offer customers the convenience of purchasing electricity on their own schedule and the potential for customer savings through better understanding of electric service usage.

Power Quality

Advancing technology not only makes possible equipment that improves the quality of our work and lives, it also makes that same equipment more sensitive to slight variations in electric power quality. Whether the disturbance is within the customer's equipment or the Company's system, KPL is qualified to assist all customers in analyzing their sophisticated circuitry.

The Company defines power quality as that which keeps a customer's electronic equipment operating reliably, whether it is a process controller in a large industry, an adjustable speed motor drive in a factory, a business or personal computer, or a digital clock.

The Company promptly responds to customer power quality concerns with state-of-the-art investigative techniques and equipment.

During 1991, the Company added another sophisticated tool to our power quality arsenal, further extending our customer service capability. The Power Profiler analyzes electric power flow, providing detailed information on energy consumption and the characteristics of the load. This data also can be used by energy-conscious customers in maximizing the energy efficiency of their operations.

THE YEAR IN REVIEW

Merger

Much attention during the year was focused on the merger of Kansas Gas and Electric (KG&E) of Wichita into a subsidiary of the Company.

KPL signed a Merger Agreement with KG&E on October 28, 1990, under which KG&E will become a wholly-owned subsidiary of KPL. In May 1991, the Oklahoma Corporation Commission (OCC) ruled it had no jurisdiction in the merger. The waiting period under the Hart-Scott-Rodino Antitrust Improvement Act expired in June without action by the U. S. Department of Justice. In September, the Missouri Public Service Commission (MPSC) and the Federal Energy Regulatory Commission (FERC) approved the merger, and the Kansas Corporation Commission (KCC) voted to approve the merger, subject to a number of conditions. The KCC's written orders were received later in the year. The Nuclear Regulatory Commission in November approved the change of ownership of Wolf Creek Generating Station and an amendment of the operating license to transfer KG&E's 47 percent ownership interest to the KPL subsidiary into which KG&E is to be merged. Our application to the Securities and Exchange Commission was approved on February 5, 1992.

Earnings and Sales

Earnings per share of common stock were $2.41 for the year, compared to $2.25 for 1990. The seven percent increase was attributed to increased energy sales and a one-time change in the method of accounting for recognition of unbilled revenue, generally sales occurring during the last two weeks of December.

Electric sales to customers of 8,727,929,000 kilowatthours were up 6.2 percent. The increase was related to the warmer than normal summer weather in 1991. Natural gas sales, including transported gas, increased 10.9 percent to 240,042,000 mcf (thousand cubic feet). The change was attributed to colder winter temperatures than those of the year before. A portion of the increase in electric and natural gas sales also can be attributed to the recognition of unbilled sales.

Rates

The KCC in December authorized $39.3 million in natural gas rate increases for our Kansas customers. The Company had requested a total of $52.1 million. This included $32.1 million in general rate relief to recover identified major investments made in the natural gas delivery system since 1987 and $20 million for recovery of costs associated with

The Company provides financial counseling and budget training for customers requesting special assistance. Customer service employees also work closely with area government and private social agencies to find necessary aid for customers.

our safety program in Kansas. During the past three years, we have invested more than $50 million in Kansas for accelerated leak surveying and customer-owned service line replacements in this important safety program.

The OCC on August 1 made permanent the interim natural gas rate increase it authorized in 1990. The increase is $1.4 million annually.

The Company filed in March with the MPSC to increase natural gas rates for our Missouri customers. The request sought an overall revenue increase of $20.1 million to recover the costs associated with the safety program in Missouri and general expense increases since our last rate increase in 1990. A decision by the Commission granting us $7.3 million was reached on January 22, 1992. This amount is inadequate and the Company is evaluating what steps are necessary, including the prompt filing of a new rate application in Missouri.

Tight Sands

Shareholders were paid a special, one-time dividend of $0.18 per share of common stock from proceeds recovered in the favorable settlement during 1990 of a natural gas antitrust suit. The payments were made in February from the settlement with Amoco, OXY U.S.A., and Williams Natural Gas Company.

The antitrust suit settlement provides cash payments and credits for our customers, as well as an assured additional source of reasonably-priced natural gas over 20 years. This allows the Company to expand our supply mix and become less dependent upon a single gas supplier. The settlement also indemnifies us from liability for certain take-or-pay costs incurred by our principal supplier.

The remainder of the settlement funds will be paid to the Company during the next 20 years by the gas suppliers. Natural gas customers received refunds as a one-time credit or refund payment in late 1991 or early 1992.

Community Relations

To help coordinate our involvement in community activities, KPL developed a program for employee involvement through Community Relations, or CR, Teams. Membership is voluntary and includes a wide cross-section of employees. Teams have been established in communities across our service territory.

During 1991, CR Teams served as a catalyst for broader community action, introducing activities such as Christmas in October to many areas. Christmas in October, which has proven very successful in Kansas City and now in many other KPL communities, is a repair and clean-up program for those unable to perform necessary work on their homes. Volunteers, from KPL and the community, spend a Saturday painting, mending, insulating, and building at the homes of elderly or disabled community residents. Materials are donated by various businesses and groups.

CR Teams have helped develop community food banks, sponsored fund-raising events for many causes, helped those left homeless by natural disasters, and participated in community events.

Thousands of pounds of food were collected by employees during drives held throughout the year at various locations. While some collections were self-directed, we also participated in

As part of the Company's commitment to total resource management, a second lake at the Jeffrey Energy Center was opened for public fishing during 1991.

community-wide efforts such as the Harvesters in Kansas City (where KPL employees collected 324,947 pounds of food), Project Topeka (22,121 cans of soup), and the Hutchinson Peanut Butter Drive (1,572 jars). In each of these three food drives, KPL employees' enthusiasm led the way with contributions that exceeded any other corporate participant.

More than 900 KPL employees participated in the March of Dimes annual WalkAmerica during 1991. The Company served as the major corporate sponsor of WalkAmerica in nine of the 15 communities within our service territory where Walks were held.

KPL Gas Service's recognition that senior citizens require and deserve specialized programs resulted in production of a *Missouri Guide for Seniors* and a second printing of the Kansas *Legal Guide for Senior Citizens*. These Guides are a result of our efforts to more effectively serve this special group and complement existing Company programs for seniors. The well-accepted publications are an extension of our corporate commitment to add value to our products and services.

The projects were sponsored in conjunction with the Kansas Department on Aging and the Missouri Division of Aging. The booklets are distributed through the network of senior services across both states, in KPL Gas Service offices, and by mail. Copies are acquired and read not only by senior citizens, but also by their children and other caregivers.

The Company's Safety Watch continues to make the neighborhoods in which we live and work safer for all. Employees comforted lost children and helped them return home; called for quick assistance for victims of accidents, fires, and robberies; and aided in the apprehension of criminals. As a daily part of our communities' lives, employees are able to provide assistance and use their vehicle radios to call for help.

To encourage customers to report incidents in which persons were attempting to survive winter temperatures without heat, the Company employed a "Help Us Find Them" campaign in the fall. The program requests customers and others who may know of those without heat to contact the Company. Employees, too, are a major part of the program, as they check on the status of customers during their regular duties, such as meter reading and service calls. Our professional, hard-working employees go to extra lengths to perform customer service and are genuinely concerned about those in need.

Changes

Louis W. Smith joined the Board of Directors in February. Smith is president of the Kansas City Division of Allied-Signal Aerospace Company.

Joan D. Edwards retired from the Board in May. She provided wise counsel to the Company for more than 11 years.

John H. "Jack" Robinson joined the Board of Directors in October. Robinson is chairman of the board of Black & Veatch, Kansas City, Missouri.

In 1991, C. Bob Cline was named president and chairman of KPL Enterprises. He has a background in the natural gas and petroleum industry.

Our meter readers use a computerized, handheld meter-reading device to increase productivity and accuracy. KPL is a partner in the company which developed and markets the Datacap.

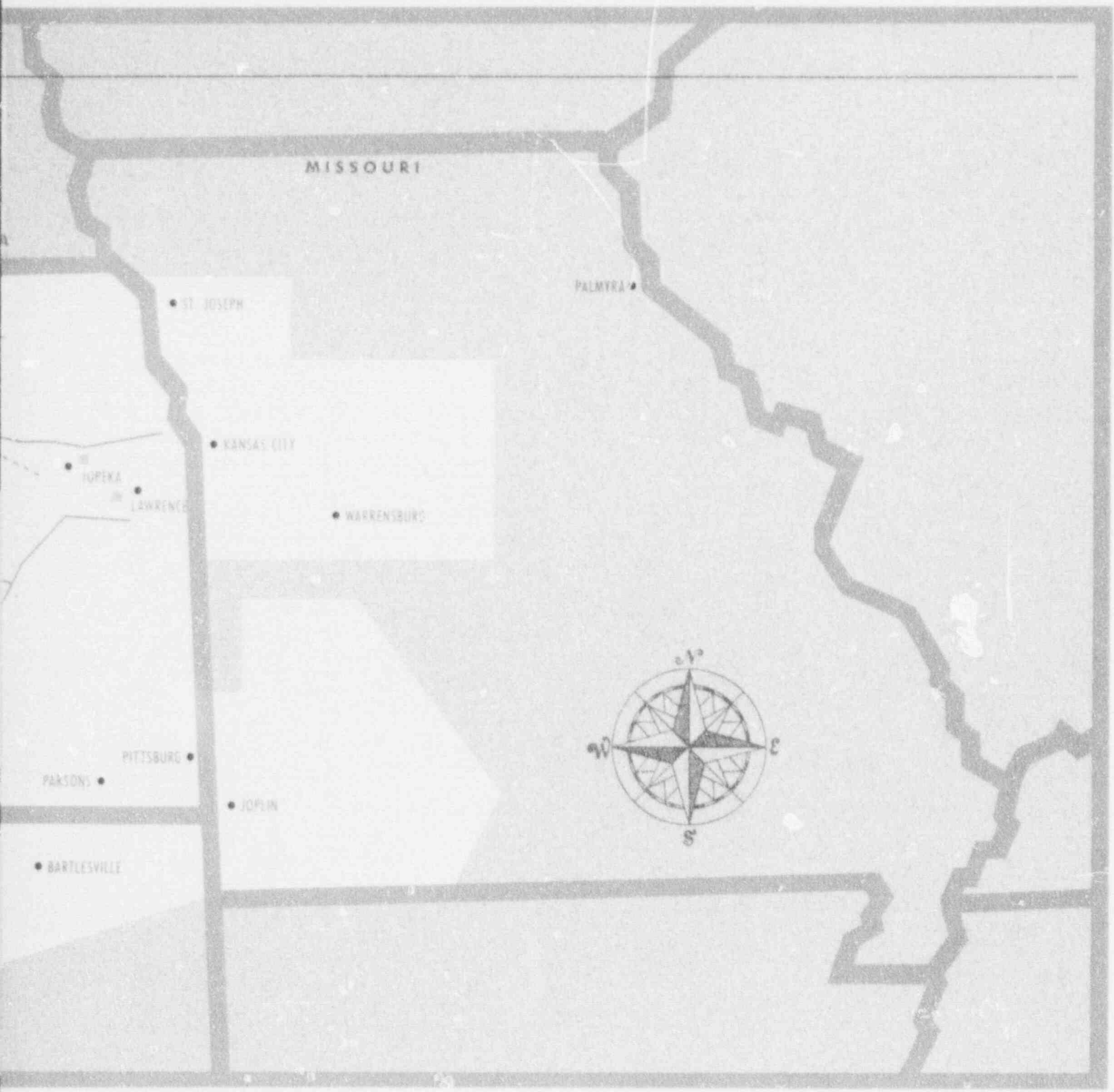
A COMPANY PROFILE

The Kansas Power and Light Company (doing business in its service area as KPL Gas Service) is a combination natural gas and electric utility serving customers in Kansas, Missouri, and Oklahoma.

Retail electric service is provided in 323 Kansas communities to an average of 306,203 customers for the year, a one percent increase over the previous year. Natural gas is distributed in 519 communities in the three states. The utility averaged 1,067,840 natural gas customers during the year, an increase of one percent.

KPL operates an intrastate natural gas transmission pipeline system in Kansas and purchases gas from interstate pipeline companies for distribution in all three states. The Company owns a natural gas underground storage field in south central Kansas and leases storage space in the State of Michigan.

Total net electric generating capability was 2,622,000 kilowatts at the time of peak system demand in 1991. The system peak hour of 2,077,000 kilowatts set a new record for peak hour demand. During 1991, 96 percent of KPL's electricity was



produced from low sulfur coal, the remainder from natural gas. The Company has no power plants under construction.

The economy of the service area is based primarily in agriculture, mineral production, aircraft and vehicle manufacture, and related industries. Since it is at the geographic center of the continent, the service area is well positioned as a communications and transportation center.

KPL Enterprises, Inc., is a wholly-owned subsidiary for the Company's non-utility businesses, including natural gas marketing, natural gas compression services, and technology development.

The Company has a long-standing policy of returning a major portion of earnings to shareholders and has paid dividends throughout its 68-year history and consecutive quarterly dividends for 34 years, increasing dividends in 33 of those years, remaining constant only in 1975. There were 31,870 common stockholders of record at December 31, 1991.

At year end, KPL had 4,474 employees, a decrease of three percent from the year before.

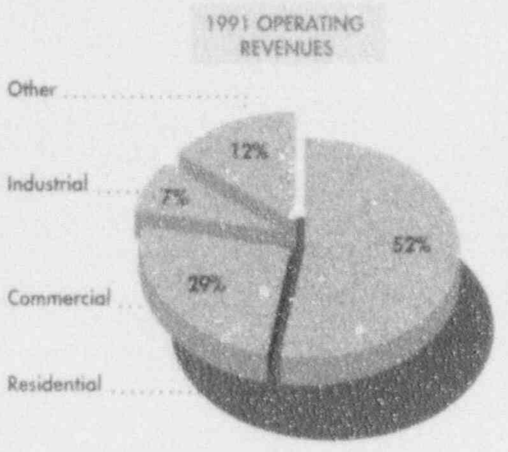
SELECTED FINANCIAL DATA

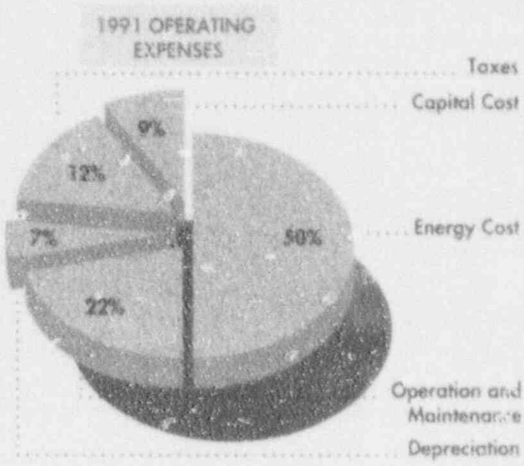
Year Ended December 31,	1991	1990	1989	1988	1987
Income Statement Data			*(Dollars in Thousands)*		
Operating revenues:					
Natural gas	**$ 690,339**	$ 686,048	$ 675,280	$ 704,954	$ 696,733
Electric	**471,839**	463,707	452,343	461,160	469,725
Total operating revenues	**1,162,178**	1,149,755	1,127,623	1,166,114	1,166,458
Operating expenses	**1,032,557**	1,017,765	1,002,087	1,035,692	1,028,124
Allowance for funds used during construction	**1,070**	1,181	1,503	1,327	871
Income before cumulative effect of accounting change	**72,285**	79,619	72,778	79,791	88,691
Cumulative effect to January 1, 1991, of change in revenue recognition	**17,360**	—	—	—	—
Net income	**89,645**	79,619	72,778	79,791	88,691
Earnings applicable to common stock	**83,268**	77,875	76,921	77,821	84,991

December 31,	1991	1990	1989	1988	1987
Balance Sheet Data			*(Dollars in Thousands)*		
Gross plant in service	**$2,535,448**	$2,421,562	$2,305,279	$2,162,271	$2,060,583
Construction work in progress	**17,114**	20,201	19,571	24,945	24,564
Total assets	**2,120,076**	2,016,029	1,959,044	1,787,930	1,747,179
Long-term debt and preferred and preference stock subject to mandatory redemption	**690,612**	595,524	552,538	556,388	495,725

Year Ended December 31,	1991	1990	1989	1988	1987
Common Stock Data					
Earnings per share before cumulative effect of accounting change	**$ 1.91**	$ 2.25	$ 2.05	$ 2.25	$ 2.46
Cumulative effect per share	**.50**	—	—	—	—
Earnings per share	**$ 2.41**	$ 2.25	$ 2.05	$ 2.25	$ 2.46
Dividends per share	**$ 2.04***	$ 1.80	$ 1.76	$ 1.72	$ 1.65
Book value per share	**$18.59**	$18.25	$17.80	$17.51	$16.98
Interest coverage ratio (before income taxes, including AFUDC)	**2.69**	2.86	2.96	3.41	3.89

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





FINANCIAL CONDITION

General: Earnings were $2.41 per share of common stock for 1991, an increase from $2.25 in 1990. The increase resulted from increased electric and natural gas sales and a one-time change in method of accounting to record unbilled revenues (see Note 1).

The Company continues a long history of returning a major portion of earnings to its shareholders. Dividends per common share were $1.86 in 1991 (excluding a special, one-time dividend of $0.18 per share paid February 28, 1991), an increase of six cents from 1990. In January 1992, the Board of Directors declared a quarterly dividend of 47½ cents per common share, an increase of one cent over the previous quarter.

The book value per share was $18.59 at December 31, 1991, compared to $18.25 at December 31, 1990. The 1991 closing stock price of $28⅜ was 153 percent of book value. There were 34,566,170 common shares outstanding during 1991.

On October 28, 1990, the Company and the Kansas Gas and Electric Company (KG&E) entered into a definitive merger agreement under which KG&E will become a wholly-owned subsidiary of the Company (the Merger). All of the regulatory approvals have been received and the Company expects to conclude the Merger in the first quarter of 1992 (see Note 2). The Company believes that the combined companies will be stronger than either company individually and will realize cost savings through operational and structural synergies.

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

During 1991, construction expenditures for improvements on the natural gas system, including the Company's service line replacement program, were $82 million.

The construction expenditures for the Company's electric system were $44 million during 1991. It is projected that adequate capacity margins will be maintained without the addition of any major generating facilities through the turn of the century.

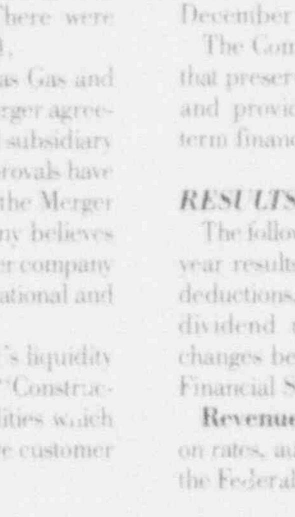
During the last five years, the Company's internal cash generation for construction has averaged 64 percent. In 1992, the Company expects improved cash generation from the recovery of previously deferred service line replacement program costs and supplier gas transportation costs (see Note 4).

The Company's capital needs through 1996, of approximately $77 million for bond maturities and cash sinking fund requirements for bonds and preference stock, will be provided from internal and external sources available under then existing financial conditions.

On May 17, 1991, the Company filed a shelf registration statement for 1,500,000 shares of preference stock. On May 31, 1991, the Company offered 1,000,000 of these shares at $100 per share with a dividend rate of 8.5%. The net proceeds from the new issue were used to repay short-term debt, refinance certain long-term indebtedness, and reimburse the Company's treasury for construction costs.

CONSTRUCTION EXPENDITURES

(Millions of Dollars)



At year-end, the Company had $185 million arranged under bank lines of credit agreements with two New York banks, a Chicago bank, and area banks. These lines of credit make available short-term borrowings and provide support for commercial paper borrowings as interim financing. In January 1992, these lines of credit were increased to $200 million, which the Company expects to be sufficient to meet working capital requirements during 1992. At December 31, 1991, short-term borrowings amounted to $135.8 million in the form of commercial paper.

The capital structure at December 31, 1991, was 47% common stock equity, 10% preferred and preference stock, and 43% long-term debt. The embedded cost of long-term debt was 8.5% at December 31, 1991.

The Company is committed to maintaining a capital structure that preserves an appropriate balance between debt and equity, and provides flexibility in the timing and amounts of long-term financing.

RESULTS OF OPERATIONS

The following is an explanation of significant variations from prior year results in revenues, operating expenses, other income and deductions, and interest charges and preferred and preference dividend requirements. Additional information relating to changes between years is provided in the Notes to Consolidated Financial Statements.

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

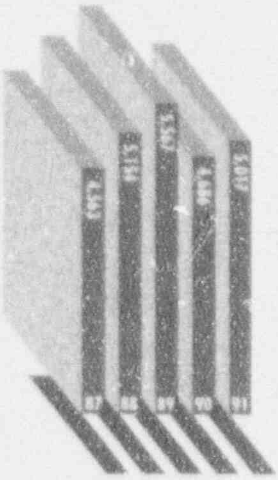
1991 COMPARED TO 1990: Natural gas revenues increased slightly due to a two percent increase in natural gas sales excluding sales related to the cumulative effect of the unbilled revenue adjustment (see Note 1). These increased sales are a result of cooler winter temperatures in 1991 compared to 1990 (see "Heating Degree Days" graph).

This increase was partially offset by large industrial customers switching to transportation for which the Company does not collect the cost of gas and a decrease in the unit cost of natural gas which is passed on to customers through the purchased gas adjustment clause.

Electric revenues increased two percent due to a three percent increase in sales to retail customers excluding sales related to the cumulative effect of the unbilled revenue adjustment (see Note 1). These increased sales are a result of warmer summer

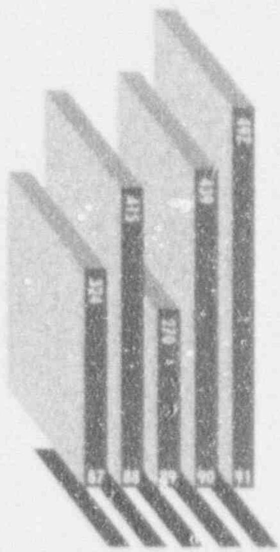
HEATING DEGREE DAYS

(Kansas City, Missouri)



COOLING DEGREE DAYS

(Topeka, Kansas)



temperatures in 1991 compared to 1990 (see "Cooling Degree Days" graph).

Partially offsetting the increase was an 11 percent decrease in wholesale and firm interchange sales resulting from changing contract commitments and the availability of lower cost power on the spot market.

1990 COMPARED TO 1989: Natural gas revenues increased two percent as a result of a five percent increase in the unit cost of natural gas which is passed on to customers through the purchased gas adjustment clause. Also contributing to the increase were increased rates in the Company's Missouri (May 1990) and Oklahoma (April 1990) operations (see Note 4), and a four percent increase in transportation revenue.

Partially offsetting the increase in revenue was an eight percent decrease in residential sales resulting from much milder temperatures during the heating season compared to 1989 and normal. An 11 percent reduction in commercial and industrial sales, attributable to large commercial and industrial customers switching to transportation for which the Company does not collect the gas cost, also partially offset the increase in natural gas revenues.

Electric revenues increased three percent as a result of a five percent increase in sales to retail customers. These increased sales are a result of the warmer summer temperatures in 1990 compared to 1989. Also contributing to the increase was a slightly higher unit cost of fuel used for electric generation.

Partially offsetting the increase in retail sales was a 13 percent decrease in wholesale and firm interchange sales as a result of changing contract commitments and the availability of lower cost power on the spot market.

1989 COMPARED TO 1988: Natural gas revenues decreased four percent due to large commercial and industrial customers switching to transportation, for which the Company collected virtually the same margin but not the cost of gas. Although 1989 heating degree days were higher than both 1988 and the norm, a large portion of degree days were accumulated during the record cold spell late in December after most of the 1989 billing was completed. Therefore, the increased revenues from this cold weather were not recognized until 1990.

Partially offsetting this decrease was a full year of permanent rate relief for the Company's natural gas operations in Kansas (October 1988), an increase in the wholesale cost of gas, and increased transportation revenue.

Electric revenues decreased two percent in 1989 compared to 1988 primarily as a result of much cooler summer weather in 1989. Contributing to the decrease was a rate reduction (February 1989) which was offset by accelerated amortization of certain deferred income taxes and did not affect earnings.

Partially offsetting this decrease was an increase in commercial and industrial sales of two percent and increased unit cost of fuel used for electric generation.

Operating Expenses: ***1991 COMPARED TO 1990:*** Total operating expenses increased slightly over one percent in 1991. The primary factors causing the increase were higher other operations and maintenance expense resulting from discontinuing the deferral of service line replacement costs in Missouri in 1990 and the amortization of those costs to expense. Increases in payroll and medical expenses also contributed to the increase as well as the operation of a new, improved customer information system.

Other factors contributing to higher operating expenses were increased property taxes in Kansas and amortization expense of service line replacement program costs previously deferred (see Note 4).

Partially offsetting these increases was a reduction in natural gas purchases expense caused by a decreased unit cost of natural gas (see "Average Cost of Gas" graph).

1990 COMPARED TO 1989: Total operating expense increased two percent in 1990. Increases in natural gas purchases and other operations expense were the primary factors causing the increase. A higher unit cost of natural gas of five percent, partially offset by lower gas sales as a result of milder temperatures during the heating season and large commercial and industrial customers switching to transportation for which the Company does not incur the cost of gas, resulted in the higher natural gas purchases expense. The increase in other operations expense can be attributed to higher employee benefits expense caused by rapidly escalating health care costs and increased payroll.

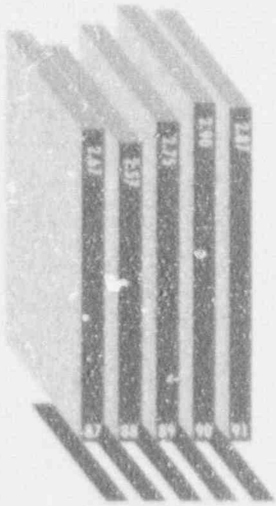
Fuel used for electric generation was lower in 1990 compared to 1989, although the unit cost of fuel was slightly higher (see "Average Cost of Fuel" graph). Offsetting this reduction was higher power purchased and interchanged (net). The Company was a net purchaser of electric power in 1990 because of the availability of lower cost power from other utilities. Other contributors to the increase in total operating expense were higher depreciation expense and general taxes resulting from increased plant in service resulting from continued investment in the Company's service line replacement program.

Partially offsetting the increases in total operating expense was lower income tax expense resulting from a lower effective income tax rate.

1989 COMPARED TO 1988: Total operating expenses decreased three percent as a result of fewer gas purchases because of large commercial and industrial customers switching to transportation for which the Company does not incur the cost of gas. Also contributing to the decrease were lower Federal and state income taxes and other taxes. Income taxes were lower as a result of

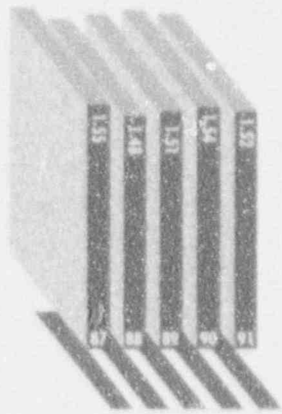
AVERAGE COST OF GAS

(Dollars per MCF)



AVERAGE COST OF FUEL

(Cents per KWH)



lower income and accelerated amortization of certain deferred income taxes for rate purposes.

Partially offsetting the decrease were slightly higher power purchases and greater cost of fuel used for generation as well as a seven percent increase in wholesale natural gas costs. Also offsetting the decrease was a four percent increase in other operations and maintenance expenses and a four percent increase in depreciation expense. Other operation and maintenance expenses increased as a result of the Company's enhanced gas line survey and service line maintenance efforts not subject to deferral and increased payroll and employee benefit costs.

Other Income and Deductions: Other income and deductions, net of income taxes, is significantly higher in 1990 compared to 1991 and 1989 as a result of the recognition of lost earnings recovered in the favorable settlement of a natural gas antitrust lawsuit. Of the Company's total portion of the proceeds, approximately $12 million related to lost earnings and was booked, net of income taxes, to other income in 1990.

Interest Charges and Preferred and Preference Dividend Requirements: Total interest charges decreased one percent in 1991 compared to 1990 because of lower interest rates on commercial paper. This decrease was partially offset by higher commercial paper balances. The Company's commercial paper balances increased during 1991 to fund construction costs and other deferred assets not yet recoverable in rates.

Total interest charges increased 14 percent in 1990 compared to 1989 because of both higher commercial paper and long-term debt balances partially offset by lower interest rates on commercial paper.

Total interest charges increased seven percent in 1989 compared to 1988, resulting from greater debt balances and higher interest rates on commercial paper.

Preferred and preference dividend requirements increased in 1991 compared to 1990 as a result of a new issue of preference stock in the second quarter of 1991. Preferred and preference dividend requirements were reduced for the years 1989 and 1990, compared to prior years, as a result of redemptions through sinking fund requirements.

OTHER INFORMATION

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

Mega-NOPR: On July 31, 1991, FERC issued a Notice of Proposed Rule-making (NOPR), commonly referred to as the Mega-NOPR, that would substantially restructure the service obligations of interstate gas pipelines. Among other things, the Mega-NOPR proposes mandatory unbundling of existing pipeline gas sales services and replacement of current statutory abandonment procedures, as applied to firm transportation contracts of more than one year, with a right-of-first-refusal mechanism. Mandatory unbundling would require all pipelines to sell separately the various components of their existing gas sales services (transmission, storage, and gas supply). These components are now combined or "bundled" in gas sales services such as those purchased by the Company. The right-of-first-refusal proposal would replace the current abandonment procedures under which a pipeline must, before abandoning any service, obtain prior FERC approval that discontinuance of the service is in the public interest. The proposed mechanism would by rule authorize a pipeline's abandonment of a long-term transportation service to a customer whenever the customer fails to match the highest rate and longest term offered to the pipeline by other customers for the particular capacity. The effect of Mega-NOPR on the gas industry, including the reliability of gas deliveries to service territories and on costs to gas customers, cannot be determined at this time.

OUTLOOK

The Company is well prepared for the upcoming challenges facing the utility industry, including the possible increased frequency of mergers and acquisitions. The Company is in the process of integration planning in anticipation of KG&E becoming a part of the Company before the end of the first quarter 1992.

In 1990, Congress passed and the President signed new legislation that amends the Clean Air Act to require a two-phase reduction in sulfur dioxide and nitrogen oxide emissions from coal-burning power plants. The Company will have limited exposure to Phase I sulfur dioxide and nitrogen oxide emission limitations. While difficult to predict, the Company anticipates only minimal capital expenditures will be required for Phase II.

The Company recognized long ago that we should reduce our dependence on foreign oil and rely on domestic energy resources. In 1991, the Company generated 96 percent of its electricity using low-sulfur coal and the remainder from clean-burning natural gas.

CONSOLIDATED BALANCE SHEET

December 31,	1991	1990
	(Dollars in Thousands)	
Assets		
Utility Plant (Notes 1 and 11):		
Electric	$1,676,449	$1,644,646
Natural gas	858,999	776,916
	2,535,448	2,421,562
Less—Accumulated depreciation	826,118	761,579
	1,709,330	1,659,983
Construction work in progress	17,114	20,201
Net utility plant	1,726,444	1,680,184
Net Non-Utility Investments	21,360	3,400
Current Assets:		
Cash and temporary cash investments (Note 1)	6,817	4,515
Accounts receivable (Note 1)	198,752	125,873
Fuel, at average cost	43,471	42,949
Gas stored underground, at average cost	19,166	16,826
Materials and supplies, at average cost	17,092	17,321
Prepayments	4,051	2,993
	289,349	210,477
Deferred Charges:		
Deferred income taxes (Note 1)	7,563	19,819
Deferred cost of natural gas (Note 4)	(1,815)	48,581
Other (Notes 2 and 4)	77,175	53,568
	82,923	121,968
Total Assets	$2,120,076	$2,016,029
Capitalization and Liabilities		
Capitalization (See statement):		
Common stock equity (34,566,170 shares outstanding)	$ 642,449	$ 630,825
Cumulative preferred and preference stock (Note 12):		
Not subject to mandatory redemption	24,858	24,858
Subject to mandatory redemption	104,033	5,333
Long-term debt (Note 5)	586,579	590,191
	1,357,919	1,251,207
Current Liabilities:		
Short-term debt (Note 7)	135,800	115,5[illegible]
Long-term debt due within one year (Note 5)	2,733	29,233
Preferred and preference stock redeemable within one year (Note 12)	1,300	1,300
Accounts payable	151,556	154,681
Accrued taxes	47,823	61,953
Accrued interest and dividends	35,224	33,570
Other	46,476	35,640
	420,912	431,877
Reserves and Deferred Credits:		
Deferred income taxes (Note 1)	259,583	246,027
Federal investment tax credits (Note 1)	70,642	74,160
Other	11,020	12,758
	341,245	332,945
Commitments and Contingencies (Notes 2, 3 and 9)		
Total Capitalization and Liabilities	$2,120,076	$2,016,029

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

CONSOLIDATED STATEMENT OF INCOME

Year Ended December 31,	1991	1990	1989
	(Dollars in Thousands, except Per Share Amounts)		
Operating Revenues (Notes 1 and 4):			
Natural gas	$ 690,339	$ 686,048	$ 675,280
Electric	471,839	463,707	452,343
Total operating revenues	1,162,178	1,149,755	1,127,623
Operating Expenses:			
Natural gas purchases	439,323	456,868	451,896
Fuel used for generation	146,256	148,681	149,796
Power purchased and interchanged (net)	5,335	2,658	148
Other operations	193,319	178,448	171,094
Maintenance	60,515	57,817	58,442
Depreciation and amortization	85,735	76,815	73,305
Taxes (see statement):			
Federal income	24,516	24,632	27,254
State income	6,066	6,034	7,029
General	71,492	65,812	63,123
Total operating expenses	1,032,557	1,017,765	1,002,087
Operating Income	129,621	131,990	125,536
Other Income and Deductions (net of taxes)	3,351	9,012	859
Income Before Interest Charges	132,972	141,002	126,395
Interest Charges:			
Long-term debt	51,267	51,542	46,378
Other	10,490	11,022	8,742
Allowance for borrowed funds used during construction (credit)	(1,070)	(1,181)	(1,503)
Total interest charges	60,687	61,383	53,617
Income Before Cumulative Effect of Accounting Change	72,285	79,619	72,778
Cumulative Effect to January 1, 1991, of Change in Revenue Recognition (net of income taxes) (Note 1)	17,360	—	—
Net Income	89,645	79,619	72,778
Preferred and Preference Dividends	6,377	1,744	1,857
Earnings Applicable to Common Stock	$ 83,268	$ 77,875	$ 70,921
Average Common Shares Outstanding	34,566,170	34,566,170	34,566,170
Earnings Per Average Common Share Outstanding Before Cumulative Effect of Accounting Change	$ 1.91	$ 2.25	$ 2.05
Cumulative Effect to January 1, 1991, of Change in Revenue Recognition Per Share	.50	—	—
Earnings Per Average Common Share Outstanding	$ 2.41	$ 2.25	$ 2.05
Dividends Declared Per Common Share	$ 2.04*	$ 1.80	$ 1.76

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

CONSOLIDATED STATEMENT OF CAPITALIZATION

December 31,	1991		1990	
	(Dollars in Thousands)			
Common Stock Equity (See statement):				
Common stock, par value $5 per share, authorized 85,000,000 shares and 60,000,000 shares, respectively, outstanding 34,566,170 shares	$ 172,831		$ 172,831	
Paid-in capital	87,099		88,222	
Retained earnings	382,519		369,772	
	642,449	47%	630,825	51%
Cumulative Preferred and Preference Stock (Note 12)				
Not subject to mandatory redemption, par value $100 per share, authorized 6,600,000 shares, outstanding—				
4½% Series, 138,576 shares	13,858		13,858	
4¼% Series, 60,000 shares	6,000		6,000	
5% Series, 50,000 shares	5,000		5,000	
	24,858		24,858	
Subject to mandatory redemption, without par value, $100 stated value, authorized 4,000,000 shares, outstanding—				
8.70% Series, 183,000 and 196,000 shares, respectively	18,300		19,600	
8.50% Series, 1,000,000 shares	100,000		—	
Less:				
Preference stock reacquired, 135,000 shares	12,967		12,967	
Preference stock redeemable within one year	1,300		1,300	
	104,033		5,333	
	128,891	10%	30,191	2%
Long-Term Debt (Note 5)				
First mortgage bonds series:				
4¾% due 1991	—		13,000	
8½% due 1991*	—		14,000	
10.0% due 1995*	4,000		6,000	
8¼% due 1996	60,000		60,000	
8½% due 1997*	7,398		8,631	
9.35% due 1998	75,000		75,000	
7⅜% due 1999	19,000		19,000	
8¾% due 2000	20,000		20,000	
8⅞% due 2000	75,000		75,000	
8⅝% due 2005	35,000		35,000	
8⅜% due 2006	45,000		45,000	
8⅛% due 2007	30,000		30,000	
8¾% due 2008	35,000		35,000	
8⅝% due 2017	50,000		50,000	
	455,398		485,631	
Pollution control bond series:				
5.90% due 2007	32,000		32,000	
6¾% due 2009	45,000		45,000	
9⅝% due 2013	58,500		58,500	
	135,500		135,500	
Less:				
Unamortized debt discount	1,586		1,707	
Long-term debt due within one year	2,733		29,233	
	586,579	43%	590,191	47%
Total Capitalization	$1,357,919	100%	$1,251,207	100%

**Authorized by The Gas Service Company Mortgage and Deed of Trust.*
The Notes to Consolidated Financial Statements are an integral part of this statement.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended December 31,	1991	1990	1989
		(Dollars in Thousands)	
Cash Flows from Operating Activities:			
Net income	**$ 89,645**	$ 79,619	$ 72,778
Depreciation and amortization	**85,735**	76,815	73,305
Deferred taxes and investment tax credits (net)	**9,319**	3,445	12,161
Changes in other working capital items:			
Accounts receivable (Note 1)	**(72,879)**	5,976	(21,520)
Fuel	**(522)**	(9,322)	1,429
Gas stored underground	**(2,340)**	(7,709)	2,696
Accounts payable	**(3,125)**	(23,954)	58,675
Accrued taxes	**(14,130)**	6,245	26,050
Other	**11,661**	4,610	(3,358)
Changes in other assets and liabilities	**31,992**	8,603	(90,658)
Net cash flows from operating activities	**135,356**	144,328	131,558
Cash Flows Used in Investing Activities:			
Non-utility investments	**18,125**	—	—
Construction expenditures	**125,675**	135,001	149,885
Cash flows used in investing activities	**143,800**	135,001	149,885
Cash Flows Used in Financing Activities:			
Short-term debt (net)	**(20,300)**	17,600	(93,100)
Long-term debt issued	**—**	(75,000)	—
Long-term debt retired	**30,233**	3,495	13,271
Preferred and preference stock redeemed	**1,300**	1,300	1,300
Preference stock issued	**(100,000)**	—	—
Preference stock issuance expenses	**1,130**	—	—
Dividends on preferred, preference and common stock	**76,891**	63,963	62,694
Net cash flows used in (from) financing activities	**(10,746)**	11,358	(15,835)
Increase (Decrease) in Cash and Temporary Cash Investments (Note 1)	**$ 2,302**	$ (2,031)	$ (2,492)
Supplemental Disclosures of Cash Flow Information			
Cash Paid For:			
Interest on financing activities (net of amount capitalized)	**$ 58,462**	$ 57,029	$ 52,373
Income taxes	**40,062**	20,528	26,818

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

CONSOLIDATED STATEMENT OF TAXES

Year Ended December 31,	1991	1990	1989
		(Dollars in Thousands)	
Federal Income Taxes:			
Payable currently	**$ 18,479**	$ 27,751	$ 18,587
Deferred taxes arising from:			
Depreciation and other property related items	**9,662**	7,492	7,602
Energy and purchased gas adjustment clauses	**(15,535)**	(1,610)	10,655
Unbilled revenues	**17,249**	(1,894)	(11,426)
Natural gas line survey and replacement program	**1,015**	2,880	3,543
Other	**(1,109)**	(778)	3,284
Amortization of investment tax credit	**(4,238)**	(4,198)	(4,248)
Total Federal income taxes	**25,523**	29,643	27,997
Federal income taxes applicable to non-operating items	**(1,007)**	(5,011)	(743)
Total Federal income taxes charged to operations	**24,516**	24,622	27,254
State Income Taxes:			
Payable currently	**4,033**	5,540	4,423
Deferred (net)	**2,276**	1,553	2,751
Total state income taxes	**6,309**	7,093	7,174
State income taxes applicable to non-operating items	**(243)**	(1,059)	(145)
Total state income taxes charged to operations	**6,066**	6,034	7,029
General Taxes:			
Property and other taxes	**40,429**	35,565	33,757
Franchise taxes	**20,576**	20,126	19,707
Payroll taxes	**10,566**	10,197	9,714
Total general taxes	**71,571**	[illegible]	63,178
General taxes applicable to non-operating items	**(79)**	[illegible]	(55)
Total general taxes charged to operations	**71,492**	[illegible]	63,123
Total Taxes Charged to Operations	**$102,074**	[illegible]	$ 97,406

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

Year Ended December 31,	1991	1990	1989
Effective Income Tax Rate	**32.2%**	31.6%	32.6%
Effect of:			
Additional depreciation	**(2.7)**	(2.8)	(3.3)
Accelerated amortization of certain deferred taxes	**3.9**	4.8	4.9
State income taxes	**(4.0)**	(4.0)	(4.4)
Amortization of investment tax credit	**3.2**	3.6	3.9
Other differences	**1.4**	.8	.3
Statutory Federal Income Tax Rate	**34.0%**	34.0%	34.0%

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

CONSOLIDATED STATEMENT OF COMMON STOCK EQUITY

Year Ended December 31,	COMMON STOCK	PAID-IN CAPITAL	RETAINED EARNINGS
		(Dollars in Thousands)	
Balance December 31, 1988,			
34,566,170 shares	$172,831	$88,207	$344,047
Net income			72,778
Cash dividends:			
Preferred and preference stock			(1,857)
Common stock, $1.76 per share			(60,837)
Expenses on preference stock		8	(8)
Balance December 31, 1989,			
34,566,170 shares	172,831	88,215	354,123
Net income			79,619
Cash dividends:			
Preferred and preference stock			(1,744)
Common stock, $1.80 per share			(62,219)
Expenses on preference stock		7	(7)
Balance December 31, 1990,			
34,566,170 shares	$172,831	$88,222	$369,772
Net income			**89,645**
Cash dividends:			
Preferred and preference stock			**(6,377)**
Common stock, $2.04* per share			**(70,514)**
Expenses on preference stock		**(1,123)**	**(7)**
Balance December 31, 1991,			
34,566,170 shares	**$172,831**	**$87,099**	**$382,519**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General: The financial statements of The Kansas Power and Light Company, doing business as KPL Gas Service (KPL, the Company), include the accounts of its wholly-owned subsidiary, KPL Enterprises, Inc. All significant intercompany transactions have been eliminated. The accounting policies of the Company are in accordance with generally accepted accounting principles as applied to regulated public utilities. The accounting and rates of the Company are subject to requirements of certain state regulatory commissions and the Federal Energy Regulatory Commission (FERC).

Utility Plant: Utility plant is stated at cost. For constructed plant, cost includes contracted services, direct labor and materials, indirect charges for engineering, supervision, general and administrative costs, and an allowance for funds used during construction (AFUDC). The AFUDC rate was 6.25% in 1991, 8.25% in 1990, and 9.0% in 1989. The cost of additions to utility plant and replacement units of property is capitalized. Maintenance costs and replacement of minor items of property are charged to expense as incurred. When units of depreciable property are retired, they are eliminated from the accounts and the original cost plus dismantling charges less salvage are charged to accumulated depreciation.

Depreciation: Depreciation is provided on the straight-line method based on estimated useful lives of property. Composite provisions for book depreciation approximated 3.34% during 1991, 3.32% during 1990, and 3.23% during 1989 of the average original cost of depreciable property. Depreciation for income tax purposes is provided on different bases and methods (see Income Taxes).

Cash and Temporary Cash Investments: For purposes of the Consolidated Statement of Cash Flows, cash and temporary cash investments include cash on hand and investments in marketable securities with maturities of one month or less. Generally, such investments consist of government securities.

Income Taxes: Income tax expense includes provision for income taxes currently payable and deferred income taxes. The Company provides deferred income taxes on the additional tax depreciation which results from using the accelerated depreciation methods as provided in the Internal Revenue Code. Taxes deferred in prior years now are being credited to income over the life of the property giving rise to the deduction at the weighted average tax rate provided. Deferred income taxes also are provided for regulatory energy and purchased gas adjustment clauses and certain other costs and revenues where there are timing differences between book and tax treatment.

Under state regulatory practices, the Company included in operating income the current tax benefits of certain construction costs, principally interest, taxes, and removal costs, which were deducted for income tax purposes but capitalized on the books. At December 31, 1991, the cumulative amount of these timing differences for which deferred income taxes have not been provided was approximately $201 million. The additional current income tax resulting from these previously flowed through tax benefits is being recovered through current revenues.

Investment tax credits deferred in prior years now are being amortized to income over the life of the property which gave rise to the credits.

The Financial Accounting Standards Board [illegible] issued a new standard on accounting for income taxes in [illegible] 1987. The required implementation date has been deferred to January 1, 1993. The Company plans to adopt the new standard effective January 1, 1992, in conjunction with the pending merger with the Kansas Gas and Electric Company (KG&E) (see Note 2). This will make the accounting for income taxes consistent after the merger since KG&E has already adopted the new standard. Amendments to modify the original standard adopted in 1987 are expected in 1992. Under existing regulatory conditions, the Company expects the standards, when adopted, will not have a material impact on the statement of income. However, they will impact the balance sheet by establishing regulatory assets and additional deferred income taxes of approximately $156 million as of December 31, 1991, prior to consideration of the merger with KG&E.

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

The after-tax effect of the change in accounting method for the year ended December 31, 1991, is an increase in net income of $15,936,000 or $0.46 per share. This increase is a combination of an increase of $17,360,000 or $0.50 per share, attributable to the cumulative effect of the accounting change prior to January 1, 1991, and a decrease of $1,424,000 or $0.04 per share in the 1991 income before cumulative effect of a change in accounting principle. The pro forma net income and earnings per share for the years ended December 31, 1990 and 1989, assuming the accrual for estimated unbilled revenues was applied retroactively to the periods, would have been $75,486,000 or $2.13 per share, respectively, for 1990 and $75,440,000 or $2.13 per share, respectively, for 1989. Unbilled revenues of $61,891,000 are recorded as a component of accounts receivable on the balance sheet as of December 31, 1991.

The Company had reserves for doubtful accounts receivable of $2,045,000 and $2,998,000 at December 31, 1991 and 1990, respectively.

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

2. MERGER WITH KG&E

On October 28, 1990, the Company and KG&E entered into a definitive merger agreement under which KG&E will become a wholly-owned subsidiary of the Company (the Merger). Under the terms of the agreement, each share of KG&E common stock will be converted into cash, KPL common stock, or cash and KPL common stock at a conversion ratio (defined as the number of shares of KPL common stock issued for each share of KG&E common stock) equal to $32 divided by the Average KPL Price (defined as the average of the closing prices of the KPL common stock as reported on the New York Stock

Exchange Composite Tape on each of the 15 consecutive trading days preceding the fifth trading day prior to the consummation of the Merger); provided that the conversion ratio will become fixed at 1.6 shares when the Average KPL Price falls below $20 per share and at 1.347 shares when the Average KPL Price rises above $23.75 per share. To finance the Merger, the Company has obtained $600 million in financing commitments from Chemical Bank of New York. The remaining financing will come from issuance of the Company's common stock.

The Company has received all of the regulatory approvals required for the Merger and expects to conclude the Merger in the first quarter of 1992. Approximately $21.2 million of Merger acquisition costs were recorded in other deferred charges on the balance sheet at December 31, 1991. These costs will continue to be deferred through closing and then become a component of the acquisition adjustment.

Regulatory Approvals: On February 5, 1992, the Securities and Exchange Commission issued an order approving the Merger. The order also granted temporary exemption until January 1, 1995, under the Public Utility Holding Company Act.

On November 19, 1991, the Nuclear Regulatory Commission issued a letter order approving the Wolf Creek Generating Station license transfer in connection with the Merger.

On November 15, 1991, the Kansas Corporation Commission (KCC) issued an order approving the Merger, subject to a number of conditions. The order was subsequently amended on December 5 and December 20. Under conditions imposed on the Merger, the KCC will freeze the combined companies' electric and natural gas rates until August 1995. The KCC ordered refunds totalling $32 million to the combined companies' customers in order to share the Merger-related cost savings with customers during the moratorium. Of the total, $8.5 million will be refunded as soon as the Merger is effective, $8.5 million will be returned in December 1993, and $15 million will be returned in September 1994. The KCC approved a mechanism to share equally, between the combined companies and their customers, the cost savings generated in the Merger in excess of the revenue requirement needed to allow recovery of the amortization of a portion of the purchase premium, including income tax, paid for KG&E common stock up to $29.50 per share on a dollar for dollar basis from savings generated. The order provides an amortization period of 40 years commencing in 1995 for the acquisition adjustment. The depreciable life of Jeffrey Energy Center will be extended from 35 years to 40 years under the order, commencing at the close of the Merger. In a separate order on January 23, 1992, the KCC approved the elimination of the Energy Cost Adjustment clauses (ECA) to permit retention of any fuel savings achieved from the Merger.

On September 24, 1991, the Missouri Public Service Commission (MPSC) issued an order approving the Merger subject to the resolution of issues on measurement of Merger-related cost savings to be retained by the Company. These issues were reserved for the first proceeding following the Merger by an order on November 27, 1991, and the docket was closed on December 13, 1991.

On September 10, 1991, the FERC issued an order approving the offer of settlement, reached by KPL, KG&E, FERC staff, and intervenors.

The waiting period under the Hart-Scott-Rodino Antitrust Improvements Act expired in June 1991 without action being taken by the Department of Justice.

On May 6, 1991, the Oklahoma Corporation Commission (OCC) issued an order finding no jurisdiction with respect to approval of the Merger.

3. *COMMITMENTS AND CONTINGENCIES*

As part of its ongoing operations and construction program, the Company has commitments under purchase orders and contracts which had an unexpended balance of approximately $68 million at December 31, 1991. Plans for future construction to existing utility plant are discussed in the "Managment's Discussion and Analysis" section.

The Company has been associated with eight former manufactured gas sites which may contain coal tar and other alleged potentially harmful materials. Two of these sites are under preliminary investigation by the Environmental Protection Agency (EPA) and one site is being investigated by the Kansas Department of Health and Environment. The EPA has completed a document search at five of these sites. The Company has not received any indication from the EPA that further action or investigation will be taken on these sites. The Company does not anticipate any fines or penalties related to any of these eight sites. It is not known what type or degree of cleanup will be required. However, in the opinion of the Company's management, any expense related to the cleanup of these sites will not be material to the Company's financial position or its results of operations.

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

4. *RATE MATTERS AND REGULATION*

The Company, under rate orders from certain state regulatory commissions and the FERC, recovers increases in fuel and gas costs through ECAs for electric customers (see Note 2) and various purchased gas adjustment clauses (PGA) for gas customers. Certain state regulatory commissions require the annual difference between actual gas cost incurred and cost recovered through the application of the PGA be deferred and amortized through rates in subsequent periods.

On January 22, 1992, the MPSC issued an order authorizing the Company to increase natural gas rates $7.3 million annually, effective February 5, 1992. The Company had filed an application on March 8, 1991, requesting an increase of $20.1 million or six percent, primarily to cover costs related to the service line replacement program. On February 5, 1992, the Company filed an application for rehearing on certain issues and an application for the issuance of an accounting order to defer service line replacement program costs incurred since July 1, 1991, including depreciation expenses, property taxes and carrying costs for recovery in the next general rate case.

During 1991, the Company filed rate cases with the KCC on April 8 and May 3. The first application was for a natural gas safety surcharge of $20.1 million to recover costs of the service line replacement program. On September 5, 1991, the KCC authorized the Company to increase its annual revenues through a safety surcharge in the amount of $14 million on an interim basis. The second application requested an increase in natural gas rates of $32 million or nine percent to recover investments in assets and the increased costs of payroll, materials, supplies, and capital since the Company's last natural gas rate case. Consolidated hearings on both rate cases were held in November 1991. On December 30, 1991, the KCC approved a permanent rate increase of $39 million annually which included and replaced the interim safety surcharge. On January 24, 1992, the KCC issued an order allowing the Company to continue the deferral of service line replacement program costs incurred since January 1, 1992, including depreciation expenses, property taxes, and carrying costs, for recovery in the next general rate case. The Company discontinued the deferral of accelerated line surveys on January 1, 1992. Approximately $18.9 million of these deferrals remain in other deferred charges on the balance sheet at December 31, 1991, with the balance being amortized to expense during a 43-month period, commencing January 1, 1992.

On February 25, 1991, the Company filed an application with the KCC to include increased supplier gas transportation rates, charged to KPL by Panhandle Eastern Pipeline Company and Trunkline Gas Company, in the PGA. These increased rates are incurred in connection with gas transported on KPL's behalf to and from storage facilities in Michigan. The Company also proposed to amortize past gas transportation charges over a three-year period. On September 12, 1991, the KCC authorized the Company to begin recovering, through the PGA, deferred costs of $9.9 million through December 31, 1990, based on a three-year amortization schedule. On December 30, 1991, the KCC authorized the Company to recover deferred transportation costs of approximately $2.8 million incurred subsequent to December 31, 1990, through the PGA over a 32-month period. The Company will recover ongoing supplier gas transportation costs through the PGA and will discontinue deferral of these costs beginning January 1, 1992, since these costs will be recovered from customers. On December 31, 1991, approximately $13.0 million of these deferrals remain in other deferred charges on the balance sheet.

In December 1991, the KCC, MPSC, and OCC approved agreements authorizing KPL to refund to customers approximately $40 million of the proceeds of the Tight Sands antitrust litigation settlement to be collected on behalf of KPL's gas customers. To secure the refund of settlement proceeds, the Commission authorized the establishment of an independently administered trust to collect and maintain cash receipts received under Tight Sands settlement agreements and provide for the refunds made. The trust has a term of 10 years.

On August 1, 1991, the OCC approved an agreement between the Company and the OCC staff to increase natural gas rates $1.4 million annually. This agreement settles the Company's April 21, 1989, initial application for rate relief of $1.6 million or eight percent and all supplemental applications in this docket. The $1.4 million permanent rate increase included and replaced the $1.1 million interim rate increase approved by the OCC on April 9, 1990.

On April 27, 1990, the MPSC approved an agreement among the Company, the MPSC staff, and intervenors to increase natural gas rates $18.5 million annually, effective May 1, 1990. This agreement settled the Company's August 29, 1989, application for rate relief of $25.6 million. The Company discontinued the deferral of accelerated line surveys and carrying charges on plant investment in new service lines on April 30, 1990. Approximately $2.7 million of these deferrals remain in other deferred charges on the balance sheet at December 31, 1991, with the balance being amortized to expense over a three-year period which began May 1, 1990.

On January 31, 1989, the KCC approved an agreement among the Company, the KCC staff, and interveners to reduce electric rates $9.3 million annually, effective February 1, 1989. With this reduction, the Company accelerated the amortization of certain deferred income taxes, which will result in no adverse impact on earnings until the balance is fully amortized. This agreement concluded negotiations between the parties following an August 1988 announcement of the KCC staff's intention to investigate the Company's electric rates and request that all electric rates be made interim subject to refund, pending outcome of the investigation.

In 1988, the FERC issued its Order No. 500 which authorized the Company's natural gas pipeline suppliers to recover a portion of their take-or-pay settlement costs from their customers. In 1990, after reversal of Order No. 500 by the U.S. Circuit Court of Appeals for the District of Columbia, the FERC issued Order No. 528 which authorized new methods for the allocation and recovery of take-or-pay settlement costs by natural gas pipelines from their customers. During 1991, a settlement was reached between one of the Company's gas pipelines and its customers concerning the amount and allocation of take-or-pay settlement costs to be recovered from its customers. Negotiation and litigation continues between KPL and other suppliers concerning the amount of such costs to be allocated to KPL. Due to the present uncertainty of the outcome of the litigation and negotiations, the Company is unable to estimate any further liability for take-or-pay settlement costs incurred by its pipeline suppliers. The Company believes it will be able to recover costs billed from its suppliers through recovery mechanisms approved by its state regulatory commissions.

5. LONG-TERM DEBT

The amount of first mortgage bonds authorized by the KPL Mortgage and Deed of Trust dated July 1, 1939, as supplemented, is unlimited. The amount of first mortgage bonds authorized by The Gas Service Company (GSC) Mortgage and Deed of Trust dated September 1, 1949, as supplemented, is limited to a maximum of $200,000,000. Amounts of additional bonds which may be issued are subject to certain restrictive provisions of each Mortgage.

Debt discount and expenses are being amortized over the remaining lives of each issue. The KPL sinking fund requirements for first mortgage bond series can be met by bonding additional property. The sinking fund requirements for certain KPL pollution control series and GSC first mortgage bonds can be met only through the acquisition and retirement of outstanding bonds. Long-term debt maturing and sinking fund requirements for the five years subsequent to December 31, 1991, are as follows:

Year ($1,000s)	Maturing Debt	Sinking Fund Requirements: Bonding Property	Sinking Fund Requirements: Retiring Bonds
1992	$ —	$1,840	$2,733
1993	—	1,840	2,733
1994	—	1,840	2,733
1995	1,000	1,840	1,733
1996	60,000	1,840	1,733

On January 16, 1991, the Company signed a credit agreement with Chemical Bank of New York for a $600 million combination term loan and revolving credit facility to finance the Company's pending merger with KG&E. The agreement has a commitment fee of ¼% per annum of the undrawn balance, increasing to ⅜% on July 25, 1991, and returning to ¼% at the closing of the Merger, based on the Company's debt ratings. The agreement, which originally expired on December 31, 1991, has been extended to March 31, 1992.

6. EMPLOYEE BENEFIT PLANS

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

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

Year Ended December 31, ($1,000s)	1991	1990	1989
Pension Cost:			
Service cost	**$ 6,589**	$ 6,345	$ 4,919
Interest cost on projected benefit obligation	**20,985**	18,729	17,026
Return on plan assets	**(59,161)**	(3,319)	(42,746)
Deferred gain (loss) on plan assets	**38,015**	(15,721)	25,845
Net amortization	**(131)**	242	2,340
Net pension cost	**$ 6,297**	$ 5,776	$ 7,384

December 31, ($1,000s)	1991	1990	1989
Funded Status:			
Actuarial present value of benefit obligations:			
Vested	**$200,435**	$183,262	$176,288
Non-vested	**13,935**	12,790	13,231
Total	**$214,370**	$196,052	$189,519
Plan assets (principally debt and equity securities) at fair value	**$324,780**	$274,622	$278,529
Projected benefit obligation	**282,062**	262,831	249,978
Plan assets in excess of projected benefit obligation	**42,718**	11,791	28,551
Unrecognized transition asset	**(1,253)**	(1,370)	(1,487)
Unrecognized prior service costs	**27,216**	29,321	[illegible],775
Unrecognized net gain	**(69,494)**	(40,198)	(49,295)
Accrued pension costs	**$ (813)**	$ (456)	$ (456)

Year Ended December 31,	1991	1990	1989
Actuarial Assumptions:			
Discount rate	**8.0%**	8.0%	7.5%
Annual salary increase rate	**6.0%**	6.0%	6.0%
Long-term rate of return	**8.0%**	8.0%	7.5%

The increase in pension expense for 1991 compared to 1990 results primarily from changes in plan provisions.

The decrease in pension expense for 1990 compared to 1989 results primarily from the complete amortization of the 1988 prior service cost associated with the early retirement option.

Early Retirement Option: In January 1988, the Board of Directors approved a voluntary early retirement incentive to all vested non-union participants of the Company's defined benefit pension plan who reached the age of 55 on or before May 1, 1988. Certain pension plan amendments were made to fund the additional benefits, including a waiver of the actuarial reduction factors for early retirement (normally five percent per year before age 62) and a monthly supplement in lieu of estimated social security benefits payable until the age of 62. Of the 280 employees eligible for the early retirement option, 150 employees representing three percent of the Company's work force, elected to retire on or before the May 1, 1988, deadline. The actuarial cost of $5,962,000, based on plan provisions for the early retirement option was recognized by expensing $2,981,000 in both 1989 and 1988.

Post-Retirement: The Company provides certain health care and life insurance benefits for retired employees. Substantially all of the Company's employees are eligible for these benefits if they reach normal retirement age while working for the Company. The cost of retiree health care and life insurance benefits is recognized as expense when claims and premiums for life insurance policies are paid. The cost of providing health care and life insurance benefits for retired and active employees totaled $22,979,000, $20,412,000, and $17,005,000 for 1991, 1990, and 1989, respectively. The cost of providing benefits for 1,911, 1,886, and 1,774 retirees for 1991, 1990, and 1989, respectively, is not separable from the cost of providing benefits for the 4,474, 4,614, and 4,532 active employees in 1991, 1990, and 1989, respectively.

The FASB has issued a new statement, SFAS No. 106, which establishes accounting and reporting standards for post-retirement benefits other than pensions. The new statement will require the accrual of the expected cost of such benefits during the employees' years of service. The transition obligation for prior service rendered will be phased in over approximately 20 years. The Company is required to adopt SFAS No. 106 no later than January 1, 1993. In anticipation of the pending merger, the benefit packages of both the Company and KG&E are currently under evaluation. Any changes to the plans are unknown at this time. Although the effect of adoption cannot be fully determined, due to anticipated future regulatory treatment the Company does not expect adoption to have a material effect on results of operations. Management expects any liabilities recorded pursuant to the statement will be accompanied by the recognition of regulatory assets to reflect anticipated future revenues associated with recovery through rates of post-retirement benefit costs not included in the cost of service. The Company estimates that the transition liability would be in the range of $90 to $110 million before considering the effect of changes in benefit plans that may result from restructuring the combined employee compensation programs as part of the pending merger with KG&E.

Savings: The Company maintains savings plans in which substantially all employees participate. The Company matches employees' contributions up to specified maximum limits. The funds of the plans are deposited with a trustee and invested at the employee's option in one or more investment funds, including a Company stock fund. The Company's contributions were $3,321,000, $2,818,000, and $2,309,000 for 1991, 1990, and 1989, respectively.

7. SHORT-TERM DEBT

The Company's short-term financing requirements are satisfied through the sale of commercial paper or through borrowings under unsecured lines of credit maintained with banks. Information concerning these arrangements for the years ended December 31, 1991, 1990, and 1989, is set forth below:

Year Ended December 31, ($1,000s)	1991	1990	1989
Lines of credit at year end	**$185,000***	$165,000**	$145,000***
Short-term debt outstanding at year end	**135,800**	115,500	133,100
Weighted average interest rate on debt outstanding at year end	**4.84%**	8.18%	8.66%
Maximum amount of short-term debt outstanding during the period	**$175,000**	$179,000	$134,100
Monthly average short-term debt	**125,968**	109,195	71,866
Weighted daily average interest rates during the year	**6.07%**	8.18%	9.05%

*Increased to $200,000,000 in January 1992.
**Increased to $185,000,000 in January 1991.
***Increased to $180,000,000 in January 1990.

In connection with the commitments, the Company has agreed informally to pay certain fees and/or maintain certain average amounts on deposit with the banks. Lines of credit also are utilized to support the Company's issuance of commercial paper.

8. SEGMENTS OF BUSINESS

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

Year Ended December 31, ($1,000s)	1991	1990	1989
Operating revenues:			
Natural gas	$ 690,339	$ 686,048	$ 675,280
Electric	471,839	463,707	452,343
	1,162,178	1,149,755	1,127,623
Operating expenses excluding income taxes:			
Natural gas	664,825	660,856	644,583
Electric	337,150	326,243	323,221
	1,001,975	987,099	967,804
Income taxes:			
Natural gas	(1,657)	1,072	4,052
Electric	32,239	29,594	30,231
	30,582	30,666	34,283
Operating income:			
Natural gas	27,171	24,120	25,645
Electric	102,450	107,870	98,891
	$ 129,621	$ 131,990	$ 125,536
Identifiable assets at December 31:			
Natural gas	$ 840,692	$ 766,247	$ 738,280
Electric	1,196,023	1,188,780	1,188,730
Other corporate assets*	83,361	61,002	32,034
	$2,120,076	$2,016,029	$1,959,044
Other Information—			
Depreciation and amortization:			
Natural gas	$ 32,103	$ 25,005	$ 22,906
Electric	53,632	51,610	50,399
	$ 85,735	$ 76,815	$ 73,305
Maintenance:			
Natural gas	$ 26,275	$ 24,263	$ 23,014
Electric	34,240	33,554	35,428
	$ 60,515	$ 57,817	$ 58,442
Construction expenditures:			
Natural gas	$ 81,961	$ 85,617	$ 93,460
Electric	43,714	49,384	56,425
	$ 125,675	$ 135,001	$ 149,885

**Principally cash, temporary cash investments, non-utility investments, and deferred charges.*

9. LEGAL PROCEEDINGS

In February 1987, Green Construction Company (Green) commenced a lawsuit against the Company in the U.S. District Court for the District of Kansas seeking $2.4 million. Green was the Company's contractor for the construction of a dam at the Jeffrey Energy Center auxiliary make-up lake. The suit alleged Green performed additional work and incurred additional costs for which it was not compensated by the terms of the contract. The Company counterclaimed, seeking damages for the reconstruction of the dam, which the Company claimed was improperly built. Following a jury trial which concluded on December 17, 1990, Green was awarded $220,000. Because of the jury's finding that Green had not breached its contract to the Company, the Company did not receive any amounts it sought. Motions to have the verdict overturned and/or for a new trial have been denied. The Company has filed an appeal.

The Company has been named as a defendant in lawsuits arising out of an explosion which occurred in the River Market area of Kansas City, Missouri, in July 1990. The Company has previously conceded liability for the incident. One person was killed. The Company already has resolved a number of claims associated with the incident. Although the amount of damages alleged in these cases is presently unknown, the Company does not expect that the resolution of the lawsuits will have a material impact upon the Company's financial position or its results of operations.

10. LEASES

At December 31, 1991, the Company had leases covering various property and equipment. Certain lease agreements meet the criteria, as set forth in SFAS No. 13, for classification as capital leases. Rental payments for capital and operating leases and estimated rental commitments are as follows:

Year Ending December 31, ($1,000s)	Capital Leases	Operating Leases
1989	$ 676	$16,772
1990	803	17,743
1991	**1,217**	**21,501**
Thereafter:		
1992	$2,334	$15,079
1993	2,204	11,614
1994	2,204	10,647
1995	1,652	1,109
1996	–	800
Thereafter	–	3,045
Total	8,394	$42,294
Less interest	887	
Net obligation	$7,507	

11. JOINTLY-OWNED ELECTRIC PLANT

The amounts set forth below represent the Company's 64 percent ownership share of the Jeffrey Energy Center. Each owner provides its own financing. The Company's share of expenses for the Jeffrey Energy Center is included on the consolidated statement of income in the appropriate operating expense items.

December 31, ($1,000s)	1991	1990
Utility plant in service	$707,865	$706,342
Accumulated depreciation	229,888	208,537

12. CUMULATIVE PREFERRED AND PREFERENCE STOCK

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

Subject to Mandatory Redemption: The mandatory sinking fund provisions of the 8.70% Series preference stock require the Company to redeem 13,000 shares annually on October 1, at par value. The Company may, at its option, redeem up to an additional 13,000 shares on each October 1, at par value. The 8.70% Series also is redeemable in whole or in part, at the option of the Company, subject to certain restrictions on refunding, at a redemption price of $104.35, $103.99, and $103.63 per share after October 1, 1991, 1992, and 1993, respectively. The Company held 135,000 shares in treasury stock at December 31, 1991, which may not be used for stock redemptions under mandatory or optional sinking fund provisions.

The mandatory sinking fund provisions of the 8.50% Series preference stock require the Company to redeem 50,000 shares annually beginning on July 1, 1997, at $100.00 per share. The

Company may [illegible] up to [illegible] additional 50,000 shares on each [illegible] per share. The [illegible]% Series also is rede[illegible] Company, subject to [illegible] price of $108.50 [illegible] $107.93 and $107.37 per share [illegible], respectively.

[illegible] (Unaudited)

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

($1,000s, except per share)	First	Second	Third	Fourth
1991*				
Operating revenues	**$389,984**	**$210,824**	**$219,797**	**$341,573**
Operating income	**43,367**	**22,249**	**31,680**	**32,325**
Income before cumulative effect of accounting change	**28,125**	**7,192**	**17,918**	**19,050**
Cumulative effect to January 1, 1991, of change in revenue recognition (net of income taxes)	**17,360**	—	—	—
Net income	**45,485**	**7,192**	**17,918**	**19,050**
Earnings applicable to common stock	**45,071**	**6,281**	**15,379**	**16,537**
Earnings per share before cumulative effect of accounting change	**$0.81**	**$0.18**	**$0.44**	**$0.48**
Cumulative effect to January 1, 1991, of change in revenue recognition per share	**0.50**	—	—	—
Earnings per share	**$1.31**	**$0.18**	**$0.44**	**$0.48**
Dividends per share	**$0.645****	**$0.465**	**$0.465**	**$0.465**
Common stock price:				
High	**$24**	**$25¼**	**$26⅜**	**$28⅜**
Low	**$20¾**	**$23⅜**	**$23¼**	**$25½**
1990				
Operating revenues	$422,531	$245,779	$220,778	$260,667
Operating income	43,528	23,822	37,294	27,346
Net income	29,984	9,354	21,887	18,394
Earnings applicable to common stock	29,541	8,911	21,444	17,979
Earnings per share	$0.85	$0.26	$0.62	$0.52
Dividends per share	$0.45	$0.45	$0.45	$0.45
Common stock price:				
High	$25⅛	$23¾	$23⅜	$22⅝
Low	$22⅝	$21¼	$20⅝	$19¾

*The first three quarters of 1991 as previously reported in the Company's Quarterly Reports on Form 10-Q have been restated to reflect the change in accounting method of recognizing revenues as more fully described in Note 1. The effect on income before cumulative effect of accounting change in the restated quarters was a decrease in the first and third quarters of $5,011,000 and $1,198,000, respectively, and an increase in the second quarter of $2,357,000.

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

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

We have audited the accompanying consolidated balance sheet and statement of capitalization of The Kansas Power and Light Company and its subsidiary as of December 31, 1991 and 1990, and the related consolidated statements of income, cash flows, taxes, and common stock equity for each of the three years in the period ended December 31, 1991. 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 financial statements referred to above present fairly, in all material respects, the financial position of The Kansas Power and Light Company and its subsidiary as of December 31, 1991 and 1990, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1991, in conformity with generally accepted accounting principles.

As explained in Note 1 to the financial statements, effective January 1, 1991, the Company changed to a preferred method of accounting for revenue recognition.

ARTHUR ANDERSEN & CO.

Kansas City, Missouri,
January 24, 1992

TEN-YEAR COMPARATIVE DATA

INCOME STATEMENT DATA ($1,000s):

		Operating Expenses							
Years	Total Operating Revenues	Natural Gas Purchases	Fuel Used for Generation	Power Purchased & Interchanged (Net)	Other Operations	Maintenance	Depreciation	Taxes	Operating Income
1991	**$1,162,178**	**$439,323**	**$146,256**	**$ 5,335**	**$193,319**	**$60,515**	**$85,735**	**$102,074**	**$129,621**
1990	1,149,755	456,868	148,681	2,658	178,448	57,817	76,815	96,478	131,990
1989	1,127,623	451,896	149,796	148	171,094	58,442	73,305	97,406	125,536
1988	1,166,114	486,347	148,787	(2,356)	165,234	55,128	70,406	112,146	130,422
1987	1,166,458	485,995	144,495	2,328	153,789	49,598	67,804	124,115	138,334
1986	1,198,884	511,344	144,693	2,065	151,676	45,842	65,208	135,417	142,639
1985	1,354,128	655,429	150,679	2,279	150,295	45,962	60,794	142,680	146,010
1984	1,480,182	764,819	173,709	4,319	145,559	45,181	58,552	144,316	143,727
1983	922,080	376,115	158,127	11,734	82,582	31,719	45,144	99,791	116,868
1982	552,681	140,151	143,090	21,175	58,356	30,573	35,548	47,494	76,294

ELECTRIC STATISTICS:

	MWH Sales (1,000s)					Company System Supply at Peak Hour (Net MW)			
Years	Residential	Commercial	Industrial	Other	Total	System Hourly Peak	System Peak Net (1)	Generating Capacity	Generating Capacity Net (1)
1991	**2,557**	**3,064**	**1,939**	**1,978 (5)**	**9,538 (5)**	**2,077**	**1,959**	**2,622**	**2,367**
1990	2,403	2,952	1,954	1,820	9,129	2,066	1,948	2,589	2,344
1989	2,248	2,814	1,925	2,077	9,064	1,933	1,823	2,589	2,345
1988	2,296	2,782	1,877	2,174	9,129	2,031	1,919	2,726	2,287
1987	2,153	2,633	1,816	2,001	8,603	1,917	1,821	2,505	2,241
1986	2,075	2,521	1,821	2,125	8,542	1,844	1,740	2,531	2,262
1985	1,989	2,405	1,852	2,296	8,542	1,728	1,615	2,672	2,435
1984	1,991	2,322	1,777	2,379	8,469	1,802	1,668	2,681	2,387
1983	2,062	2,300	1,599	2,404	8,365	1,853	1,735	2,681	2,371
1982	1,867	2,222	1,561	2,656	8,306	1,719	1,599	2,314	2,044

NATURAL GAS STATISTICS:

	MCF Sales (1,000s)							
Years	Residential	Commercial	Industrial	Other	Company Power Plants	Transportation	Total	Average Cost of Gas Purchased Per MCF
1991	**100,271**	**47,100**	**2,446**	**12,089 (5)**	**81**	**78,055**	**240,042 (5)**	**$2.87**
1990	95,247	43,973	3,207	1,329	32	72,623	216,411	2.90
1989	104,057	47,339	5,637	1,048	355	58,025	216,461	2.75
1988	104,471	52,567	19,929	1,376	1,079	37,424	216,846	2.57
1987	94,842	50,946	29,917	1,265	836	24,584	202,390	2.67
1986	97,368	54,132	48,181	1,781	742	5,752	207,956	2.50
1985	106,315	59,947	53,170	6,966	574	9,664	236,636	2.79
1984	104,092	57,624	61,163	1,904	1,911	—	226,694	3.25
1983	48,332	26,185	35,507	4,370	4,011	—	118,405	3.10
1982	13,443	10,132	25,401	3,305	7,504	—	59,785	2.15

(1) Net of off-system sales and purchases.
(2) Restated to reflect two-for-one stock split on May 5, 1987.
(3) Includes cumulative effect to January 1, 1985, of change in revenue recognition, a $5,793,000 or $0.17 per share decrease.

Other Income And Deductions		Interest Charges			Income, Earnings and Dividends				
AFUDC-Equity	Other Income & Deductions (Net)	Long-Term Debt	Other	AFUDC-Debt	Net Income	Preferred & Preference Dividends	Earnings Applicable to Common Stock	Earnings per Common Share (2)	Dividends Declared per Common Share (2)
$ —	**$3,351**	**$51,267**	**$10,490**	**$(1,070)**	**$89,645 (5)**	**$6,377**	**$83,268**	**$2.41 (5)**	**$2.04 (4)**
—	9,012	51,542	11,022	(1,181)	79,619	1,744	77,875	2.25	1.80
—	859	46,378	8,742	(1,503)	72,778	1,857	70,921	2.05	1.76
—	(461)	44,362	7,135	(1,327)	79,791	1,970	77,821	2.25	1.72
375	1,188	48,185	3,517	(496)	88,691	3,700	84,991	2.4[illegible]	1.65
366	75[illegible]	50,213	2,902	(742)	91,382	7,633	83,749	2.42	1.58
406	41	48,423	5,026	(760)	87,975 (3)	8,973	79,002	2.30 (3)	1.48
800	1,635	50,577	6,103	(366)	89,848	9,759	80,089	2.49	1.38
8,208	350	43,360	4,224	(5,762)	83,604	8,311	75,293	2.33	1.28
17,563	383	36,920	2,667	(9,482)	64,135	7,825	56,310	1.80	1.20

Electric Revenues ($1,000s)					Customers	Utility Plant ($1,000s)	
Residential	Commercial	Industrial	Other & Misc.	Total	Average Total	Gross Additions	Total
$160,844	**$149,739**	**$77,912**	**$83,344**	**$471,839**	**306,203**	**$42,387**	**$1,684,147**
152,509	146,001	79,225	85,972	463,707	303,535	46,697	1,649,367
142,308	139,567	78,267	92,201	452,343	300,028	54,297	1,613,095
149,155	138,318	77,201	96,486	461,160	295,072	62,010	1,563,444
149,914	143,084	82,972	93,755	469,725	295,371	52,792	1,510,067
150,950	145,166	89,084	97,674	482,874	291,967	47,526	1,466,334
145,712	140,764	91,747	101,951	480,174	288,674	48,109	1,428,383
152,151	144,069	94,468	113,195	503,883	285,232	42,195	1,387,074
142,985	126,904	75,092	114,747	459,728	281,533	65,114	1,351,864
115,027	107,041	63,870	100,781	386,719	278,608	146,301	1,302,248

Gas Revenues ($1,000s)					Customers	Utility Plant ($1,000s)	
Residential	Commercial	Industrial	Other & Misc.	Total	Average Total	Gross Additions	Total
$444,791	**$182,298**	**$ 9,829**	**$53,421**	**$690,339**	**1,067,840**	**$80,630**	**$865,448**
439,956	176,279	12,994	56,819	686,048	1,059,140	84,553	789,428
430,250	172,028	18,021	54,381	675,280	1,053,787	91,613	708,787
418,190	181,506	57,434	47,824	704,954	1,042,140	50,227	620,803
390,218	178,402	87,207	40,906	696,733	1,030,422	49,906	572,382
386,954	184,721	131,090	13,245	716,010	1,011,686	46,319	520,631
452,854	225,735	164,782	30,583	873,954	998,306	40,370	462,677
494,643	244,249	218,890	18,517	976,299	985,268	41,848	422,993
214,544	104,178	117,545	26,085	462,352	975,521	14,123	379,206
41,894	27,621	68,312	28,135	165,962	132,314	13,952	121,235

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

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

DIRECTORS AND OFFICERS

DIRECTORS

Gene A. Budig[1, 2]
Chancellor
The University of Kansas
Lawrence, Kansas

Thomas R. Clevenger[2, 3]
Financial Consultant
Wichita, Kansas

Cloud L. Cray, Jr.[3, 4]
Chairman of the Board
Midwest Grain Products, Inc.
Atchison, Kansas

John C. Dicus[1, 2]
Chairman of the Board
Capitol Federal Savings
Topeka, Kansas

John E. Hayes, Jr.
Chairman of the Board, President, and Chief Executive Officer
The Kansas Pow[illegible]d Light Company
Topeka, Kansas

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

John H. Robinson[2, 3]
Chairman of the Board
Black & Veatch
Kansas City, Missouri

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

Kenneth J. Wagnon[1, 3]
President
Capital Enterpri[illegible]s, Inc.
Wichita, Kansas

William E. Wall[2, 4]
Attorney
Siderius, Lonergan & Crowley
Seattle, Washington
Retired Chairman of the Board
The Kansas Power and Light Company

[1] *Member Audit and Finance Committee*
[2] *Member Compensation Committee*
[3] *Member Nominating Committee*
[4] *Member Corporate Public Policy Committee*

OFFICERS

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

William E. Brown
President and Chief Executive Officer—KPL Division

William L. Johnson
President and Chief Executive Officer—Gas Service Division

Steven L. Kitchen
Executive Vice President and Chief Financial Officer

Fred M. Bryan
Executive Vice President, Utility Services

John K. Rosenberg
Executive Vice President, General Counsel, and Secretary

Edward H. Schaub
Vice President, Government Relations and Corporate Communicati[illegible]

M. Lee Brunton
Vice President, Electric Production and Dispatch—KPL Division

James W. Ingram
Vice President, Production, Transmission, and Storage—Gas Service Division

Norman E. Jackson
Vice President, Electric Engineering and Transmission—KPL Division

Richard D. LaGree
Vice President, Electric Distribution Operations—KPL Division

Hans E. Mertens
Vice President, Engineering—Gas Service Division

Carl W. Porter
Vice President, Field Operations—Gas Service Division

Verneda F. Robinson
Vice President, Customer Service—Gas Service Division

David E. Roth
Vice President, Southern Region—Gas Service Division

Kenneth T. Wymore
Vice President, Management Information Services and Communications

Jerry D. Courington
Controller

Thomas E. Shea
Treasurer

Darrell D. Bledsoe
Assistant Controller

E. Lynn Cook
Assistant Treasurer

P. Thomas Hall III
Assistant Vice President, Community Relations—Gas Service Division

Stacy F. Kramer
Assistant Secretary

George R. Melling
Assistant Secretary

Richard H. Tangeman
Assistant Vice President, Gas Operations—Gas Service Division

OFFICERS

OFFICERS

of The Kansas Power and Light Company, its subsidiaries and divisions
(Effective February 11, 1992)

EXECUTIVE OFFICERS

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

Wilson K. Cadman
Vice Chairman of the Board and Chairman of the Board of KG&E

William E. Brown
President and Chief Executive Officer—KPL Division

James S. Haines, Jr.
Executive Vice President and Chief Administrative Officer

Steven L. Kitchen
Executive Vice President and Chief Financial Officer

Robert L. Rives
Executive Vice President, Corporate Communications

John K. Rosenberg
Executive Vice President and General Counsel

KPL DIVISION

M. Lee Brunton
Executive Vice President, Electric Production

Richard M. Haden
Executive Vice President, Field Services

Norman E. Jackson
Executive Vice President, Electric Engineering and Field Operations

KG&E

Kent R. Brown
President and Chief Executive Officer

Ralph B. Foster
Vice President and General Counsel

Richard D. LaGree
Vice President, Field Operations

Eldred Prothro
Treasurer and Controller

GAS SERVICE DIVISION

William L. Johnson
President and Chief Executive Officer

James W. Ingram
Vice President, Production, Transportation, and Storage

Hans E. Mertens
Vice President, Gas Engineering

Carl W. Porter
Vice President, Field Operations

Verneda F. Robinson
Vice President, Customer Service

P. Thomas Hall III
Assistant Vice President, Community Relations

Richard H. Tangeman
Assistant Vice President, Gas Operations

(Officers continued on next page)

CORPORATE

Fred M. Bryan
Executive Vice President,
Human Resources

James T. Clark
Vice President, Internal Audit

Carl M. Koupal, Jr.
Vice President,
Economic Development

William B. Moore
Vice President, Finance

David E. Roth
Vice President, Labor

Edward H. Schaub
Vice President,
Government Affairs

Kenneth T. Wymore
Vice President, Management
Information Systems
and Telecommunications

Thomas E. Shea
Treasurer

Richard D. Terrill
Corporate Secretary

Jerry D. Courington
Controller

Darrell D. Bledsoe
Assistant Controller

E. Lynn Cook
Assistant Treasurer

Stacy F. Kramer
Assistant Secretary

George R. Melling
Assistant Secretary

KPL ENTERPRISES, INC.

C. Bob Cline
Chairman, President, and
Chief Executive Officer

Donald W. Whitlock
Vice President, Secretary,
and Treasurer

(Additional officer listings on preceding page)

INVESTOR INFORMATION

SHAREHOLDER INQUIRIES

Communications regarding stock transfers, lost or stolen certificates or dividend checks, or other information requests should be directed to Manufacturers Hanover Trust (MHT) or to the Company. Please include a telephone number where you can be reached during the day.

Manufacturers Hanover Trust Company
Securityholder Relations Department
P.O. Box 24935, Church Street Station
New York, New York 10249
(800) 647-4273
(212) 613-7147

The Kansas Power and Light Company
Shareholder Relations
P.O. Box 889
Topeka, Kansas 66601-0889
(913) 296-6394

Investor questions concerning the Company should be addressed to the Company's Investor Relations Department.

The Kansas Power and Light Company
Investor Relations
P. O. Box 889
Topeka, Kansas 66601-0889
(913) 296-8226

DIVIDENDS

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

ADDRESS CHANGES

Address changes must be made in writing to MHT or KPL's Shareholder Relations Department. To avoid errors, please PRINT all changes.

ELIMINATING DUPLICATE MAILINGS AND CONSOLIDATING ACCOUNTS

If you are receiving duplicate copies of the Company's quarterly and annual reports due to your name or address being listed on our records in more than one form, the duplication can be stopped by written request.

This authorization will not affect the distribution of dividends or proxy material. You may contact MHT or Shareholder Relations to consolidate duplicate accounts.

TRANSFERRING STOCK

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

DIVIDEND REINVESTMENT PLAN

The Company's Automatic Dividend Reinvestment and Stock Purchase Plan (DRIP) offers common shareholders a convenient and economical method of purchasing additional shares of common stock. Shares of stock in the plan are purchased on the open market.

Any common shareholder of record is eligible to participate in the Plan. Additional information on DRIP and an authorization card will be sent to you on request to MHT or Shareholder Relations.

LOST OR STOLEN CERTIFICATES

If a certificate is missing, notify the transfer agent or Shareholder Relations immediately in writing. A "stop transfer" will be entered in the records and an affidavit will be mailed to you for completion. You must pay a surety bond fee and the amount will be included with the affidavit.

EXCHANGE LISTING AND STOCK SYMBOLS

New York Stock Exchange
Ticker Symbol: KAN
Newspaper Listing: KanPL

CORPORATE ADDRESS

The Kansas Power and Light Company
818 Kansas Avenue
Topeka, Kansas 66612
(913) 296-6300

COMMON, PREFERRED, AND PREFERENCE STOCK

Principal Transfer Agent and Registrar

Manufacturers Hanover Trust Company
Securityholder Relations Department
P.O. Box 24935, Church Street Station
New York, New York 10249

Co-Transfer Agent

Bank IV Topeka, N.A.
Trust Department
One Townsite Plaza, P.O. Box 88
Topeka, Kansas 66601

Co-Registrar

The Merchants National Bank
P.O. Box 178
Topeka, Kansas 66601

KPL FIRST MORTGAGE BONDS

Principal Trustee, Paying Agent, and Registrar

Harris Trust and Savings Bank
111 West Monroe Street
Chicago, Illinois 60690
(312) 461-6838 collect

GSC FIRST MORTGAGE BONDS

Principal Trustee, Paying Agent, and Registrar

The Chase Manhattan Bank, N.A.
1 New York Plaza
New York, New York 10081

Co-Trustee

Commerce Bank of Kansas City, N.A.
P.O. Box 248
Kansas City, Missouri 64141

THE KANSAS POWER AND LIGHT COMPANY
P.O. BOX 889
TOPEKA, KANSAS 66601

KANSAS ELECTRIC POWER COOPERATIVE, INC.

FINANCIAL STATEMENTS

for the years ended December 31, 1991 and 1990

Coopers
&Lybrand

Certified Public Accountants

Coopers & Lybrand

certified public accountants

REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Trustees
Kansas Electric Power Cooperative, Inc.:

We have audited the accompanying balance sheets of Kansas Electric Power Cooperative, Inc. as of December 31, 1991 and 1990, and the related statements of operations, patronage capital (deficit) and other equities, and cash flows for the years 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 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.

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 of the matters referred to in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Kansas Electric Power Cooperative, Inc. as of December 31, 1991 and 1990, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

Coopers & Lybrand

Kansas City, Missouri
February 21, 1992

KANSAS ELECTRIC POWER COOPERATIVE, INC.

BALANCE SHEETS

ASSETS	December 31, 1991	1990
Utility plant:		
Electric plant in service	$198,871,019	$199,949,714
Less allowances for depreciation	18,685,654	18,275,032
Net utility plant	180,185,365	181,674,682
Construction work in process	565,310	661,726
Nuclear fuel, less accumulated amortization of $9,236,068 and $9,319,052 at December 31, 1991 and 1990, respectively	4,160,034	2,551,765
Total utility plant	184,910,709	184,888,173
Restricted assets:		
Cash and short-term investments	203,332	198,397
Investments in associated organizations	3,602,839	3,349,487
Bond fund reserve	3,921,323	3,873,138
Decommissioning fund assets	1,036,248	734,278
Total restricted assets	8,763,742	8,155,300
Current assets:		
Cash and cash equivalents	5,342,738	8,091,258
National Rural Utilities Cooperative Finance Corp. patronage capital certificate	8,477	14,436
Accounts receivable from members	5,505,446	5,865,253
Materials and supplies inventory	1,867,692	1,870,145
Other assets and prepaid expenses	440,520	618,892
Total current assets	13,164,873	16,459,984
Deferred charges:		
Deferred charges, less accumulated amortization of $3,570,380 and $2,987,735 at December 31, 1991 and 1990, respectively	27,291,369	27,882,582
Deferred incremental outage expense	2,404,783	781,900
Unamortized bond issue cost	1,286,115	1,348,159
Total deferred charges	30,982,267	30,012,641
Total assets	$237,821,591	$239,516,098

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

CAPITALIZATION AND LIABILITIES	December 31, 1991	1990
Capitalization:		
Patronage capital (deficit) and other equities:		
Memberships	$ 2,900	$ 2,900
Patronage capital (deficit) unallocated and other equities (see statement)	(7,058,075)	(6,768,559)
Total patronage capital (deficit) and other equities	(7,055,175)	(6,785,659)
Long-term debt, less current portion	233,082,312	235,809,072
Total capitalization	226,027,137	229,023,413
Liabilities:		
Current liabilities:		
Accounts payable	5,647,624	4,401,499
Note payable to bank	-	531,228
Payroll and payroll related liabilities	51,289	45,016
Accrued property taxes	835,722	704,152
Accrued interest payable	782,546	897,224
Current portion of long-term debt	2,870,555	2,665,000
Total current liabilities	10,187,736	9,244,119
Other liabilities:		
Decommissioning liability	1,036,248	734,278
Other liabilities	570,470	514,268
Total other liabilities	1,606,718	1,248,546
Commitments and contingencies		
Total capitalization and liabilities	$237,821,591	$239,516,0[illegible]

KANSAS ELECTRIC POWER COOPERATIVE, INC.

STATEMENTS OF OPERATIONS

	Year Ended December 31, 1991	Year Ended December 31, 1990
Operating revenue:		
Member	$ 67,875,207	$ 66,612,727
Nonmember	131,510	737,279
Total operating revenue	68,006,718	67,350,006
Operating expenses:		
Power purchased	35,503,638	33,720,357
Nuclear fuel	1,226,974	1,544,367
Nuclear plant operations	2,892,592	2,547,876
Nuclear plant maintenance	1,531,130	1,550,192
Nuclear plant administrative and general	3,649,411	3,728,266
Administrative and general	2,222,540	2,323,786
Amortization of deferred charges	582,645	539,811
Depreciation	2,907,673	2,695,079
Total operating expenses	50,516,603	48,649,734
Operating margin	17,490,115	18,700,272
Interest income	981,930	1,220,836
Income before interest charges	18,472,045	19,921,108
Interest expense on long-term debt	18,741,561	19,482,416
Net margin (loss)	$ (269,516)	$ 438,692

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

KANSAS ELECTRIC POWER COOPERATIVE, INC.
STATEMENTS OF PATRONAGE CAPITAL (DEFICIT) AND OTHER EQUITIES

For the Years Ended December 31, 1990 and 1991

	Memberships	Patronage Capital (Deficit) Unallocated	Other Equities	Total
Balance, December 31, 1989	$2,900	$(11,284,808)	$4,057,557	$(7,224,351)
Capital allocation	-	322,000	(322,000)	-
1990 net margin (loss)	-	(782,144)	1,220,836	438,692
Balance, December 31, 1990	2,900	(11,744,952)	4,956,393	(6,785,659)
Capital allocation	-	438,692	(438,692)	-
1991 net margin (loss)	-	(1,251,446)	981,930	(269,516)
Balance, December 31, 1991	$2,900	$(12,557,706)	$5,499,631	$(7,055,175)

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

KANSAS ELECTRIC POWER COOPERATIVE, INC.

STATEMENT OF CASH FLOWS

	Year Ended December 31, 1991	Year Ended December 31, 1990
Cash flows from operations:		
Cash received from member sales	$ 68,530,845	$ 66,544,971
Cash received from non-member sales	122,671	792,870
Cash paid for purchased power	(35,604,318)	(34,351,173)
Cash paid for Wolf Creek operations	(7,123,062)	(6,912,585)
Cash paid for KEPCo operations	(2,205,441)	(2,156,078)
Interest paid	(18,873,969)	(21,860,746)
Property taxes paid	(1,545,765)	(2,572,295)
Settlement of litigation	-	(2,160,645)
Investments matured (purchased)	-	1,001,911
Interest received	1,120,070	1,331,753
Arbitrage rebate payment	-	(599,200)
Cash paid to decommissioning trust	(237,800)	(178,350)
Miscellaneous cash received	2,079	43,204
Net cash provided by operations	4,185,310	(1,076,363)
Cash flows from investing activities:		
Nuclear fuel purchases	(2,489,360)	(645,544)
Plant additions	(1,353,545)	(1,041,320)
Investment in Central States Compact	(58,306)	(137,282)
Cash received from sale of municipal bonds	-	3,769,800
Cash paid for purchase of municipal bonds	(80,879)	(3,872,897)
Cash received from the sale of government bonds	33,768	-
Net cash used in investing activities	(3,948,322)	(1,927,243)
Cash flows from financing activities:		
Repayment of long-term debt	(2,521,205)	(2,199,932)
Payment of other long-term liabilities	(64,304)	(58,926)
Draws/(Payment) on line of credit	(400,000)	400,000
Net cash used in financing activities	(2,985,509)	(1,858,858)
Decrease in cash and cash equivalents	(2,748,520)	(4,862,464)
Cash and cash equivalents, beginning of year	8,091,258	12,953,722
Cash and cash equivalents, end of year	$ 5,342,738	$ 8,091,258

Continued

KANSAS ELECTRIC POWER COOPERATIVE, INC.

STATEMENT OF CASH FLOWS

	Year Ended December 31, 1991	1990
Reconciliation of net income to net cash provided by operating activities:		
Net margin (loss)	$ (269,516)	$ 438,692
Adjustments to reconcile net margin to net cash provided by (used in) operating activities:		
Depreciation	2,907,673	2,695,079
Amortization of nuclear fuel	881,092	1,197,992
Amortization of deferred charges	582,645	539,811
Amortization of deferred outage expense	1,546,172	1,200,653
Amortization of bond issue costs	62,045	62,166
Accretion of discount/amortization of premium	(2,255)	3,375
Loss on sales of assets	62,654	173,587
Increase in restricted cash and short-term investments	(4,936)	(11,519)
Increase in investments in associated organizations	17,623	(8,657)
Increase in Wolf Creek Nuclear Operating Corporation investments	(222,669)	(186,549)
(Increase) in decommissioning fund assets	(301,970)	(225,423)
Increase in decommissioning liability	301,970	225,423
(Increase) in deferred incremental outage expense	(3,169,055)	(1,982,553)
Increase in arbitrage payable	118,423	(455,554)
Net change in current assets and liabilities:		
Short-term investments	-	1,001,911
National Rural Utilities Cooperative Finance Corp. patronage capital certificate	5,959	(816)
Accounts receivable	359,766	(361,602)
Materials and supplies inventory	40,582	309,367
Other assets and prepaid expenses	128,730	(27,039)
Accounts payable	1,248,479	8,271
Payroll and payroll related liabilities	6,273	(9,603)
Accrued property taxes	131,570	(1,022,632)
Accrued interest payable	(245,925)	(2,480,098)
Other liabilities	-	(2,160,645)
Total adjustments	4,454,826	(1,515,055)
Total provided from (used in) operations	$ 4,185,310	$ (1,076,363)

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

KANSAS ELECTRIC POWER COOPERATIVE, INC.

NOTES TO FINANCIAL STATEMENTS

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 4a, such depreciation and amortization practices constitute phase-in plans which do not meet the requirements of FASB No. 92, "Accounting for Phase-in Plans." The effect of these departures on the financial statements as of December 31, 1991 and 1990 is to overstate net utility plant by $21,891,571 and $17,578,058, overstate deferred charges by $2,973,796 and $2,415,087, understate the deficit in patronage capital (deficit) by $24,865,367 and $19,993,145, repectively, understate the net loss by $4,872,222 in 1991 and overstate net margin by $4,936,437, in 1990.

2. Summary of Significant Accounting Policies:

a. System of Accounts:

KEPCo maintains its accounting records substantially in accordance with the Federal Energy Regulatory Commission's chart of accounts as adopted by the Rural Electrification Administration (REA) and in accordance with accounting practices prescribed by the KCC.

b. 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 the next 25 years. The composite rates for the years ended December 31, 1991 and 1990 were 1.5362% and 1.4015%, respectively. The provision for depreciation, computed on a straight-line basis, of other components of utility plant are as follows:

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

Depreciation expense other than as set forth in the statements of operations is not significant.

Continued

c. Nuclear Fuel:

Nuclear fuel cost is amortized to 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 kilowatt-hour of nuclear generation to the DOE for the future disposal service. These disposal costs are charged to fuel expense.

d. Investments in Associated Organizations:

Investments in associated organizations 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 a year of the balance sheet date are reflected as a current asset.

e. Cash Equivalents:

All highly liquid investments purchased with an initial maturity of three months or less are considered to be cash equivalents and are stated at cost which approximates market.

f. Short-term Investments:

Short-term investments consist of U.S. Government Agency obligations and are stated at cost which approximates market.

g. Materials and Supplies Inventory:

Materials and supplies inventory for the Wolf Creek Generating Station is stated at cost determined by the average cost method.

h. 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 National Rural Utilities Cooperative Finance Corporation are being amortized using the interest method over the remaining life of the bonds.

i. Decommissioning Fund Assets/Decommissioning Liability:

At December 31, 1991 and 1990, $1,036,248 and $734,278, respectively, has been collected and is being retained in an interest-bearing trust fund to be used for the physical decommissioning of Wolf Creek. 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 percent share of the decommissioning costs for the Wolf Creek Generating Station. These costs are being recovered and charged to operations over the life of the plant.

j. Income Taxes:

In February 1992, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 109, "Accounting for Income Taxes," which requires companies to adopt the new method of accounting for income taxes no later than fiscal year 1993. KEPCo has not adopted early application of the provisions of FASB Statement No. 109 and has not determined the effects that such adoption will have on its financial statements.

Continued

k. Patronage Capital and Other Equities:

Operating margin, net of interest expense, is credited or charged to patronage capital. 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.

l. Rates:

The KCC has authority to establish KEPCo's electric rates subject to times interest earned ratio and debt service coverage requirements set forth by the Rural Electrification Administration (REA).

KEPCo believes it is probable that future rates, as established by the KCC, will allow the recovery of deferred charges. (See note 4.) If subsequent recovery is not permitted, the unrecovered deferred balances would be charged to expense at that time.

m. Revenues:

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

n. Reclassification:

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

3. Wolf Creek Generating Station:

KEPCo owns 6 percent 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%). 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 percent 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 criteria of FASB 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 $4,313,513 and $4,349,926 for the years ended December 31, 1991 and 1990, respectively. In addition, net utility plant would be decreased and the deficit in patronage capital (deficit) unallocated would be increased by $21,891,571 and $17,578,058 at December 31, 1991 and 1990, respectively.

Continued

4. Deferred Charges:

a. 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, as well as interest costs and property taxes related to the disallowed portion for the period from September 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 criteria of FASB No. 92 and accordingly, an additional $558,709 and $586,511 should be charged to expense for 1991 and 1990, respectively. In addition, deferred charges would be decreased and the deficit in patronage capital (deficit) unallocated would be increased by $2,973,796 and $2,415,087 at December 31, 1991 and 1990, respectively.

b. Utility Plant Costs:

Certain utility plant costs were not included in KEPCo's 1985 rate request because the KCC required KEPCo to file the rate request based on projected total utility plant costs. The February 1, 1987 rate order included these costs in KEPCo's rate prospectively. However, no provision was made in the rate order for recovery of the related depreciation, property taxes and interest costs for the period from September 3, 1985 through January 31, 1987. Accordingly, KEPCo included the related depreciation, property taxes and interest costs for the period from September 3, 1985 through January 31, 1987 in deferred charges in the accompanying balance sheets.

The KCC issued a rate order dated February 11, 1988 which provided KEPCo with the option to recover these costs from savings achieved from the refinancing of a certain portion of KEPCo's long-term debt in 1988 or to include them in a future rate request. The Board of Trustees of KEPCo elected to recover the costs from future savings and, accordingly, began amortizing these costs on January 1, 1988 over 26.82 years. Annual amortization will increase over the recovery period.

c. 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.

d. Deferral/Amortization of Wolf Creek Refueling Costs:

On April 9, 1991, the KCC issued an order that allowed KEPCo to defer its 6 percent share of the incremental maintenance and replacement power costs asociated 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. Total costs deferred at December 31, 1991 and 1990 were $2,404,783 and $781,900, respectively. Amortization expense for 1991 and 1990 was $1,546,172 and $1,200,653, respectively.

Continued

5. 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 National Rural Utilities Cooperative Finance Corporation (CFC) and others. Substantially all of KEPCo's assets are pledged as collateral. The terms of the notes are as follows:

	December 31,	
	1991	1990
Mortgage notes payable to the Federal Financing Bank (FFB) at rates varying from 7.316% to 9.366%, payable in quarterly installments through 2018.	$132,262,867	$133,934,072
Mortgage notes payable to the National Rural Utilities Cooperative Finance Corporation at a rate of 10.0281% 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 National Rural Utilities Cooperative Finance Corporation 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.	10,250,000	10,700,000
Floating/fixed rate pollution control revenue bonds, City of Burlington, Kansas, Pooled Series 1985C, variable interest rate (4.385% at December 31, 1991) payable annually through 2015.	42,100,000	42,500,000
	235,952,867	238,474,072
Less current portion	2,870,555	2,665,000
	$233,082,312	$235,809,072

Aggregate maturities of mortgage notes payable to the Federal Financing Bank and National Rural Utilities Cooperative Finance Corporation and floating/ fixed rate pollution control bonds as of December 31, 1991 are as follows:

Year	Amount
1992	$ 2,870,555
1993	3,258,203
1994	3,481,803
1995	3,742,231
1996	4,165,436
Thereafter to 2018	218,434,639
	$235,952,867

At December 31, 1991, KEPCo has approved FFB loans guaranteed by REA with balances of $132,262,867. Of this amount, $5,345,786 currently has a maturity date of March 31, 1992. Upon maturity of each short-term advance, KEPCo may refinance the amount with another two-year advance or elect to refinance with a long-term maturity date of December 31, 2017.

Continued

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.

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.

6. Short-term Borrowings:

KEPCo has available a $12 million line of credit with the CFC which remained unused at December 31, 1991.

7. Operating Lease:

KEPCo leases office space under a noncancellable operating lease expiring on December 31, 1996. The related rental expense for 1991 and 1990 was $98,462 and $89,715, respectively.

Future minimum lease payments for office space and equipment leased at December 31, 1991 are as follows:

Year	Amount
1992	$ 93,073
1993	87,353
1994	81,312
1995	71,532
1996	71,532
	$404,802

The minimum lease payments can be increased to the extent that taxes and insurance paid by the lessor exceed 1990 levels.

8. Pension Plan:

a. National Rural Electric Cooperative Association (NRECA) Retirement and Security Program:

KEPCo participates in the National Rural Electric Cooperative Association (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 is in effect for the period July 1, 1987 through December 31, 1991 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, 1991 and 1990.

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 percent, dependent on the employee's level of participation, of the respective employee's base pay to provide additional retirement benefits. KEPCo contributed approximately $27,846 and $23,050 to the plan in 1991 and 1990, respectively.

Continued

b. Wolf Creek Nuclear Operating Corporation Retirement Plan

KEPCo has an obligation to the Wolf Creek Nuclear Operating Corporation Retirement Plan for its 6 percent 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 Financial Accounting Standards Board (FASB) Statement No. 87. The following is KEPCo's portion of the funded status of the plan:

	December 31,	
	1991	1990
Accumulated benefit obligation:		
Vested	$ 215,040	$ 160,500
Nonvested	101,620	77,880
Total	$ 316,660	$ 238,380
Determination of plan assets less obligations:		
Fair value of plan assets (a)	$ 507,660	$ 428,820
Projected benefit obligation (b)	952,740	(662,040)
Difference	$(445,080)	$(233,220)
Reconciliation of difference:		
Contributions to trusts:		
Accrued liability	$(246,840)	$(105,120)
Unamortized transition amount	(145,140)	(152,400)
Unrecognized net gain	12,300	59,160
Unrecognized prior service cost	(65,400)	(34,860)
Difference	$(445,080)	$(233,220)

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

(b) Based on discount rate and rate of increase in future salary levels of 8% and 6%, respectively.

Long-term rate of return on plan assets of 8% was used.

Components of provisions for pensions:

	1991	1990
Service cost	$128,160	$127,680
Interest cost on projected benefit obligation	52,920	42,240
Actual return on plan assets	(69,960)	(4,920)
Other	40,380	(17,100)
Total pension expense	$151,500	$147,900

9. Income Taxes:

At December 31, 1991 , KEPCo had unused net operating loss carryforwards available to reduce future taxable income and investment tax credit carryforwards as follows:

Available Through	Net Operating Loss Carryforwards (Book Basis)	Net Operating Loss Carryforwards (Tax Basis)	Investment Tax Credit Carryforwards
1996	$ -	$ 7,160,000	$ -
1997	-	12,410,000	203
1998	-	17,123,000	896
1999	194,274	21,468,000	1,210
2000	1,977,542	4,442,000	7,731,327
2001	2,885,169	3,899,000	-
2002	1,292,882	4,263,000	-
2003	-	-	-
2004	-	1,562,000	-
2005	-	1,683,000	-
2006	269,516	2,720,000	-
	$6,619,383	$76,730,000	$7,733,636

The difference between the net margin (loss) shown in the accompanying financial statements and the net operating losses for tax return purposes for 1991 and 1990 is due primarily to operating expenses deferred for financial statement purposes and expensed for tax return purposes and timing differences related to depreciation expense and deferred refueling costs.

An income tax provision based upon the margin shown in the accompanying financial statements of approximately $180,000 for 1990 has been offset by the realization of the tax benefit of operating loss carryforwards. This tax provision and the offsetting benefit has not been presented in the statement of operations. As there was a net loss in 1991, no income tax provision has been recorded in 1991.

10. Contingencies:

a. 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.

KG&E is one of the defendents in a case where the plaintiff claims damages because of his termination and his activities relating to the Q-1 program at Wolf Creek. His original complaint alleged nine counts of civil RICO Act claims seeking $23 million in damages. All the RICO claims have been dismissed by the court, but the plaintiff has filed amended complaints alleging Kansas common law claims seeking $6 milion in compensatory damages and $30 million in punitive damages. The discovery has been suspended and motions to dismiss the amended claims have been pending since last June. The probable, potential liability, if any, cannot be determined at this time.

As in the case with other electric utilities, the Cooperative, from time to time, is subject to various actions which occasionally include punitive damage claims. The Cooperative maintains insurance providing liability coverage; however, the insurance companies generally reserve the right

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to challenge insurance coverage for punitive damage recoveries. In the opinion of the general counsel of the Cooperative, there is not a significant probability that, as a result of pending or threatened personal injury actions, the Cooperative will be liable for payment of actual or punitive damages in an amount material to the financial position of the Cooperative.

b. Nuclear Liability and Insurance:

The Price-Anderson Act currently limits the public liability, including attorney costs, of nuclear reactor owners for claims that could arise from a nuclear incident to $7.807 billion. Accordingly, KEPCo and other owners of Wolf Creek have liability insurance coverage of this amount which consists of the maximum available private insurance of $200 million and Secondary Financial Protection (SFP). The 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 $63 million ($3.8 million - KEPCo's share), plus 5% for attorney costs. The owners of Wolf Creek are jointly and severally liable for these charges, payable at a rate not to exceed $10 million ($600,000 - KEPCo's share) 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 $2.515 billion. Nuclear insurance pools provide $1.265 billion of coverage. Nuclear Electric Insurance Limited (NEIL) provides $1.250 billion. In the event of an accident, insurance proceeds must first be used for reactor stabilization and site decontamination. The remaining proceeds from the $2.515 billion insurance coverage ($151 million KEPCo's share), if any, can be used for property damage up to $135 million (KEPCo's share) and premature decommissioning costs up to $16 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 $882,495 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 the KEPCo and could have a material adverse effect on the KEPCo's financial condition.

c. Nuclear Fuel Commitments:

At December 31, 1991, Wolf Creek's nuclear fuel commitments (KEPCo's share) were approximately $2.6 million for uranium concentrates through 1997, $18.8 million for enrichment through 2014 and $6.6 million for fabrication through 2014.

d. REA Development:

KEPCo has received notification from the REA that the REA has not approved KEPCo's audited financial statements for the years ended December 31, 1988, 1989 and 1990 because such financial statements are not in conformance with generally accepted accounting principles as discussed in Note 1. In the opinion of management, such non-approval of KEPCo's financial statements will have no significant impact on KEPCo's financial condition and will not impair its ability to refinance existing debt.

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11. <u>Other Matters:</u>

On February 14, 1992, the KCC staff and KEPCo submitted a stipulation and agreement to the KCC for approval. The terms of the stipulation and agreement provides for an increase in KEPCo's energy rate of 2.5 mills per kWh effective April 1, 1992.