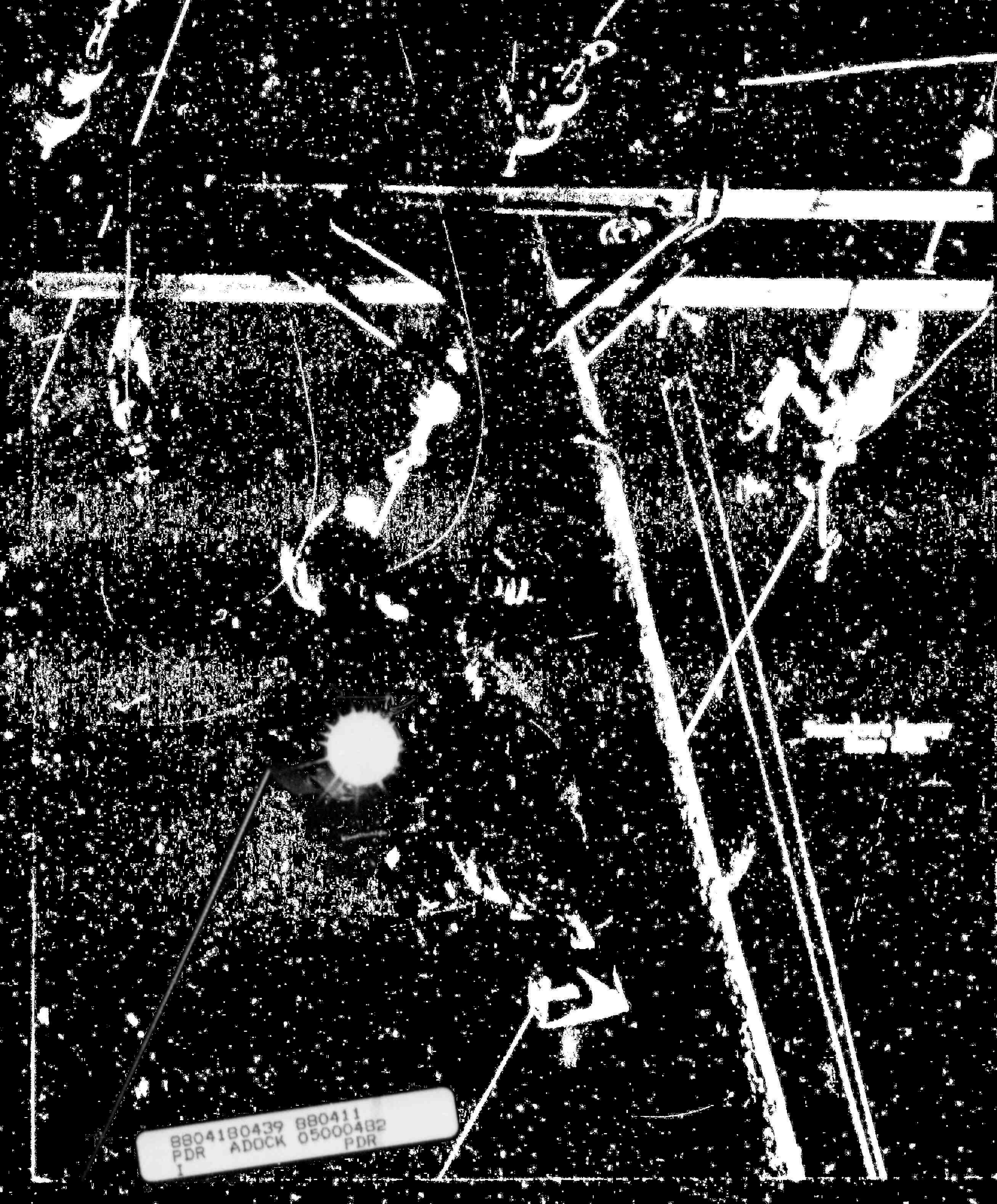
KANSAS CITY POWER & LIGHT COMPANY

1987 ANNUAL REPORT



## ON THE COVER

Lead lineman-splicer John Osborn, a 25-year KCPL veteran, works on overhead lines to keep electric service flowing to customers, reflecting KCPL's long-standing commitment to providing safe, reliable and reasonable-cost service. Following a difficult year of austere transition, in 1987 employees Company-wide focused their efforts on improving efficiency and productivity while controlling costs, allowing the Company to regain a firmer financial footing.

These efforts, along with the Company's increased awareness of the needs of its shareholders, customers and employees, have fostered a new spirit—a competitive edge—which will enable KCPL to meet the competitive challenges of the future.

## 1988 ANNUAL MEETING

The 1988 Annual Meeting of Stockholders will be held on Tuesday, April 26, 1988, at 10:00 a.m., in the 4th floor auditorium of the Company's offices at 1330 Baltimore Avenue, Kansas City, Missouri. Shareholders of record on March 7, 1988, are eligible to vote at the meeting and will be mailed a notice of meeting, proxy statement and form of proxy.

## CORPORATE OFFICES

1330 Baltimore Avenue
Kansas City, Missouri 64105

## MAILING ADDRESS

P.O. Box 418679
Kansas City, Missouri 64141

## CONTENTS

# Highlights of the Year

| | 1987 | 1986 | Percent Increase (Decrease) |
|---|---|---|---|
| Total operating revenues (000s) | **$ 704,839** | $ 664,870 | 6.0 |
| Net income (000s) | **$ 103,982** | $ 106,458* | (2.3) |
| Earnings available for common (000s) | **$ 93,100** | $ 86,485* | 7.6 |
| Average number of shares | **30,954,363** | 30,942,149 | — |
| Per common share: | | | |
| Earnings | **$ 3.01** | $ 2.80* | 7.5 |
| Net non-cash credits** | **$ .66** | $ 1.56 | (57.7) |
| Dividends | **$ 2.12** | $ 2.09 | 1.4 |
| Book value | **$ 28.44*** | $ 27.79* | 2.3 |
| Dividend payout (%) | **70** | 75* | (6.7) |
| Construction expenditures (000s) | **$ 78,648** | $ 72,386 | 8.7 |
| Electric and steam heat plant (000s) | **$2,953,582*** | $2,899,668* | 1.9 |
| Return on year-end common equity (%) | **10.6*** | 10.1* | 5.0 |
| **Capitalization** (% total)*** | | | |
| Common equity | **44.0*** | 41.5* | |
| Preferred and preference stock | **5.0*** | 6.4* | |
| Long-term debt | **51.0*** | 52.1* | |
| **Selected Statistics** | | | |
| Kilowatt-hour sales (000s) | **9,827,924** | 9,323,859 | 5.4 |
| Peak load — summer (kw) | **2,531,000** | 2,373,000 | 6.7 |
| Peak load — winter (kw) | **1,514,000** | 1,490,000 | 1.6 |
| Fuel mix (%) | | | |
| Coal | **76.8** | 73.8 | |
| Oil | **.3** | .4 | |
| Natural gas | **.1** | .2 | |
| Nuclear | **22.8** | 25.6 | |
| Average electric fuel cost ($/million Btu) | **$ .950** | $ 1.050 | (9.5) |
| Number of employees | **2,799** | 2,771 | 1.0 |
| Number of stockholders | **40,413** | 41,363 | (2.3) |

*The Company will apply FASB Statements No. 90 and 96 in the first quarter of 1988 by restating the 1986 financial statements. After restatement, 1986 net income will be $10,369,000 and earnings available for common stock and earnings per common share will reflect a loss of $(9,604,000) and $(.31). Other statistical information noted above will change accordingly. See Note 2 for further discussion.

**Allowance for funds used during construction and deferred Wolf Creek carrying costs and operating expenses net of associated deferred income taxes and the deferred cost of equity resulting from the MPSC rate phase-in plan.

***Exclusive of long-term debt and preferred and preference stock included in current liabilities.

- *A. Drue Jennings elected President of the Company*
- *1987 earnings increase 7.5% to $3.01 per common share; earnings quality continues to improve*
- *Quarterly common stock dividend increased 12% to 56 cents per share*
- *$125 million of debt, preferred and preference stock redeemed or purchased*
- *Wolf Creek completed second year of commercial operation, established two-year U.S. nuclear generation record*
- *Coal units record fifth consecutive year of improvements in operating performance*
- *Increase in customers and warmer summer weather lead to record kwh sales and new peak demand; interchange sales reach all-time high*
- *Rate matters settled in Missouri and Kansas; a period of rate stability begins*
- *Moody's, Duff & Phelps raise First Mortgage Bond ratings*

# To Our Shareholders

By all measures, 1987 was a particularly gratifying year. Meaningful progress was accomplished in virtually every aspect of our business, thus moving us significantly closer to our goal of full fiscal recovery. Most heartening is the fact that all the Company's constituencies — its shareholders, its customers and its employees — shared in that success.

*Arthur J. Doyle A. Drue Jennings*

Our financial health improved sufficiently by mid-year that on August 4 the Board of Directors declared an increase in the quarterly common stock dividend to 56 cents per share, restoring two-thirds of the dividend reduction made in May 1986. That action reflects continued confidence in our expectations for earnings growth, enabling restoration of the entire dividend cut and resumption of dividend growth at an early date.

For the year, earnings per common share were $3.01, an increase of 7.5% from the $2.80 reported in 1986. More significant was the improvement in earnings quality: In 1987, non-cash items comprised 22% of total earnings, a substantial reduction from the 56% non-cash portion in 1986.

Our credit ratings were upgraded by Duff & Phelps, Inc., and again, for the second straight year, by Moody's Investors Service. Redemptions and refinancings helped us reduce interest charges and preferred and preference dividend requirements by about $15 million annually.

Reaching agreement with our regulatory commissions on several significant matters, we eliminated much of the regulatory uncertainty prevailing since completion of Wolf Creek Generating Station. Issues relating to Wolf Creek's completed cost were resolved, including the amount of disallowances that will result in a write-off of about $96 million on an after-tax basis. We will reflect this write-off in the first quarter of 1988 by restating 1986 financial statements.

Continued cost containment efforts and reduced federal income tax rates, coupled with favorable sales growth, have enabled us to reduce electric rates for Kansas customers and cancel part of the increases scheduled for Missouri customers. Our electric rate levels in the two states will be comparable by mid-1988.

While continuing to commit personal time and resources to their community, our employees responded admirably to our requests to increase efficiency and cut costs — to do more with less. Expanded Quality Circle programs provided the opportunity for more employees to actively participate in improving day-to-day Company operations. On July 15, members of IBEW Local No. 1464, representing our Transmission and Distribution workers, accepted a new 42-month collective bargaining agreement, concluding more than five years of negotiations. The Company now has contracts with the three IBEW Locals representing all our collective bargaining employees.

Through departmental realignments in early 1987, we have given new emphasis to the goal of improving customer service by better assessing customer needs, analyzing ways to meet those needs, and increasing productivity to hold down our cost of electric service.

While experiencing the first full calendar year of cost-saving programs implemented under our Fiscal Recovery Program, our Company saw the number of customers we serve increase 11,509, up 3% over 1986, to a total of almost 397,000. As a result, kilowatt-hour sales surged to a record 9.8 billion for the year, up 5.4%. This growth also pushed our system to a new peak demand of 2,531 megawatts on July 31, surpassing the 1986 peak by 6.7%.

Encouraged by our successes and by our ability to sustain the momentum begun last year, we find reinforcement for our commitment to become the "preferred supplier of electricity" in our increasingly competitive environment. With regulatory uncertainty behind us and no major power plant construction immediately before us, we have now focused our energies more clearly on operating an efficient, customer-oriented electric company, and striving for a competitive edge in pricing our product.

We are mindful, however, of the impact that rapid growth and demand for our product can have on future capital requirements. Perhaps our greatest challenge will be to accommodate growth while containing investment in new generating facilities in order to remain price competitive.

During the year, we completed KCPLAN '87, our updated long-range strategy to meet customer requirements reliably and at the least possible cost. Because we have an exemplary complement of low-cost coal and nuclear base-load generating facilities—which achieved a record 83% system availability in 1987—we have every expectation of meeting that challenge. KCPLAN '87 outlines several options for meeting higher demands without adding any capital-intensive new base-load capacity till 1999. Those options include economical capacity and energy purchases from other utilities, upgrading and rehabilitation of generating units, and load management.

In the months and years ahead, the electric utility industry will see major changes. Increasing competitive pressures will call for innovative business plans and flexible resource strategies. For our Company, 1987 was a pivotal year; we completed the transition from major construction to stable operations. As we enter 1988, we are pleased to note that KCPL is now a profitable, price-competitive, full-service electric energy company. We are confident that in 1988 further significant progress will be made by the Company toward full fiscal recovery.

For the Board of Directors

Arthur J. Doyle
*Chairman of the Board*

A. Drue Jennings
*President*

*February 12, 1988*

# THE COMPETITIVE EDGE
# EMPLOYEES

To succeed in an environment of increasing competitive pressures, KCPL must maintain and enhance customer service while containing and reducing business costs. In the past year, we have achieved significant successes in each of these areas as KCPL employees have gained more confidence in their abilities and have become more determined to regain their Company's competitive edge.

## Thrift

Employees Company-wide have achieved significant cost-savings under the Fiscal Recovery Program. In 1987, the Company realized its first full year of those economies.

- After four years of effort, negotiations in mid-1986 netted $23 million lower rail transportation costs for coal in 1987 through a new long-term agreement. KCPL's total delivered fuel costs are now approximately 95 cents per MMBtu, one of the lowest system fuel costs in the industry.
- Refinancing of higher cost debt and preferred and preference stock reduced long-term debt interest charges and preferred and preference dividend requirements by about $15 million for 1987.
- Adherence to stringent budgets and cautious spending shaved both construction expenditures and operation and maintenance costs.
- A recently released study by an independent national consulting firm ranked KCPL's Iatan unit as the fourth lowest cost energy producer of over 380 coal-fired units surveyed.

Additional savings resulted from the Tax Reform Act of 1986, which reduced federal income tax obligations.

## Performance

Outstanding operating performances Company-wide also played a major role in controlling dollar outlay for 1987—performances especially laudable in light of budget and manpower restrictions.

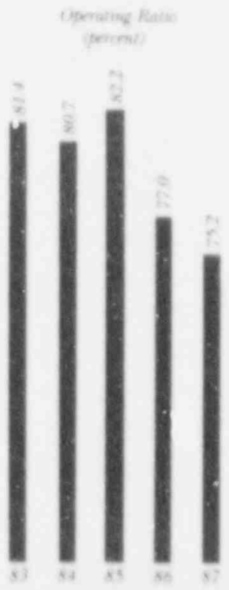
- Systemwide, KCPL's generating system of eight baseload coal and nuclear units posted an average availability of 83%.
- Establishing a new record for the Company and exceeding industry averages, our seven coal-fired units achieved an average availability of over 86%. Leading the list was LaCygne Unit #2 with an average availability of over 96%, a new KCPL record. In addition, those seven units had an equivalent availability of nearly 82%, recording the fifth consecutive year of improving plant performance.
- In September, our Wolf Creek nuclear unit completed its second full year of successful commercial operation. During its first two years of commercial operation, Wolf Creek generated more than 16 billion gross kilowatt-hours, a record for U.S. nuclear power plants.
- High unit availability, low fuel costs and aggressive marketing boosted interchange sales to over 3.3 billion kwh for the year, setting a new Company record for the third straight year. Recorded as a reduction in operating expense, net interchange sales directly offset 1987 production costs by $44 million, a 13% improvement over 1986.
- Operating heat rate (a measure of plant efficiency based on the amount of heat needed to produce a kilowatt-hour) for fossil plants system-wide was 10,713 Btu per kwh, an improvement over 1986.
- Conversion of the three units at Montrose Station from high- to low-sulfur coal operation was completed during the year. With the exception of LaCygne Unit #1, all the Company's coal-fired capacity is now fueled with low-sulfur coal, taking even greater advantage of reduced coal costs and helping avoid the adverse impact of potential acid rain legislation.

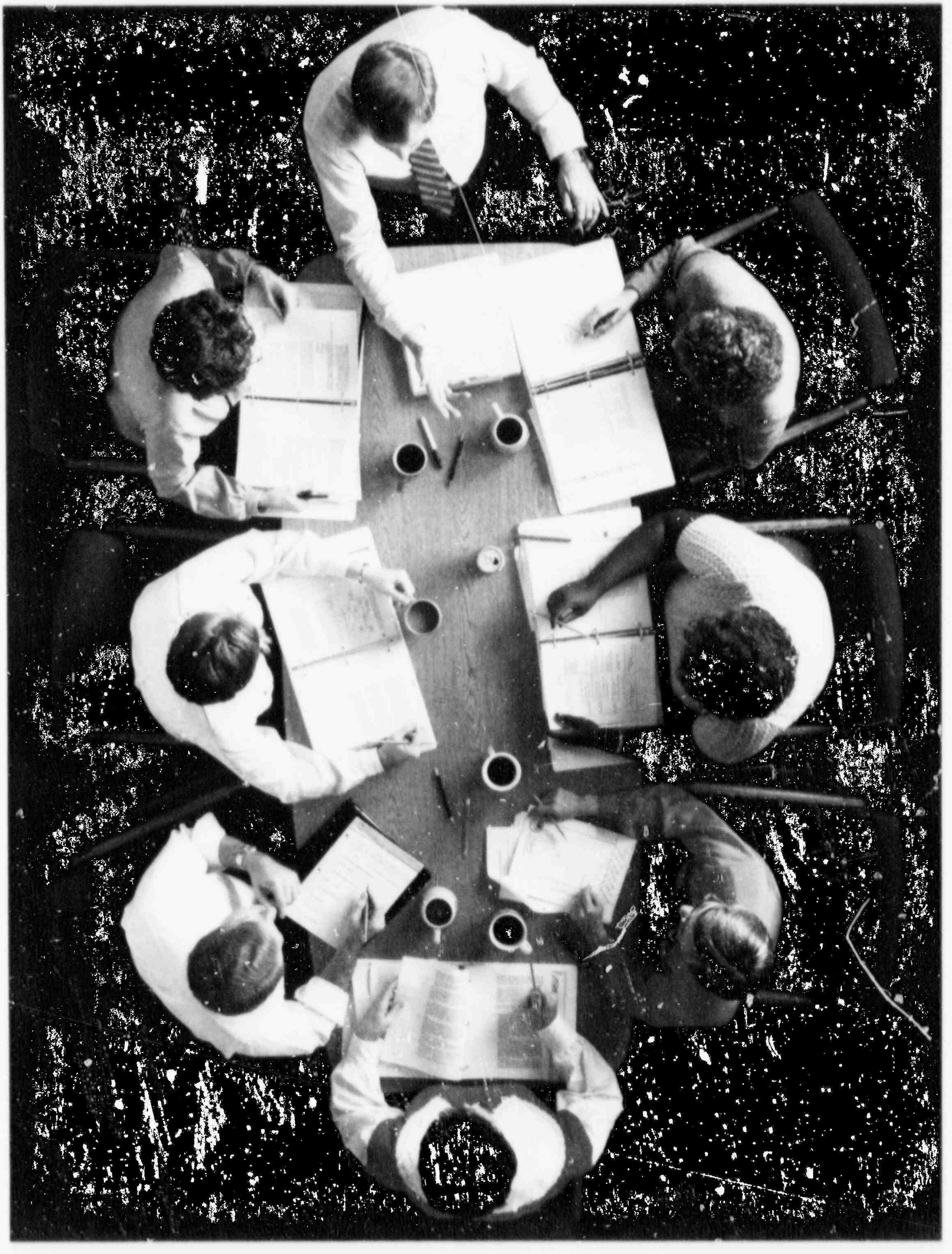
*The Company's recently implemented employee involvement programs provide opportunities for employees to actively participate in improving day-to-day corporate operations. The programs include all manual, office and clerical workers.*

*As part of the Quality Circles program, employees from the Accounting Division (right) work together to identify problems and present solutions to management.*

*Eleanor Blount, a customer communications representative (left), is one of many dedicated employees who staff the Customer Communications Center, which is open 24 hours per day. As a result of improvements made in 1987, including a newly installed telephone system and a redesigned bill format, the Company is now able to handle customer inquiries more effectively.*

*Due to favorable external factors and aggressive internal cost cutting, the ratio of operating expenses to operating revenues (below) continued to decline in 1987.*





*The on-going residential and commercial construction boom in the metropolitan Kansas City area includes downtown residential projects such as Union Hill in the midtown area, and Quality Hill (pictured at left) near the heart of Kansas City.*

*Dave Wagner, marketing architect in technical support (right), helps customers in planning for and making the most efficient use of their electric heating and lighting service. Vision 2000, the Company's strategic customer service plan, focuses Dave's efforts and those of others on proactively meeting the changing needs of our customers.*

*Following a record increase in 1986, the number of customers served by the Company increased 3.0% to about 397,000 in 1987 (below), reflecting the continuing prosperity of the local economy.*


# The Competitive Edge Customers

Though the pace of new construction shows signs of moderating, Kansas City's diverse economy and central location continue to spur the area to revitalization, growth and prosperity. The total number of customers we serve has grown by more than 13% since 1981, including a net gain of 11,509 in 1987. To succeed within our changing environment, we must continue to meet the increasing demand from this growing number of customers while maintaining competitive prices. We must provide adequate, reliable electric service, along with first-class customer service to affirm and sharpen our competitive edge.

### Demand

Currently more than 29 million square feet of large commercial projects (50,000 square feet or more) are currently under way or in the planning stage. Completion of AT&T's Town Pavilion, One Kansas City Place and other projects has reshaped the Kansas City skyline. Residential construction has also grown at a brisk pace. In 1987, more than 13,600 housing permits were issued in the metropolitan area. For KCPL, this growth translated into more customers, more sales and higher demand.

Total electric kilowatt-hour sales in 1987 were the highest ever at 9.8 billion kilowatt-hours, up 5.4% over 1986. The biggest increase, 7.4%, came in the residential sector, followed by commercial at 6.2% and industrial at 2.2%.

Electricity use set a series of four peak load records during the last week of July, topping out at 2,531 mw on July 31. The demand outstripped the previous record demand — 2,373 mw established in 1986 — by 6.7%. In addition, KCPL customers established a winter peak demand of 1,514 mw in December 1987, and shortly thereafter set a record winter peak demand of 1,573 mw on January 6, 1988, 5.6% higher than the 1986 high of 1,490 mw.

### Supply

Today's competitive environment calls for innovative, flexible strategies to provide customers with the electricity they need in a reliable and low cost manner. KCPL's blueprint for meeting these energy needs is KCPLAN '87.

From its beginning in 1981, KCPLAN has involved a 17-member Citizens Advisory Planning Group, consisting of business and community leaders, in its development and periodic revision. The latest update, KCPLAN '87 reflects our ongoing transition from an era of intense construction with heavy capital requirements to a period of reduced construction requirements. In positioning the Company to meet intensified competition in the future, one objective of KCPLAN '87 is to defer as long as possible construction of new baseload capacity, historically the single largest capital expense for both the Company and its customers.

KCPLAN '87 focuses on several options to meet increased customer electrical needs through the year 2006 — economical options with the flexibility necessary to adapt to a changing business environment. Major elements of the plan include:

*Capacity purchases* — Off-system purchases will be our major capacity strategy in the short term. Our cost for the purchased power is much less than the fixed cost of new generation, making the resource an economical alternative. We may contract to buy up to 525 mw through 1995 and possibly beyond.

*Unit uprating* — We are studying the feasibility of boosting output by 18 mw at our baseload LaCygne Station through various hardware modifications to Unit #2. In addition, we are considering pursuing the relicensing of Wolf Creek Generating Station to operate at five percent greater capacity. The so-called "stretch rating" could add another 25 mw to our system capacity with no facility changes.

*Unit rehabilitation* — Studies indicate that we could economically reactivate units #3 and #4 at Hawthorn Station as natural gas-fired peaking units. For a relatively low capital outlay, we would gain 221 mw of peaking capacity. Plus, we would have the flexibility at a later date to convert the units to burn low-sulphur western coal if desirable.

*Waste-to-energy facility*—KCPL is investigating the feasibility of a waste-to-energy facility developed jointly with Wheelabrator Environmental Systems Inc. of New Hampshire. Wheelabrator would build and operate the refuse plant; KCPL would purchase the steam to produce electricity for customers. The project would help address the area's problem of dwindling landfill space for solid waste disposal, while providing the Company with 20–40 mw of generating capacity.

*Load management*—To help reduce the need for additional capacity by shaving peak load growth, KCPLAN '87 recommends an integrated program of load management and rate design. This includes the cycling of residential air cooling compressor units, lowering the overall peak demand without affecting the customer's comfort level, and the pricing of electricity based on how much the electricity costs to produce depending upon when, where and how the customer uses it. System planners estimate that load management programs could reduce peak load by over 140 mw over the next 20 years.

*Unit additions*—In order to continue to meet customers' demand we anticipate the need to add some combustion peaking turbines over the next two decades, plus some baseload capacity near the turn of the century.

## Price Stability

KCPLAN '87 mirrors KCPL's commitment to be a competitive energy provider in our region. Our commitment to price stability is also evidenced in actions taken with our regulators in 1987. During the year, both the Kansas and Missouri commissions approved proposals to reduce existing rates or forego part of the rate increases already approved and scheduled. Our Company was pleased to be able to return to customers the benefits of reduced federal income taxes resulting from the Tax Reform Act of 1986, lower borrowing costs, economies achieved by our intense belt-tightening measures and increased electricity consumption.

In Kansas, KCPL reduced rates by 2% in August 1987 and scheduled a 4.85% reduction for August 1, 1988, saving a total of $14.7 million for Kansas customers annually. We further agreed not to seek increases prior to 1990 because of load growth and not to seek increases prior to 1991 relating to the increase in valuation of Wolf Creek agreed to by the Kansas commission.

In Missouri, we agreed to cancel future annual increases scheduled in the Wolf Creek phase-in plan after implementing the 2.2% increase set for May 1988. That amounts to about $90 million in savings for Missouri customers through April 1993.

Along with the savings, customers can look forward to several years of price stability.

## Service

In outpacing the competition, an essential companion to reliable electric service is first-rate customer service. KCPL's strategy to enrich customer service efforts is characterized as *Vision 2000,* working now to develop a more customer-oriented, market-driven company in the future.

Elements of the strategy include:

- Developing a highly trained group to provide more personalized service and technical advice to customers.
- Providing a greater number of rate options to meet various energy requirements and usage patterns of customers.
- Continuing involvement in community, civic, charitable, and business organizations.
- Emphasizing load management.
- Implementing direct sales programs to increase off-peak energy use.
- Focusing on changing customer needs.

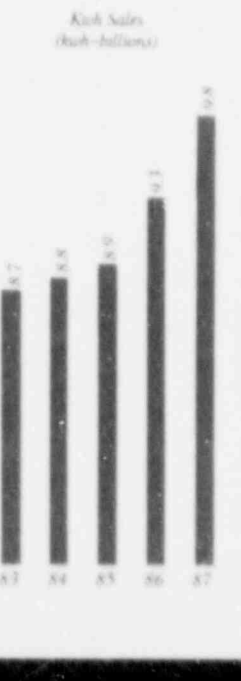
Changes in time and technology will necessitate changes in day-to-day implementation of *Vision 2000.* However, the strategy's overriding goals—goals that complement KCPLAN—will remain constant: To provide a quality product; to provide what the customer wants at a competitive price; and to provide top-notch customer service.

***The recently completed AT&T Town Pavilion and One Kansas City Place highlight Kansas City's new skyline, providing a scenic backdrop for two KCPL cable splicers (right).***

***KCPL's Gatekeeper Program trains meter readers, like Melanie Corum (above), to pay particular attention to the special needs of certain customers, such as the elderly.***

***High unit availability, reduced fuel costs and aggressive marketing by people like Joe Pluff, supervisor in the system control center (left), pushed 1987 interchange sales to a record 3.3 billion.***

***Customer growth and warmer summer weather helped boost 1987 kwh sales to a record 9.8 billion (below).***

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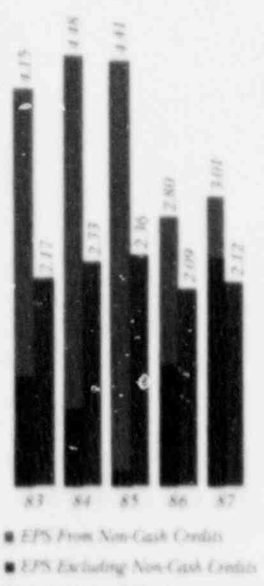
*Pat Winfiel, coordinator-shareholder relations (left photo), takes a personal interest in shareholders and their inquiries. She and fellow coordinator Jacquetta Hartman (right photo) handle several hundred letters and calls from shareholders each year. By monitoring shareholder inquiries and conducting a shareholder survey in 1987, the Company has endeavored to improve all aspects of shareholder service.*

*Internal cost-cutting efforts and strong kilowatt-hour sales helped boost 1987 earnings to $3.01 per common share (below), a 7.5% increase over 1986's per share earnings. Significantly, the quality of earnings continued to improve as net non-cash credits accounted for 22% of 1987 earnings. In August 1987, the Board of Directors increased the quarterly common stock dividend to 56 cents, restoring two-thirds of the dividend cut made in May 1986.*

*Earnings and Dividends Per Common Share ($/share)*




# The Competitive Edge Shareholders

Coherent and well-defined positioning strategies for the future are requisite for a company and its shareholders as the electric utility industry moves from a known regulatory environment to an uncertain one. KCPL and its employees are optimistic that today's plans and continued diligence will give our Company tomorrow's competitive edge.

**Fiscal Recovery**

Financial statistics for 1987 point to KCPL's considerable progress toward fiscal recovery over the last 22 months.

*Results*—Record kilowatt-hour sales pushed 1987 operating revenues to $704.8 million, up 6.0% over 1986. Operating expenses for the year amounted to $530.2 million, a 3.6% increase over 1986. Kilowatt-hour generation increased 7% over 1986, satisfying increased customer demand and allowing for record interchange sales for the third year in a row. At the same time, average fuel cost per million Btu decreased 10%. Even with the increased generation, total fuel cost, the largest single expense item, decreased 2.5% from 1986. The overall increase in operating expenses resulted from additional general taxes and the amortization of deferred Wolf Creek costs.

Earnings for the year were $3.01 per common share, up 7.5% from 1986. Significantly, the quality of earnings and cash flow from operations have improved dramatically. In 1987 non-cash credits accounted for only 22% of earnings, compared to 56% in 1986. Non-cash credits include net allowance for funds used during construction, net deferred Wolf Creek carrying costs and operating expenses, and the deferred cost of equity resulting from the Missouri Public Service Commission phase-in plan. Earnings available for common stock in 1987 also reflect a $15.4 million saving, or 12.8% decrease in interest charges and preferred and preference dividend requirements due primarily to refinancings and refundings.

*Redemptions*—The Company accomplished several redemptions and one refinancing in 1987:

- January—redeemed a 16⅛%, $50 million first mortgage bond.
- March—redeemed the $17.05 series preferred stock and purchased the $12.875 series preferred stock and the $12.75 series preference stock.
- September—redeemed the $13.25 series preferred stock.
- October—refinanced $90 million of variable rate pollution control bonds.

*Ratings*—Because KCPL's financial health has improved substantially and prospects continue to look promising, several agencies upgraded our credit ratings during the year:

- Duff & Phelps, May 14, raised its ratings on the Company's first mortgage bonds, mortgage bonds, and secured pollution control revenue bonds to D&P-7 (low single A) from D&P-8 (high triple B). The firm raised the rating on the Company's preferred stock to D&P-8 from D&P-9 (middle triple B).

- Moody's Investors Service, Inc., June 15, raised our first mortgage and secured pollution control revenue bonds to A3 from Baa1, mortgage bonds to Baa1 from Baa2, preferred stock to baa1 from baa2 and unsecured pollution control revenue bonds to Baa2 from Baa3.

**Shareholder Support**

In the midst of efforts to improve efficiency while reducing costs, the Company also took steps to improve the quality of service to shareholders, as well as improve communications with investors, analysts and other members of the financial community.

In the area of shareholder relations, the Company has endeavored to enhance the quality of shareholder services. For example, to improve the Company's responsiveness to such common requests as the issuance of stock certificates or replacement dividend checks, we selected a new transfer agent, located in Kansas City. Stock certificates are now printed and mailed locally, allowing the Company to issue most new stock certificates within 24–30 hours after a request is received.

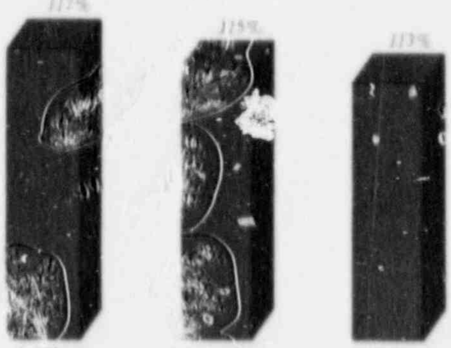
In 1987, the Company conducted a survey among shareholders of common stock. A large majority indicated they were "pleased" or "very pleased" with shareholder services and communications.

In addition, many helpful suggestions were made by shareholders. The Company is working to implement as many of these as practicable.

During 1987, a period of change for both KCPL and the stock market, ensuring the fair valuation of KCPL securities became increasingly important. As part of an ongoing investor relations program, the Company hosted meetings with key members of the financial communities in New York and other east coast cities. We provided them with information about financial and operating results, regulatory developments and opportunities that lie ahead for KCPL. Such meetings foster a clearer understanding of the Company's prospects among the financial community, which affords greater opportunity for KCPL's common stock to be fairly valued in the marketplace.

To remain competitive, KCPL must also continue to provide a competitive return to shareholders. As indicated by the comparative total return graph below, KCPL as an investment has performed competitively with both Standard & Poor's 500 stock index and the electric utility industry over the past five years. The graph suggests that $10,000 invested in KCPL common stock at the end of 1982, with dividends reinvested, would have grown to about $21,700 at the end of 1987. This 117% return is approximately equivalent to a 17% average annual return over this five-year period.

*Investment Results for Selected Investments: Five-Year Total Returns 1983–1987*




## Administrative Developments

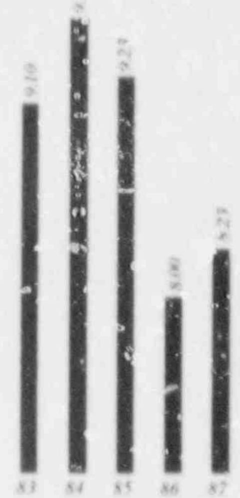
*President* — On May 5, the Board of Directors named A. Drue Jennings President of KCPL. Senior Vice President of Marketing and Public & Employee Relations since May 1986, Jennings succeeds Arthur J. Doyle, who continues as Chairman of the Board and Chief Executive Officer.

Jennings, 41, joined the Company in 1974 as a staff attorney from private law practice. He was appointed Assistant General Counsel in 1978 and became General Counsel the following year. He assumed the additional responsibilities of Assistant Secretary in 1980, became Vice President in 1983 and Senior Vice President in 1986.

Additionally, the Board appointed J. Michael Evans, 42, to the office of Senior Vice President of System Operations. In his new position, Evans has responsibility for Transmission and Distribution Operations in addition to System Power Operations.

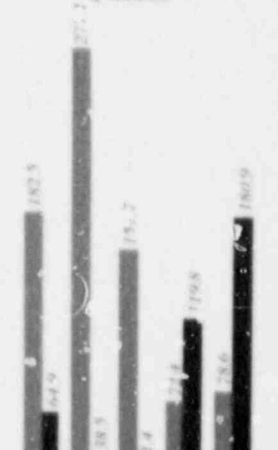
*Board members* — At the annual meeting on April 28, 1987, shareholders elected 19 incumbent and two new directors to KCPL's board. The new directors are A. Drue Jennings, Company President, and Robert J. Dineen. Dineen, 58, is President and Chief Executive Officer of The Marley Company, a Kansas City-based diversified manufacturing and service company. Dineen joined Marley in 1983 as President and Chief Operating Officer, after serving as President and Chief Executive Officer of an Illinois farm equipment company.

*Embedded Cost of Long-Term Debt (percent)*




*Pretax Interest Coverage Excluding AFDC and Other Deferred Income (times)*


*Construction & Internal Funds ($ millions)*

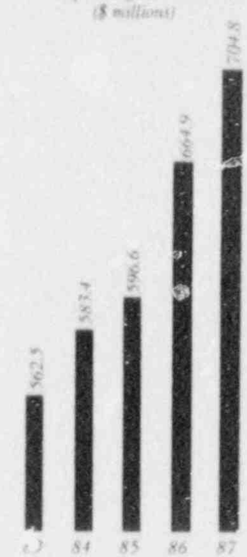



Construction Expenditures (Excl. AFDC)

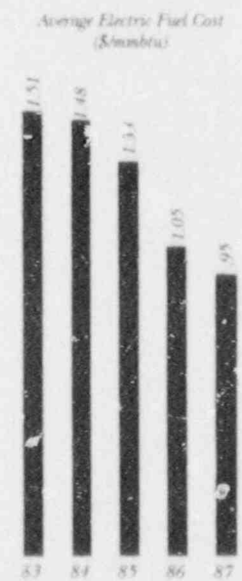
Internal Funds*

# FINANCIAL SUMMARY










◄ **Represents Net Cash Provided by Operating Activities less Dividends Declared and Allowance for Borrowed Funds Used During Construction.*

# STATEMENTS OF INCOME

| | | Year Ended December 31 1987 | 1986 (thousands) | 1985 |
|---|---|---|---|---|
| **Operating Revenues** | Electric | $ 696,665 | $ 654,387 | $ 583,113 |
| | Steam heat | 8,174 | 10,483 | 13,508 |
| | Total | 704,839 | 664,870 | 596,621 |
| **Operating Expenses** | Operation | | | |
| | Fuel | 141,752 | 145,451 | 163,003 |
| | Interchange power (net) | (44,090) | (39,159) | (23,371) |
| | Other | 122,668 | 123,525 | 109 255 |
| | Maintenance | 75,143 | 73,509 | 70,841 |
| | Depreciation | 83,412 | 84,177 | 62,443 |
| | Taxes *(See statements)* | | | |
| | Income | 67,961 | 66,289 | 62,560 |
| | General | 73,831 | 64,951 | 59,8?1 |
| | Deferred Wolf Creek expenses and amortization *(Note 3)* | 9,500 | (6,904) | (14,344) |
| | Total | 530,177 | 511,839 | 490,278 |
| **Operating Income** | | 174,662 | 153,031 | 106,343 |
| **Other Income and Deductions** | Allowance for equity funds used during construction | (16) | (1,345) | 64,590 |
| | Deferred Wolf Creek carrying costs *(Note 3)* | 8,700 | 38,407 | 42,522 |
| | MPSC rate phase-in plan *(Note 3)* | 14,866 | 16,714 | — |
| | Miscellaneous—net of income taxes | 512 | 744 | (2,429) |
| | Total | 24,062 | 54,520 | 104,683 |
| **Income Before Interest Charges** | | 198,724 | 207,551 | 211,026 |
| **Interest Charges** | Long-term debt | 89,723 | 97,747 | 98,824 |
| | Short-term notes | 3,347 | 1,299 | 1,778 |
| | Miscellaneous | 1,708 | 1,868 | 1,365 |
| | Allowance for borrowed funds used during construction | (36) | 179 | (46,062) |
| | Total | 94,742 | 101,093 | 55,905 |
| **Yearly Results** | Net income | 103,982 | 106,458* | 155,121 |
| | Preferred and preference stock dividend requirements | 10,882 | 19,973 | 21,867 |
| | Earnings available for common stock | $ 93,100 | $ 86,485* | $ 133,254 |
| | Average number of common shares outstanding | 30,954,363 | 30,942,149 | 30,196,715 |
| | Earnings per common share | $ 3.01 | $ 2.80* | $ 4.41 |
| | Cash dividends per common share | $ 2.12 | $ 2.09 | $ 2.36 |

*The Company will apply FASB Statements No. 90 and 96 in the first quarter of 1988 by restating the 1986 financial statements. After restatement, 1986 net income will be $10,369,000 and earnings available for common stock and earnings per common share will reflect a loss of $(9,604,000) and $(.31). See Note 2 for further discussion.

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

# BALANCE SHEETS

| | | December 31 1987 | 1986 |
|---|---|---|---|
| | **ASSETS** | *(thousands)* | |
| **Utility Plant** *at original cost (Notes 2, 8 and 9)* | Electric | $2,931,161 | $2,876,734 |
| | Steam heat | 22,421 | 22,934 |
| | Total | 2,953,582 | 2,899,668 |
| | Less—Reserves for depreciation | 629,332 | 551,490 |
| | Net utility plant in service | 2,324,250 | 2,348,178 |
| | Construction work in progress | 25,549 | 23,039 |
| | Nuclear fuel, net of amortization of $39,897,000 and $26,293,000 | 7,269 | 8,231 |
| | Total | 2,357,068 | 2,379,448 |
| **Deferred Wolf Creek Costs,** net of amortization of $9,500,000 and $0 *(Note 3)* | | 91,315 | 98,172 |
| **Investments and Nonutility Property** | | 10,899 | 9,748 |
| **Current Assets** | Cash | 139 | 1,998 |
| | Temporary cash investments | — | 5,506 |
| | Special deposits | 8,415 | 246 |
| | Receivables | | |
| | Customer accounts receivable, less reserves of $1,416,000 and $1,259,000 | 47,611 | 46,244 |
| | Accrued unbilled revenues | 23,451 | 22,345 |
| | Other receivables | 12,079 | 13,863 |
| | Fuel inventories, at average cost | 25,525 | 25,902 |
| | Materials and supplies, at average cost | 43,564 | 43,699 |
| | Prepayments | 5,942 | 5,343 |
| | Total | 166,726 | 165,146 |
| **Deferred Charges** | KCC Wolf Creek carrying costs *(Note 3)* | 2,941 | — |
| | MPSC rate phase-in plan *(Note 3)* | 31,580 | 16,714 |
| | Deferred income taxes | 4,625 | 5,863 |
| | Other | 26,256 | 26,803 |
| | Total | 65,402 | 49,380 |
| | Total | $2,691,410 | $2,701,894 |
| | **LIABILITIES** | | |
| **Capitalization** *(See statements)* | Common stock—authorized 60,000,000 shares without par value—30,954,363 shares outstanding—stated value | $ 449,697 | $ 449,697 |
| | Retained earnings *(Notes 2 and 6)* | 428,520 | 406,759 |
| | Capital surplus | 1,991 | 3,796 |
| | Total | 880,208 | 860,252 |
| | Cumulative preferred stock | 92,000 | 92,000 |
| | Cumulative preferred stock (redeemable) | 2,716 | 32,876 |
| | Cumulative preference stock (redeemable) | 4,166 | 8,333 |
| | Long-term debt | 1,019,505 | 1,077,992 |
| | Total | 1,998,595 | 2,071,453 |
| **Current Liabilities** | Notes payable to banks *(Note 5)* | 39,000 | — |
| | Current maturities of long-term debt | 60,000 | 52,122 |
| | Preferred and preference stock *(Note 7)* | — | 45,300 |
| | Accounts payable | 56,872 | 45,827 |
| | Dividends declared | 1,677 | 4,448 |
| | Accrued taxes | 10,752 | 8,931 |
| | Deferred income taxes | 8,439 | 10,923 |
| | Accrued interest | 17,698 | 17,458 |
| | Accrued payroll and vacations | 10,486 | 10,241 |
| | Other | 5,927 | 4,810 |
| | Total | 210,851 | 200,060 |
| **Deferred Credits** | Deferred income taxes | 375,467 | 329,604 |
| | Deferred investment tax credits | 101,489 | 97,945 |
| | Other | 5,008 | 2,832 |
| | Total | 481,964 | 430,381 |
| **Commitments and Contingencies** *(Notes 2 and 4)* | | | |
| | Total | $2,691,410 | $2,701,894 |

# STATEMENTS OF TAXES

| | | Year Ended December 31 1987 | 1986 (thousands) | 1985 |
|---|---|---|---|---|
| **INCOME TAX EXPENSE** | | | | |

Total income tax expense was less than the amount computed by applying the statutory federal income tax rate of 39.95% in 1987 and 46% in 1986 and 1985 to income before taxes. The reasons for these differences are as follows:

| | | 1987 | 1986 | 1985 |
|---|---|---|---|---|
| | Taxes computed at statutory rate on income before income taxes | $ 68,697 | $ 79,612 | $ 100,029 |
| | Increase (decrease) in taxes resulting from: | | | |
| | Allowance for equity funds used during construction | 6 | 619 | (29,711) |
| | Wolf Creek carrying costs—equity | (610) | (8,862) | (10,935) |
| | MPSC rate phase-in plan | (5,939) | (7,688) | — |
| | Differences between book and tax depreciation not normalized | 4,388 | 5,511 | 3,288 |
| | Removal costs | (1,219) | (1,286) | (1,164) |
| | Amortization of investment tax credit | (3,847) | (3,840) | (3,027) |
| | State income taxes | 4,889 | 3,212 | 2,791 |
| | Other | 1,610 | (666) | 1,063 |
| | Total income tax expense | $ 67,975 | $ 66,612 | $ 62,334 |
| **COMPONENTS OF INCOME TAX EXPENSE** | | | | |
| **Currently Payable** | Federal | $ 13,742 | $ — | $ — |
| | State | 2,948 | — | — |
| | Total | 16,690 | — | — |
| **Deferred** | Federal (net) | 42,547 | 64,503 | 60,193 |
| | State (net) | 5,194 | 5,949 | 5,168 |
| | Total | 47,741 | 70,452 | 65,361 |
| **Investment Tax Credit** | Provision | 7,391 | — | — |
| | Amortization | (3,847) | (3,840) | (3,027) |
| | Total | 3,544 | (3,840) | (3,027) |
| | Total income tax expense | 67,975 | 66,612 | 62,334 |
| **Less:** | Income taxes applicable to other income and deductions | 14 | 323 | (226) |
| | Income tax expense applicable to operating income | $ 67,961 | $ 66,289 | $ 62,560 |
| **DEFERRED INCOME TAX EXPENSE** | | | | |
| | Depreciation differences | $ 35,832 | $ 55,472 | $ 37,395 |
| | Debt component of AFDC | 20 | (88) | 22,211 |
| | Wolf Creek carrying costs—debt | 3,116 | 9,256 | 9,043 |
| | Deferred Wolf Creek expenses | (873) | 3,213 | 6,005 |
| | Repair allowance | 36 | (1,014) | (817) |
| | Unbilled revenues | (2,248) | (25) | 2,025 |
| | Expenses capitalized | 50 | 2,469 | 4,150 |
| | Tax loss carryforward | 14,851 | (1,875) | (12,976) |
| | Other | (3,043) | 3,044 | (1,675) |
| | Total | $ 47,741 | $ 70,452 | $ 65,361 |
| **GENERAL TAX EXPENSE** | | | | |
| | Property and real estate | $ 30,086 | $ 24,873 | $ 23,622 |
| | Gross receipts | 36,751 | 33,825 | 31,153 |
| | Other | 6,994 | 6,253 | 5,116 |
| | Total | $ 73,831 | $ 64,951 | $ 59,891 |

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

# STATEMENTS OF CASH FLOWS

| | Year Ended December 31 | | |
|---|---|---|---|
| | **1987** | 1986 (thousands) | 1985 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Net income | **$ 103,982** | $ 106,458 | $ 155,121 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation | **83,412** | 84,177 | 62,443 |
| Amortization of nuclear fuel | **13,604** | 18,497 | 7,796 |
| Deferred income taxes (net) | **47,741** | 70,452 | 65,361 |
| Investment tax credit (net) | **3,544** | (3,840) | (3,027) |
| Deferred Wolf Creek costs and amortization | **800** | (45,311) | (56,866) |
| MPSC rate phase-in plan | **(14,866)** | (16,714) | — |
| Allowance for equity funds used during construction | **16** | 1,345 | (64,590) |
| Total | **238,233** | 215,064 | 166,238 |
| Cash flows impacted by changes in: | | | |
| Receivables | **(689)** | (3,625) | (12,314) |
| Fuel inventories | **377** | 10,103 | 9,675 |
| Materials and supplies | **135** | (11,608) | (5,668) |
| Accounts payable | **11,045** | (1,410) | 6,283 |
| Accrued taxes | **1,821** | (569) | (168) |
| Accrued interest | **240** | (746) | 1,078 |
| Other operating activities | **4,401** | (3,506) | 5,211 |
| Net cash provided by operating activities | **255,563** | 203,703 | 170,335 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Construction expenditures | **(78,648)** | (72,386) | (157,727) |
| Allowance for borrowed funds used during construction | **(36)** | 179 | (46,062) |
| Other investing activities | **2,554** | 2,377 | (1,369) |
| Net cash used in investing activities | **(76,130)** | (69,830) | (205,158) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Issuance of long-term debt | **109,971** | 73,380 | 110,289 |
| Construction funds held by trustee | **—** | — | 16,292 |
| Issuance of common stock (0; 16,036 and 1,212,922 shares, respectively) | **—** | 435 | 24,371 |
| Increase in borrowings under loan agreements | **—** | — | 43,000 |
| Retirement of long-term debt | **(161,094)** | (79,743) | (64,885) |
| Retirement of preferred and preference stock | **(75,300)** | (20,000) | — |
| Premium on retirement of stock and long-term debt | **(9,347)** | (5,810) | — |
| Preferred and preference stock sinking fund | **(4,327)** | (12,660) | (8,494) |
| Increase in short-term borrowings | **39,000** | — | — |
| Dividends declared | **(74,658)** | (84,052) | (92,903) |
| Other financing activities | **(11,043)** | (819) | (146) |
| Net cash used in financing activities | **(186,798)** | (129,269) | 27,524 |
| NET INCREASE (DECREASE) IN CASH AND TEMPORARY CASH INVESTMENTS | **(7,365)** | 4,604 | (7,299) |
| CASH AND TEMPORARY CASH INVESTMENTS AT BEGINNING OF YEAR | **7,504** | 2,900 | 10,199 |
| CASH AND TEMPORARY CASH INVESTMENTS AT END OF YEAR | **$ 139** | $ 7,504 | $ 2,900 |
| Cash paid during the year for: | | | |
| Interest (net of amount capitalized) | **$ 93,302** | $ 100,765 | $ 53,915 |
| Income taxes | **16,557** | 2,322 | 989 |
| | **$ 109,859** | $ 103,087 | $ 54,904 |

# STATEMENTS OF CUMULATIVE PREFERRED & PREFERENCE STOCK & LONG-TERM DEBT

| | | | December 31 1987 | December 31 1986 |
|---|---|---|---|---|
| | | | (thousands) | |
| **CUMULATIVE PREFERRED STOCK** *(Note 7)* | | | | |
| **$100 Par Value** | 3.80% | — 100,000 shares | $ 10,000 | $ 10,000 |
| | 4.50% | — 100,000 shares | 10,000 | 10,000 |
| | 4.20% | — 70,000 shares | 7,000 | 7,000 |
| | 4.35% | — 120,000 shares | 12,000 | 12,000 |
| | 7.72% | — 130,000 shares | 13,000 | 13,000 |
| **No Par** | $ 2.33 | — 800,000 shares | 20,000 | 20,000 |
| | $ 2.20 | — 800,000 shares | 20,000 | 20,000 |
| | | Total | $ 92,000 | $ 92,000 |
| **CUMULATIVE PREFERRED STOCK (REDEEMABLE)** *(Note 7)* | | | | |
| **$100 Par Value** | 4% | — 27,157 and 28,757 shares | $ 2,716 | $ 2,876 |
| **No Par** | $13.25 | — 0 and 300,000 shares | — | 30,000 |
| | | Total | $ 2,716 | $ 32,876 |
| **CUMULATIVE PREFERENCE STOCK (REDEEMABLE)** *(Note 7)* | | | | |
| **No Par** | $ 8.00 | — 41,665 and 83,332 shares | $ 4,166 | $ 8,333 |
| | | Total | $ 4,166 | $ 8,333 |
| **LONG-TERM DEBT** *(excluding current maturities) (Note 8)* | | | | |
| **First Mortgage Bonds** | 14% | series due 1989 | $ 50,000 | $ 50,000 |
| | 5% | series due 1990 | 20,000 | 20,000 |
| | 13½% | series due 1991 | 25,000 | 25,000 |
| | 13.48% | series due 1991* | 25,000 | 25,000 |
| | 10¾% | series due 1993* | 7,500 | 7,500 |
| | 9.46% | series due 1994* | 60,000 | 60,000 |
| | 4¾% | series due 1995 | 15,000 | 15,000 |
| | 5¾% | series due 1997 | 30,000 | 30,000 |
| | 6¾% | series due 1998 | 25,000 | 25,000 |
| | 7⅛% | series due 1999 | 26,000 | 26,000 |
| | 9⅛% | series due 2000 | 35,000 | 35,000 |
| | 7¾% | series due 2001 | 27,000 | 27,000 |
| | 7⅝% | series due 2002 | 30,000 | 30,000 |
| | 8⅞% | series due 2006 | 40,000 | 40,000 |
| | 8⅛% | series due 2006 | 30,000 | 30,000 |
| | 5⅞% | series due 2007* | 21,940 | 21,940 |
| | 5⅞% | series due 2007* | 20,000 | 20,000 |
| | 8½% | series due 2007 | 30,000 | 30,000 |
| | 9¼% | series due 2008 | 25,000 | 25,000 |
| | 6⅞% | series "A" due 2008* | 9,200 | 9,200 |
| | 6⅝% | series "B" due 2008* | 21,800 | 21,800 |
| | 13% | series due 2013** | — | 60,000 |
| | 12% | series due 2013* | 11,980 | 11,980 |
| **Mortgage Bonds** | 8⅝% | series due 1994 | 60,000 | 60,000 |
| **Guaranty of Pollution Control Bonds** | 5¾% | series due 2003 | 15,000 | 15,000 |
| | Variable rate series (% at December 31, 1987): | | | |
| | Refunded in 1987 | | — | 40,000 |
| | Refunded in 1987 | | — | 50,000 |
| | 6.26% | series "A" due 2015 | 56,500 | 56,500 |
| | 6.65% | series "B" due 2015 | 50,000 | 50,000 |
| | 6.54% | series "A" due 2017 | 50,000 | — |
| | 6.52% | series "B" due 2017 | 40,000 | — |
| **Loan Agreements** | | | 118,000 | 118,000 |
| **Nuclear Fuel Lease** | (8.84% at December 31, 1987) | | 45,819 | 44,820 |
| **Unamortized Premium and Discount (net)** | | | (1,234) | (1,748) |
| | | Total | $1,019,505 | $1,077,992 |

*Pledged in support of pollution control bonds or other agreements.
**Redeemed on January 15, 1988 — included in current liabilities.

# STATEMENTS OF RETAINED EARNINGS

| | | Year Ended December 31 | | |
|---|---|---|---|---|
| | | 1987 | 1986 (thousands) | 1985 |
| **Beginning Balance** | | $406,759 | $384,353 | $322,135 |
| **Net Income** | | 103,982 | 106,458 | 155,121 |
| | | 510,741 | 490,811 | 477,256 |
| **Loss on Reacquired Preferred and Preference Stock** | | 7,563 | — | — |
| **Dividends Declared** | Preferred and preference stock (at required annual rates) | 9,035 | 19,383 | 21,722 |
| | Common stock — | | | |
| | $2.36 per share | | | 71,181 |
| | $2.09 per share | | 64,669 | |
| | $2.12 per share | 65,623 | | |
| | | 74,658 | 84,052 | 92,903 |
| **Ending Balance** *(Notes 2 and 6)* | | $428,520 | $406,759 | $384,353 |

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

# NOTES TO FINANCIAL STATEMENTS

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

**Allowance for Funds Used During Construction (AFDC):** AFDC includes the cost of borrowed funds used for construction purposes and a reasonable rate upon other (equity) funds. The allowance for borrowed funds represents an allocation of interest costs to construction, while the allowance for equity funds is a non-cash item of income. AFDC is charged to construction work in progress during the period of construction. When a construction project is placed in service, the related AFDC becomes a part of the original cost of the completed plant which is used to establish rates for utility charges under established regulatory rate practices. The rates used to compute gross AFDC are compounded semi-annually and averaged 8.8% in 1987, 11.6% for 1986 and 12.2% for 1985.

Negative AFDC is being recorded on credits carried in nuclear fuel in process resulting from the settlement of nuclear fuel litigation in 1980.

**Depreciation and Maintenance:** Provisions for depreciation are computed on a straight-line basis pursuant to rates ordered to be used for jurisdictional property by the Missouri Public Service Commission (MPSC) and the Kansas Corporation Commission (KCC). Approximate annual composite rates were 3.07% in 1987, 3.01% in 1986 and 3.51% in 1985.

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

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

**Retirement Plans:** The Company has pension plans for all its regular employees, including officers, providing for benefits upon retirement, normally at age 65. In accordance with the Employee Retirement Income Security Act of 1974 (ERISA), the Company has satisfied at least its minimum funding requirements. Benefits under these plans reflect the employee's compensation, years of service and age at retirement. Prior to 1986, pension expense equaled the amounts accrued for funding.

Beginning in 1986, provisions for pensions are determined under the rules prescribed by Financial Accounting Standards Board (FASB) Statement No. 87. Pension expenses for 1987 and 1986 were determined using the following factors:

| | December 31 | |
|---|---|---|
| | 1987 | 1986 |
| | (thousands) | |
| Accrued Benefit Obligation: | | |
| Vested | $112,337 | $120,056 |
| Non-vested | 2,695 | 4,713 |
| Total | $115,032 | $124,769 |
| Determination of Plan Assets less Obligations: | | |
| Fair value of plan assets (a) | $193,553 | $176,208 |
| Projected benefit obligation (b) | 145,172 | 157,447 |
| Difference | $ 48,381 | $ 18,761 |
| Reconciliation of Difference: | | |
| Contributions to trusts | | |
| Prepaid | $ 1,829 | $ 1,208 |
| Accrued liability | (2,741) | (1,607) |
| Unamortized transition amount | 30,551 | 32,680 |
| Unrecognized net gain (loss) | 24,640 | (6,614) |
| Unrecognized prior service cost | (5,898) | (6,906) |
| Difference | $ 48,381 | $ 18,761 |

(a) Plan assets are invested in insurance contracts, corporate bonds equity securities, U.S. Government securities and short-term investments.
(b) Based on a discount rate and rate of increase in future salary levels of 9% and 5% for 1987 and 8% and 5% for 1986.

A 7% long-term rate of return on plan assets was used.

Components of 1987 and 1986 provisions for pensions (in thousands):

| | 1987 | 1986 |
|---|---|---|
| Service cost | $ 5,088 | $ 4,051 |
| Interest cost on projected benefit obligation | 12,219 | 11,915 |
| Actual return on plan assets | (24,396) | (20,270) |
| Other | 11,433 | 6,420 |
| Total Pension Expense | $ 4,344 | $ 2,116 |

The pension expense was $5.3 million in 1985.

**Nuclear Plant Decommissioning Costs:** The MPSC and the KCC estimated in 1985 dollars the cost of decommissioning the Wolf Creek Generating Station (Wolf Creek) to be $103.3 million and $140 million, respectively. On September 30, 1985 in Kansas, and May 5, 1986 in Missouri, the Company began rate recovery of the respective jurisdictional portions of its 47% share of these costs which are being charged to operating expense. Pursuant to MPSC and KCC requirements, such amounts are being recovered over the life of the plant and placed in an external trust fund to be used only for the physical decommissioning of Wolf Creek.

**Nuclear Fuel:** The cost of nuclear fuel is amortized to fuel expense based on the quantity of heat produced for the generation of electric energy. Under the Nuclear Waste Policy Act of 1982, the Department of Energy (DOE) is responsible for the permanent disposal of spent nuclear fuel. The Company currently pays a quarterly fee of one mill per kilowatt-hour of nuclear generation to the DOE for future permanent disposal services. The disposal costs are charged to fuel expense and recovered through electric rates.

**Deferred Charges:** Certain costs, such as those incurred for major storms, premium on redeemed debt, debt expense, and other costs, are recorded as deferred charges when it is probable, based on historical regulatory precedent, that future rates established by the regulators will recover amortization of such costs.

**Revenue Recognition:** The Company utilizes cycle billing and accrues the amount of revenue for sales unbilled at the end of each reporting period.

**Income Taxes:** The Company generally normalizes the effects of the use of accelerated tax depreciation methods and other timing differences. Deferred income taxes have been provided for the differences between book and tax depreciation except for the effect of accelerated depreciation on Missouri property acquired prior to 1972. Taxes deferred on property additions for certain prior years are now being restored to income as the timing differences reverse.

The effects of the current deduction of removal costs are flowed through to net income.

The tax effect of the cumulative net amount of income tax timing differences for which deferred income taxes have not been provided is approximately $40 million at December 31, 1987. These amounts are being recovered through allowed revenues as the timing differences reverse.

For the years 1986 and 1985, the Company incurred net tax operating losses of approximately $4.3 million and $26.6 million with estimated tax benefits of $1.9 million and $13.0 million which were used to reduce the provision for deferred income taxes. Such amounts of deferred income taxes were restored during 1987 as the net tax operating losses were utilized and eliminated.

Investment tax credits have been deferred when utilized and are being amortized to income over the service lives of the related properties. At December 31, 1987, the Company had unused and unrecorded investment tax credits of approximately $24 million. These carryforwards will be available to reduce federal income taxes payable through 2002.

## 2. FASB STATEMENTS NO. 90 AND 96

FASB Statement No. 90 (FASB 90), issued in December 1986, requires recognition of a loss on the financial statements because part of the cost of Wolf Creek was disallowed for rate-making purposes by the Missouri and Kansas commissions.

FASB Statement No. 96 (FASB 96)—Accounting for Income Taxes, issued in late December 1987, requires, among other things, that deferred tax assets and liabilities be adjusted for changes in current tax rates. Because the Company is a regulated utility, the only effect on net income that will occur from the application of FASB 96 is an increase in the after-tax FASB 90 write-off.

Application of FASB 90 and 96 is not required until the first quarter of 1988 and 1989, respectively, however, earlier application is encouraged. Application of FASB 90 is being delayed until FASB 96 can be implemented so that the tax effects attributable to the write-off can be recorded in accordance with FASB 96. Application of FASB 96 requires the determination of various balance sheet adjustments. The Company will apply both of these statements in the first quarter of 1988 by a one-time restatement of the 1986 financial statements. The determination to restate 1986 results is based on the Company's conclusion in the fourth quarter of 1986 that recovery of the disallowed costs was remote.

In accordance with these new standards, the Wolf Creek regulatory disallowances will result in a write-off in 1986 of $145 million before taxes and $96 million after taxes.

## 3. RATE MATTERS

**Missouri:** The MPSC's rate phase-in plan has resulted in deferral of a cash recovery of a portion of the cost of equity with recovery of such deferrals plus the carrying costs on the deferral in later years.

The MPSC's phase-in plan rates as originally authorized were modified on April 1, 1987 and November 23, 1987 to provide to Missouri retail electric customers the benefit of corporate income tax rate reductions resulting from the Federal Tax Reform Act of 1986 as well as other economies achieved by the Company. The only rate increase or decrease remaining under the phase-in plan is a scheduled 2.2% rate increase on May 5, 1988.

In accordance with the November 23, 1987 agreement, the Company has ceased, effective September 30, 1987, deferring a return under the plan. The Company will continue to accrue carrying costs on this deferral through December 31, 1988. Phase-in deferrals, including carrying costs, will total $35.4 million at December 31, 1988. Amortization of these deferrals over five years will begin on January 1, 1989.

**Kansas:** On July 7, 1987, the KCC issued an Order resolving certain accounting issues and authorizing decreases in annual Kansas retail electric revenues of $4.3 million (2.0%) effective August 1, 1987 and $10.4 million (4.85%) effective August 1, 1988. The rate reductions reflect the impact of the Federal Tax Reform Act of 1986 as well as other economies achieved by the Company.

In its July 1987 Order, the KCC revalued the Company's Kansas jurisdictional investment in Wolf Creek at its full prudent cost of $2,294 per kw. The KCC also authorized the Company to accrue, with provision for future recovery, additional carrying costs on 314 mw of alleged excess capacity beginning August 1, 1987.

**Deferred Wolf Creek Costs:** Orders from the KCC and MPSC provided for continuance of construction accounting for ratemaking purposes subsequent to the September 3, 1985 commercial in-service date of Wolf Creek to September 30, 1985 and May 5, 1986, respectively. Also authorized was the deferral of certain other carrying costs. These deferrals are being amortized and recovered in rates over an approximate ten year period.

## 4. COMMITMENTS AND CONTINGENCIES

**Nuclear Insurance:** The owners of Wolf Creek have purchased the maximum available public liability insurance of $160 million and an additional $560 million of coverage is insured by Secondary Financial Protection (SFP). The SFP coverage is funded by a mandatory program of deferred premiums assessed against all owners of licensed reactors. The amount of assessment per reactor is $5 million ($2.35 million, Company's share) for one incident and $10 million ($4.7 million, Company's share) for any calendar year.

The Price-Anderson Act which limited the public liability of nuclear reactor owners for claims arising from a nuclear incident to $710 million expired on August 1, 1987. The House of Representatives has passed a bill which would establish a limit for this liability of approximately $7 billion with assessment per reactor of up to $63 million ($29.6 million, Company's share) per incident. Senate committees are considering similar bills.

The owners of Wolf Creek have procured property damage insurance of approximately $1.4 billion (the maximum available as of December 31, 1987) and extra expense (replacement power) insurance. Under both policies, the Company is subject to retroactive assessments if industry losses, with respect to each policy year, exceed the accumulated funds available to the insurer under that policy. The estimated maximum retroactive assessments for the Company under the policies total approximately $5 million per year.

**Nuclear Fuel Commitments:** At December 31, 1987, Wolf Creek's nuclear fuel commitments (Company's share) were approximately $67 million for uranium concentrates through 1997, $245 million for enrichment through 2014 and $46 million for fabrication through 2014.

## 5. SHORT-TERM BORROWINGS

The Company borrows short-term funds from banks and through the sale of commercial paper as needed. Under minimal fee arrangements the Company has bank lines-of-credit totalling $100 million.

## 6. DIVIDEND RESTRICTIONS

Retained earnings at December 31, 1987 included $12 million which was not available for cash dividends on common stock under the provisions of the Indenture of Mortgage securing First Mortgage Bonds.

## 7. PREFERRED AND REDEEMABLE PREFERRED AND PREFERENCE STOCK

The outstanding Cumulative Preferred Stock of $92 million may be redeemed at the option of the Company at prices which in the aggregate total $98 million.

Scheduled sinking fund requirements for outstanding redeemable preferred and preference stock for the next five years are as follows: $4.1 million in 1988 for the remaining shares of the $8.00 Cumulative Preference Stock and $.2 million for 1988 through 1992 for the sinking fund on the 4% Cumulative Preferred Stock.

During the period 1985 through 1987, the following issues were redeemed or purchased:

| Redemption | Series | Number of Shares | Amount (thousands) |
|---|---|---|---|
| Cumulative Preferred | | | |
| 1986 | $10.70 | 200,000 | $20,000 |
| Cumulative Preferred (Redeemable) | | | |
| 1985–87 | 4% | 1,600(a) | $ 160 |
| 1987 | $17.05 | 228,000 | $22,800(b) |
| 1987 | $12.875 | 100,000 | $10,000(b) |
| 1987 | $13.25 | 300,000 | $30,000 |
| Cumulative Preference (Redeemable) | | | |
| 1985–87 | $ 8.00 | 41,667(a) | $ 4,167 |
| 1985–86 | $12.75 | 41,667(a) | $ 4,167 |
| 1986 | $12.75 | 41,667(c) | $ 4,166 |
| 1987 | $12.75 | 124,999 | $12,500(b) |

(a) Represents annual mandatory sinking fund.
(b) Included in current liabilities at December 31, 1986.
(c) Optional sinking fund.

At December 31, 1987, the Company had authorized 547,157 shares of Cumulative Preferred Stock at a par value of $100 per share, 3,172,000 shares of Cumulative No Par Preferred Stock and 4,000,000 shares of Cumulative Preference Stock without par value.

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

## 8. LONG-TERM DEBT

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

**Mortgage Bonds:** The amount of Mortgage Bonds authorized by the General Mortgage Indenture and Deed of Trust dated as of December 1, 1986, as supplemented, is unlimited. The amount of additional bonds which may be issued is subject to certain restrictive provisions of the General Mortgage Indenture. The General Mortgage Indenture constitutes a mortgage lien upon substantially all of the Company's utility plant and is junior to the lien of the First Mortgage.

**Loan Agreements:** The Company has an agreement, expiring May 31, 1991, with a group of international banks which provides for unsecured loans up to $200 million at interest rates derived from the London Inter-Bank Offered Rate. At December 31, 1987, $100 million at interest rates ranging from 7.6% to 8.3% was outstanding ($135 million at January 31, 1988).

The Company has a financing arrangement with a bank, expiring January 16, 1990, which enables the Company to borrow up to $50 million by collateralizing its coal and fuel oil inventories at rates based upon the current bankers' acceptance discount rate plus an acceptance charge. At December 31, 1987, $18 million at 8.0% was outstanding.

**Nuclear Fuel Lease:** The Company has a lease, expiring April 30, 1992, which provides for financing of costs up to $80 million of the Company's nuclear fuel. The lessor will obtain, through the issuance of commercial paper backed by letters of credit from commercial banks, or from revolving credit loans, the necessary funds to purchase the fuel and make interest payments when due. The Company capitalizes the cost, including related interest costs, of the leased nuclear fuel in process for both book and rate making purposes. The Company is obligated to reimburse the lessor for the nuclear fuel obligation as the fuel is consumed in the reactor.

**Scheduled Maturities:** The following pollution control bond series have sinking fund requirements beginning in various years: 5⅞% in 1997, 5⅞% in 1998, 6⅞% "A" in 1999, 6⅞% "B" in 1999 and 5¾% in 1989. The aggregate amount of maturities and sinking fund requirements during the next five years of long-term debt outstanding at December 31, 1987 (exclusive of the loan agreements, which the Company expects will be extended, and the nuclear fuel lease) is $50.2 million in 1989, $20.2 million in 1990, $50.2 million in 1991 and $.2 million in 1992.

On January 27, 1987, the Company redeemed $50 million of First Mortgage Bonds, 16¼% series due 2011, which was reflected in current maturities of long-term debt as of December 31, 1986.

On January 15, 1988, the Company redeemed $60 million of First Mortgage Bonds, 13% series due 2013, which was reflected in current maturities of long-term debt as of December 31, 1987.

## 9. JOINTLY-OWNED ELECTRIC UTILITY PLANTS

The Company has, under joint ownership agreements with other utilities, undivided interests at December 31, 1987, in utility plants as follows (in millions of dollars):

| | Wolf Creek Unit | La Cygne Units | Iatan Unit |
|---|---|---|---|
| Company's share | 47% | 50% | 70% |
| Utility plant in service | $1,453 | $241 | $239 |
| Nuclear fuel in service | $ 37 | — | — |
| Spent nuclear fuel | $ 21 | — | — |
| Estimated accumulated depreciation (Production plant only) | $ 91 | $106 | $ 64 |
| Accumulated amortization (Nuclear fuel) | $ 40 | — | — |
| Company's accredited capacity—mw | 550 | 658 | 469 |

Each participant must provide its own financing. The Company's share of direct expenses is included in the corresponding operating expenses on the Statements of Income. See also Note 2.

## 10. QUARTERLY OPERATING RESULTS (UNAUDITED)

| | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter |
|---|---|---|---|---|
| | (thousands) | | | |
| 1987 | | | | |
| Operating revenues | $150,842 | $178,956 | $218,372 | $156,669 |
| Operating income | $ 32,431 | $ 46,361 | $ 61,851 | $ 34,019 |
| Net income | $ 16,834 | $ 28,605 | $ 44,656 | $ 13,887 |
| Earnings per common share | $ .42 | $ .84 | $ 1.36 | $ .39 |
| 1986 | | | | |
| Operating revenues | $142,459 | $167,620 | $203,753 | $151,038 |
| Operating income | $ 25,791 | $ 38,868 | $ 57,607 | $ 30,765 |
| Net income | $ 30,137 | $ 30,728 | $ 41,195 | $ 4,398(a)(b) |
| Earnings per common share | $ .80 | $ .82 | $ 1.17 | $ .00(b) |

(a) Reflects $8.7 million net-of-tax write-off of deferred Wolf Creek costs.

(b) See Note 2 relating to the restatement of 1986 financial statements in the first quarter of 1988. After restatement, 4th quarter 1986 net income and earnings per common share will reflect a <u>loss</u> of $(91,691,000) and $(3.11).

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

# Auditors' Report

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

We have examined the balance sheets and statements of cumulative preferred and preference stock and long-term debt of Kansas City Power & Light Company (a Missouri corporation) as of December 31, 1987 and 1986, and the related statements of income, taxes, retained earnings and cash flows for each of the three years in the period ended December 31, 1987. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Kansas City Power & Light Company as of December 31, 1987 and 1986, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1987, in conformity with generally accepted accounting principles applied on a consistent basis.

ARTHUR ANDERSEN & CO.

Kansas City, Missouri,
January 29, 1988.

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

## KWH SALES AND OPERATING REVENUES

Sales and revenue data:

| | Increase (Decrease) From Prior Year | | | |
|---|---|---|---|---|
| | 1987 | | 1986 | |
| | KWH | Revenues (millions) | KWH | Revenues (millions) |
| Kwh sales | | | | |
| Residential | 7.4% | $19 | 6.9% | $33 |
| Commercial | 6.2 | 20 | 7.4 | 35 |
| Industrial | 2.2 | 3 | .8 | 5 |
| Other | (2.9) | — | (20.3) | (1) |
| Total | 5.4% | 42 | 4.8% | 72 |
| Steam heat and other revenues | | (2) | | (4) |
| Total | | $40 | | $68 |

The components of change in revenues applicable to kwh sales:

| | Increase (Decrease) From Prior Year | |
|---|---|---|
| | 1987 | 1986 |
| | (millions) | |
| Revenues | | |
| Kwh sales | $37 | $33 |
| Increases in base rates | 10 | 44 |
| Fuel cost recovery through fuel adjustment clauses | (5) | (5) |
| Total | $42 | $72 |

Residential and commercial kwh sales increased in 1987 and 1986 compared with prior years reflecting primarily increased usage due to an increase in the number of customers and warmer summer weather. Industrial sales were significantly impacted by increased sales in 1987 and decreased sales in 1986 to a major steel manufacturer. Excluding this manufacturer, industrial sales decreased .6% in 1987 and increased 1.4% in 1986.

Revenues were positively impacted by the Kansas retail electric annual rate increase of $28.2 million in late 1985. In addition, revenues were positively impacted by the Missouri retail electric first and second-year rate increases under the phase-in plan of $25.2 million effective May 5, 1986 and $7.7 million effective May 5, 1987. These increases were partially offset by the $4.3 million Kansas retail electric annual rate decrease, effective August 1, 1987.

The decreases in steam heat and other revenues in 1987 and 1986 are due to a change in the product and process of a major steam customer which was instituted by new ownership in the first quarter of 1986 and a decrease in the number of steam customers.

## FUEL COSTS

Average system fuel cost per million BTU decreased to $.950 in 1987 from $1.050 in 1986 and $1.333 in 1985.

Average cost per million BTU of nuclear fuel, including disposal costs, decreased to $.53 in 1987 from $.65 in 1986 and 1985. This decrease reflects the lower cost of nuclear fuel loaded in the reactor during the refueling completed in December 1986. Generation from Wolf Creek accounted for 23% of the 1987, 26% of the 1986 and 12% of the 1985 total BTU's used in electric production.

Average fuel cost per million BTU for fossil plants decreased to $1.073 in 1987 from $1.186 in 1986 and $1.431 in 1985. The 1987 and 1986 decreases are due to reduced delivered costs of fossil fuels, mainly due to a new contract reducing railroad freight charges effective April 1, 1986. In addition, 1987 reflects the completion of the western coal conversion projects which allowed the Company to utilize less expensive western coal.

The components of change in fuel costs:

| | Increase (Decrease) From Prior Year | |
|---|---|---|
| | 1987 | 1986 |
| | (millions) | |
| Fossil-fueled generating units | | |
| Generation for customers and interchange sales | $ 9 | $ (4) |
| Average fuel cost | (8) | (26) |
| Total | 1 | (30) |
| Nuclear plant | | |
| Generation | (1) | 12 |
| Average fuel cost | (4) | — |
| Total | (5) | 12 |
| Total | $(4) | $(18) |

## INTERCHANGE POWER (NET)

Interchange sales exceeded interchange purchases by increasing amounts in 1986 and 1987. The increases are due primarily to improved availability of the Company's fossil-fueled generating units, lower fuel costs and the requirements of other electric systems. The level of interchange sales in the future will depend upon the Company's system requirements as well as the factors mentioned above.

## WOLF CREEK

Wolf Creek, a nuclear plant, commenced commercial operation on September 3, 1985. The plant operated at a capacity factor of 91% during the four months of commercial operation in 1985, 70% in 1986 and 66% in 1987. The 1986 and 1987 capacity factors reflect Wolf Creek being out of service for 66 and 96 days, respectively, for scheduled refueling, during which time various maintenance projects were completed. The 1987 refueling outage was completed on January 4, 1988. The Company's 47% share of the operating expenses incurred at Wolf Creek since commercial operation are shown below.

| | 1987 | 1986 (millions) | 1985 |
|---|---|---|---|
| Fuel | $ 16.8 | $ 22.0 | $ 9.2 |
| Other operation | 32.8 | 33.6 | 9.6 |
| Maintenance | 13.2 | 11.4 | 2.8 |
| Depreciation | 37.2 | 38.7 | 16.2 |
| General taxes | 10.4 | 9.0 | 2.9 |
| Total | $110.4 | $114.7 | $40.7 |
| Net kwh generated (000's) | 3,041,976 | 3,264,338 | 1,384,305 |

## OTHER OPERATION EXPENSE

Other operation expense, excluding that associated with Wolf Creek, decreased $9.8 million (9.8%) in 1986. The 1986 decrease results mainly from higher regulatory expenses in 1985 due to costs incurred for rate cases and a one-time 1985 accrual for bonuses payable to bargaining unit employees upon the signing of new collective bargaining agreements. In addition, 1986 expense reflects the reduction of pension expense due to application of FASB Statement No. 87—Employers Accounting for Pensions.

## MAINTENANCE

Maintenance expense, excluding that incurred at Wolf Creek, decreased $6.0 million (8.8%) in 1986. The 1986 decrease reflects a reduction in transmission and distribution maintenance.

## GENERAL TAXES

General taxes, excluding those associated with Wolf Creek, increased $7.5 million (13.4%) in 1987. This increase is mainly due to higher gross receipts taxes because of higher billed sales and higher property and real estate taxes. The increased 1987 property taxes are due to a refund of $2.3 million received in 1986 for a settlement of the 1985 Missouri protested property taxes and an increase in property tax rates.

## DEFERRED WOLF CREEK EXPENSES AND AMORTIZATION, AND DEFERRED WOLF CREEK CARRYING COSTS

Deferred Wolf Creek Expenses and Amortization, and Deferred Wolf Creek Carrying Costs reflect the income statement deferrals, ordered by the KCC and MPSC, of Kansas and Missouri jurisdictional Wolf Creek costs from the September 3, 1985 commercial in-service date to September 30, 1985 and May 5, 1986, respectively.

Deferred Wolf Creek Carrying Costs also includes carrying costs subsequent to September 30, 1985 on 314 mw of Wolf Creek capacity excluded from rate base by the KCC. These deferrals were recorded through July 1987 in the asset Deferred Wolf Creek Costs. Effective January 1, 1987 for Missouri and August 1, 1987 for Kansas, the Company began amortization of the respective jurisdictional portions of this asset. Such amortizations are included in Deferred Wolf Creek Expenses and Amortization on the income statement.

Deferral of carrying costs subsequent to July 1987 on the 314 mw of Wolf Creek capacity excluded from rate base was recorded in the asset KCC Wolf Creek Carrying Costs. In accordance with the KCC's July 1987 Order, these carrying costs are based on Wolf Creek's prudent cost ($2,294 per kw), an increase from the valuation used in the KCC's September 1985 Order ($1,290 per kw).

## MPSC RATE PHASE-IN PLAN

In accordance with the MPSC's rate phase-in plan (see Note 3 to the Financial Statements—"Rate Matters"), the Company has recorded as income the non-cash deferred cost of equity and the carrying costs thereon.

## INTEREST EXPENSE

The decrease in interest expense during 1987 reflects primarily the retirement of bonds in August 1986 and January 1987, partially offset by lower interest rate bonds issued in December 1986. The decrease also reflects a reduction in the nuclear fuel lease obligation resulting from payments to the lessor as the fuel is consumed in the reactor. Lower interest rates on the Company's variable interest rate debt was also a contributing factor to the decrease. These decreases were partially offset by an increase in short-term interest expense due to an increased level of short-term debt outstanding during 1987.

The decrease during 1986 reflects mainly lower interest rates on variable rate debt and a decrease in the outstanding nuclear fuel lease obligation. The impact on interest expense of new bonds issued in September 1985 and December 1986 was offset by the early retirement of bonds in October 1985 and August 1986.

## EARNINGS PER SHARE

Earnings per share, excluding the listed non-cash credits, are as follows:

| | 1987 | 1986 | 1985 |
|---|---|---|---|
| Earnings per share (EPS) | $3.01 | $2.80* | $4.41 |
| Less: Net AFDC per share** | .18 | .90 | 4.04 |
| Net deferred Wolf Creek expenses per share | — | .12 | .27 |
| MPSC phase-in plan per share | .48 | .54 | — |
| Net*** | $2.35 | $1.24* | $ .10 |

*See Note 2 to the Financial Statements relating to the restatement of 1986 financial statements in the first quarter of 1988. After restatement, 1986 earnings per share will reflect a loss of $(.31). The write-off is another non-cash adjustment so the $1.24 will not change.

**Net AFDC represents the combination of allowance for funds used during construction and deferred Wolf Creek carrying costs, net of deferred income taxes.

***The increases in 1987 and 1986 earnings per share, excluding the above non-cash credits, reflect increased rates, increased kwh sales, reduced fuel and interest expenses and reduced preferred and preference dividend requirements.

## PROJECTED CONSTRUCTION EXPENDITURES

Projected five-year construction expenditures, excluding AFDC, are as follows:

| | Construction Expenditures | | | | | |
|---|---|---|---|---|---|---|
| | 1988 | 1989 | 1990 | 1991 | 1992 | Total |
| | (millions) | | | | | |
| Generating facilities | $21.5 | $ 22.2 | $ 16.1 | $ 16.2 | $ 13.9 | $ 89.9 |
| Nuclear fuel | 19.2 | 23.7 | 11.7 | 22.1 | 28.2 | 104.9 |
| Transmission facilities | 9.2 | 10.1 | 25.0 | 15.1 | 6.7 | 66.1 |
| Distribution and general facilities | 50.0 | 60.4 | 62.4 | 58.7 | 61.0 | 292.5 |
| Total | $99.9 | $116.4 | $115.2 | $112.1 | $109.8 | $553.4 |

The timing of construction and cost estimates are subject to continuing review and adjustments. Actual construction expenditures may vary significantly from such estimates.

## CAPITAL REQUIREMENTS AND LIQUIDITY

The Company currently estimates that it will be able to meet construction expenditures with internally-generated funds. It is anticipated that funds for maturing debt through 1992 and the preferred and preference stock sinking fund obligations will be provided from operations or short-term debt.

Uncertainties which affect the degree to which these capital requirements will be met by funds provided from operations include such items as the impact of inflation on operating expenses, the level of kwh sales, regulatory actions, availability of the Company's generating units and the level of interchange sales with other utilities.

The Company presently has on file with the Securities and Exchange Commission a shelf registration statement under which the Company can issue up to $100 million of additional Mortgage Bonds. The amount and timing of future sales of these securities will depend primarily upon market conditions and the needs of the Company.

# ELEVEN-YEAR SUMMARIES OF FINANCIAL AND SELECTED STATISTICAL DATA

| Summary of Earnings | 1987 | 1986 | 1985 | 1984 | 1983 | 1982 | 1981 | 1980 | 1979 | 1978 | 1977 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Operating Revenues** *(000's)* | | | | | | | | | | | |
| Electric | $ 696,665 | $ 654,387 | $ 583,113 | $ 570,558 | $ 553,370 | $ 475,802 | $ 465,825 | $ 440,182 | $ 365,084 | $ 313,787 | $ 266,053 |
| Steam heat | 8,174 | 10,483 | 13,508 | 12,856 | 9,173 | 9,827 | 5,886 | 5,783 | 5,791 | 4,876 | 4,609 |
| Total | 704,839 | 664,870 | 596,621 | 583,414 | 562,543 | 485,629 | 471,711 | 445,965 | 370,875 | 318,663 | 270,662 |
| **Operating Expenses** *(000's)* | | | | | | | | | | | |
| Operation | 220,330 | 229,817 | 248,887 | 240,824 | 243,076 | 207,974 | 180,474 | 174,661 | 186,134 | 135,450 | 110,510 |
| Maintenance | 75,143 | 73,509 | 70,841 | 57,092 | 53,358 | 62,496 | 54,305 | 52,680 | 54,315 | 30,359 | 29,496 |
| Depreciation | 83,412 | 84,177 | 62,443 | 47,561 | 46,319 | 45,215 | 44,962 | 41,733 | 34,868 | 33,174 | 30,356 |
| Taxes | | | | | | | | | | | |
| Income | 67,961 | 66,289 | 62,560 | 69,568 | 61,962 | 39,946 | 45,577 | 42,088 | 9,569 | 26,137 | 18,455 |
| General | 73,831 | 64,951 | 59,891 | 55,741 | 53,345 | 52,075 | 51,908 | 47,956 | 41,914 | 38,511 | 35,519 |
| Deferred Wolf Creek expenses and amortization | 9,500 | (6,904) | (14,344) | — | — | — | — | — | — | — | — |
| Total | 530,177 | 511,839 | 490,278 | 470,786 | 458,060 | 407,706 | 377,226 | 359,118 | 326,800 | 263,631 | 224,336 |
| **Operating Income** *(000's)* | 174,662 | 153,031 | 106,343 | 112,628 | 104,483 | 77,923 | 94,435 | 86,847 | 44,075 | 55,032 | 46,326 |
| **Other Income and Deductions** *(000's)* | | | | | | | | | | | |
| Allowance for equity funds used during construction | (16) | (1,545) | 64,590 | 78,415 | 55,809 | 36,089 | 29,073 | 19,775 | 19,467 | 12,543 | 7,592 |
| Deferred Wolf Creek carrying costs | 8,700 | 38,407 | 42,522 | — | — | — | — | — | — | — | — |
| MPSC rate phase-in plan | 14,866 | 16,714 | — | — | — | — | — | — | — | — | — |
| Miscellaneous (net) | 512 | 744 | (2,429) | (4,293) | 25 | (63) | 327 | (122) | 304 | (874) | (39) |
| Total | 24,062 | 54,320 | 104,683 | 74,122 | 53,834 | 36,026 | 29,400 | 19,653 | 19,771 | 11,669 | 7,553 |
| **Income before Interest Charges** *(000's)* | 138,724 | 207,551 | 211,026 | 186,750 | 158,317 | 115,949 | 123,885 | 106,500 | 63,846 | 66,701 | 53,879 |
| **Interest Charges** *(000's)* | | | | | | | | | | | |
| Long-term debt | 89,723 | 97,747 | 98,824 | 86,643 | 70,126 | 65,260 | 55,232 | 48,864 | 40,612 | 32,217 | 26,856 |
| Short-term notes | 3,347 | 1,299 | 1,778 | 3,343 | 4,332 | 6,021 | 3,896 | 4,781 | 3,498 | 1,969 | 1,066 |
| Miscellaneous | 1,708 | 1,868 | 1,365 | 1,273 | 1,271 | 1,397 | 10,489 | 7,151 | 2,486 | 341 | 268 |
| Allowance for borrowed funds used during construction | (36) | 179 | (46,062) | (55,950) | (43,893) | (39,670) | (24,878) | (22,997) | (19,211) | (10,750) | (5,904) |
| Total | 94,742 | 101,093 | 55,905 | 35,309 | 31,836 | 33,008 | 44,739 | 37,799 | 27,295 | 23,777 | 22,286 |
| **Income before Cumulative Effect** *(000's)* | 103,982 | 106,158 | 155,121 | 151,441 | 126,481 | 80,941 | 79,146 | 68,701 | 36,551 | 42,924 | 31,593 |
| **Cumulative Effect of Change in Revenue Recognition** *(000's)* | — | — | — | — | — | — | — | — | 7,202 | — | — |
| **Net Income** *(000's)* | 103,982 | 106,158* | 155,121 | 151,441 | 126,481 | 80,941 | 79,146 | 68,701 | 43,753 | 42,924 | 31,593 |
| **Preferred and Preference Stock Dividend Requirements** *(000's)* | 10,882 | 19,973 | 21,867 | 21,917 | 21,570 | 18,193 | 13,749 | 12,418 | 10,573 | 8,719 | 7,545 |
| **Applicable to Common Stock** *(000's)* | $ 93,100 | $ 86,485* | $ 133,254 | $ 129,524 | $ 104,911 | $ 62,748 | $ 65,397 | $ 56,283 | $ 33,180 | $ 34,205 | $ 24,048 |
| **Earnings Per Common Share** | $ 3.01 | $ 2.80* | $ 4.41 | $ 4.48 | $ 4.15 | $ 2.79 | $ 3.22 | $ 2.91 | $ 2.01 | $ 2.36 | $ 1.95 |
| **Ratio of Earnings to Fixed Charges** | 2.77 | 2.67* | 3.68 | 3.37 | 3.43 | 2.62 | 2.75 | 2.80 | 1.99 | 3.01 | 2.78 |
| **Return on Year-end Equity*** | 10.6% | 10.1% | 15.9% | 17.2% | 15.7% | 11.7% | 14.2% | 13.2% | 7.0% | 10.5% | 8.5% |
| **Capitalization Data** | | | | | | | | | | | |
| **Common Stock Equity** *(000's)** | $ 880,208 | $ 860,252 | $ 838,394 | $ 751,734 | $ 666,273 | $ 535,192 | $ 459,313 | $ 424,852 | $ 373,224 | $ 327,260 | $ 282,106 |
| Average shares outstanding | 30,854,363 | 30,912,149 | 30,196,715 | 28,887,407 | 25,278,388 | 22,510,568 | 20,302,723 | 19,373,655 | 16,514,110 | 14,466,481 | 12,324,199 |
| Cash dividends per share | $ 2.12 | $ 2.09 | $ 2.36 | $ 2.53 | $ 2.17 | $ 2.01 | $ 1.88 | $ 1.79 | $ 1.76 | $ 1.71 | $ 1.64 |
| **Preferred Stock** *(000's)* | $ 92,000 | $ 92,000 | $ 112,000 | $ 112,000 | $ 112,000 | $ 112,000 | $ 112,000 | $ 112,000 | $ 112,000 | $ 112,000 | $ 112,000 |
| Dividend requirements *(000's)* | $ 6,273 | $ 7,700 | $ 8,3'4 | $ 8,414 | $ 8,414 | $ 8,414 | $ 8,414 | $ 8,414 | $ 8,414 | $ 8,414 | $ 7,372 |
| Average dividend rate | 6.8% | 7.3% | 7.5% | 7.5% | 7.5% | 7.5% | 7.5% | 7.5% | 7.5% | 7.5% | 7.4% |
| **Preferred Stock (Redeemable)** *(000's)*** | $ 2,716 | $ 65,676 | $ 65,836 | $ 65,996 | $ 56,156 | $ 56,316 | $ 3,676 | $ 3,836 | $ 3,996 | $ 4,156 | $ 4,316 |
| Dividend requirements *(000's)* | $ 3,682 | $ 9,264 | $ 9,279 | $ 8,677 | $ 7,997 | $ 4,592 | $ 148 | $ 153 | $ 159 | $ 166 | $ 173 |
| Average dividend rate | 13.0% | 14.1% | 14.1% | 14.1% | 14.2% | 14.7% | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% |
| **Preference Stock (Redeemable)** *(000's)*** | $ 4,166 | $ 20,833 | $ 33,333 | $ 41,667 | $ 45,833 | $ 50,000 | $ 50,000 | $ 50,000 | $ 25,000 | $ 25,000 | — |
| Dividend requirements *(000's)* | $ 927 | $ 3,009 | $ 3,183 | $ 4,826 | $ 5,159 | $ 5,187 | $ 5,187 | $ 3,851 | $ 2,000 | $ 130 | — |
| Average dividend rate | 9.11% | 10.71% | 10.75% | 10.60% | 10.39% | 10.38% | 10.38% | 9.73% | 8.00% | 8.00% | — |
| **Long-term Debt** *(000's)*** | $1,079,505 | $1,130,114 | $1,136,596 | $1,048,1'7 | $ 805,644 | $ 767,616 | $ 662,050 | $ 612,477 | $ 588,876 | $ 503,044 | $ 436,372 |
| Interest on debt *(000's)* | $ 89,723 | $ 97,747 | $ 98,824 | $ 86,643 | $ 70,126 | $ 65,260 | $ 55,232 | $ 48,864 | $ 40,612 | $ 32,217 | $ 26,856 |
| Average interest rate | 8.20% | 8.76% | 9.16% | 9.55% | 9.13% | 9.40% | 8.8% | 8.27% | 7.58% | 6.98% | 6.78% |
| **Other Data and Ratios*** | | | | | | | | | | | |
| Construction expenditures *(000's)* | $ 78,648 | $ 72,386 | $ 157,727 | $ 277,072 | $ 182,547 | $ 153,160 | $ 133,980 | $ 125,016 | $ 205,318 | $ 170,803 | $ 157,741 |
| Total Assets *(000's)* | $2,691,410 | $2,701,894 | $2,654,058 | $2,424,602 | $2,071,[illegible] | $1,792,227 | $1,517,781 | $1,538,978 | $1,391,038 | $1,160,760 | $1,008,814 |
| Book Value per share | $ 28.44 | $ 27.79 | $ 27.10 | $ 25.29 | $ 23.53 | $ 21.96 | $ 22.23 | $ 21.12 | $ 21.30 | $ 21.90 | $ 21.75 |
| Common Stock Equity Ratio | 44.0% | 41.5% | 38.5% | 37.5% | 39.5% | 36.0% | 35.7% | 36.1% | 34.2% | 33.7% | 34.2% |
| Common Stock Price | | | | | | | | | | | |
| High | $ 31[illegible] | $ 32[illegible] | $ 24[illegible] | $ 20[illegible] | $ 22[illegible] | $ 18[illegible] | $ 16[illegible] | $ 15[illegible] | $ 18[illegible] | $ 19[illegible] | $ 21[illegible] |
| Low | $ 21 | $ 22[illegible] | $ 18 | $ 1[illegible] | $ 16[illegible] | $ 14[illegible] | $ 13 | $ 12[illegible] | $ 14[illegible] | $ 16 | $ 18[illegible] |

*The Company will apply FASB Statements No. 90 and 96 in the first quarter of 1988 by restating the 1986 financial statements. After restatement, 1986 net income will be $10,369,000 and earnings available for common stock and earnings per common share will reflect a loss of $(9,604,000) and $(.31). Other statistical information noted above will change accordingly.

**Including amounts to be redeemed or purchased and current maturities.

| Electric Sales Statistics | 1987 | 1986 | 1985 | 1984 | 1983 | 1982 | 1981 | 1980 | 1979 | 1978 | 1977 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Revenues** *(000's)* | | | | | | | | | | | |
| Residential | **$ 252,217** | $ 233,398 | $ 200,839 | $ 196,625 | $ 199,713 | $ 160,564 | $ 154,916 | $ 161,973 | $ 121,170 | $ 111,972 | $ 93,343 |
| Commercial | **309,003** | 289,206 | 254,535 | 241,003 | 227,286 | 203,904 | 192,526 | 176,305 | 148,120 | 124,083 | 107,738 |
| Industrial | **113,649** | 110,373 | 105,145 | 105,816 | 93,963 | 86,953 | 94,168 | 80,821 | 76,956 | 61,489 | 50,914 |
| Public street and highway lighting | **13,240** | 13,002 | 12,127 | 11,604 | 11,015 | 9,616 | 9,332 | 8,325 | 7,043 | 6,221 | 6,398 |
| Public authorities — power and lighting | **105** | 99 | 96 | 97 | 89 | 86 | 82 | 75 | 69 | 74 | 65 |
| Other electric utilities | **4,999** | 5,167 | 6,325 | 11,754 | 17,678 | 12,631 | 12,648 | 10,638 | 9,994 | 8,369 | 6,186 |
| Total | **693,213** | 651,245 | 579,267 | 566,899 | 549,744 | 473,554 | 463,672 | 438,337 | 363,352 | 312,208 | 264,644 |
| Other electric revenues | **3,452** | 3,142 | 3,846 | 3,659 | 3,626 | 2,248 | 2,153 | 1,845 | 1,732 | 1,579 | 1,409 |
| Total | **$ 696,665** | $ 654,387 | $ 583,113 | $ 570,558 | $ 553,370 | $ 475,802 | $ 465,825 | $ 440,182 | $ 365,084 | $ 313,787 | $ 266,053 |
| **Sales in Kilowatt Hours** *(000's)* | | | | | | | | | | | |
| Residential | **3,050,543** | 2,839,310 | 2,657,018 | 2,625,440 | 2,719,062 | 2,378,647 | 2,345,646 | 2,689,467 | 2,254,962 | 2,465,782 | 2,284,029 |
| Commercial | **4,282,779** | 4,034,403 | 3,757,144 | 3,579,710 | 3,498,936 | 3,339,673 | 3,251,235 | 3,338,185 | 3,183,710 | 3,182,675 | 3,080,589 |
| Industrial | **2,315,898** | 2,266,131 | 2,248,524 | 2,272,457 | 2,039,736 | 1,959,431 | 2,326,664 | 2,141,924 | 2,383,201 | 2,302,619 | 2,147,363 |
| Public street and highway lighting | **69,117** | 69,277 | 69,097 | 67,707 | 66,744 | 66,625 | 66,308 | 67,172 | 66,561 | 68,248 | 68,286 |
| Public authorities — power and lighting | **1,635** | 1,604 | 1,652 | 1,687 | 1,563 | 1,657 | 1,634 | 1,693 | 1,876 | 2,710 | 2,702 |
| Other electric utilities | **107,952** | 113,134 | 160,174 | 260,575 | 410,338 | 325,997 | 327,022 | 355,154 | 328,072 | 336,916 | 317,516 |
| Total | **9,827,924** | 9,323,859 | 8,893,609 | 8,807,576 | 8,736,379 | 8,072,430 | 8,318,509 | 8,593,505 | 8,218,385 | 8,358,950 | 7,900,485 |
| **Average Number of Customers** | | | | | | | | | | | |
| Residential | **342,098** | 331,587 | 324,133 | 315,287 | 309,909 | 306,756 | 304,613 | 301,417 | 298,413 | 295,402 | 288,376 |
| Commercial | **44,974** | 43,293 | 41,947 | 40,826 | 40,550 | 40,065 | 39,758 | 38,984 | 38,372 | 38,713 | 38,343 |
| Industrial | **2,486** | 2,558 | 2,588 | 2,528 | 2,488 | 2,476 | 2,359 | 2,21[illegible] | 2,142 | 2,121 | 2,084 |
| Public street and highway lighting | **121** | 122 | 123 | 123 | 120 | 120 | 122 | 12[illegible] | 123 | 123 | 122 |
| Public authorities — power and lighting | **11** | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 12 | 11 |
| Other electric utilities | **11** | 12 | 14 | 17 | 19 | 13 | 13 | 14 | 14 | 16 | 16 |
| Total | **389,701** | 377,583 | 368,816 | 358,792 | 353,097 | 349,441 | 346,876 | 342,764 | 339,075 | 334,387 | 328,952 |
| **Residential Sales** | | | | | | | | | | | |
| Average kwh per customer | **8,917** | 8,563 | 8,197 | 8,327 | 8,774 | 7,754 | 7,700 | 8,923 | 7,556 | 8,404 | 7,920 |
| Average revenue per kwh — cents | **8.268** | 8.220 | 7.559 | 7.489 | 7.345 | 6.742 | 6.604 | 6.023 | 5.373 | 4.541 | 4.087 |
| **Load Statistics** | | | | | | | | | | | |
| Generated (net) — kwh *(000's)* | **12,965,948** | 12,115,894 | 11,170,702 | 10,156,804 | 9,191,332 | 9,138,284 | 10,762,930 | 10,095,801 | 7,535,591 | 8,581,224 | 8,446,189 |
| Purchased — kwh *(000's)* | **14,728** | 13,212 | 12,504 | 12,826 | 12,559 | 11,146 | 11,051 | 11,761 | 79,993 | 211,991 | 188,082 |
| Interchanged (net) — kwh *(000's)* | **(2,492,935)** | (2,159,836) | (1,589,115) | (651,560) | 193,436 | (539,933) | (1,908,379) | (902,501) | 1,196,104 | 218,421 | (182,695) |
| Total — kwh *(000's)* | **10,487,741** | 9,969,270 | 9,594,091 | 9,518,070 | 9,397,327 | 8,609,497 | 8,864,702 | 9,205,061 | 8,811,688 | 9,011,636 | 8,451,576 |
| Maximum net hourly demand in kilowatts (winter) | **1,514,000** | 1,490,000 | 1,446,000 | 1,388,000 | 1,435,000 | 1,315,000 | 1,304,000 | 1,299,000 | 1,317,000 | 1,286,000 | 1,255,000 |
| Maximum net hourly demand in kilowatts (summer) | **2,531,000** | 2,373,000 | 2,235,000 | 2,297,000 | 2,324,000 | 2,167,000 | 2,123,000 | 2,198,000 | 1,964,000 | 2,097,000 | 1,980,000 |
| Net generating capability in kilowatts (summer) | **2,937,000** | 2,937,000 | 2,937,000 | 2,477,000 | 2,634,000 | 2,774,000 | 2,884,000 | 2,838,000 | 2,560,000 | 2,560,000 | 2,675,000 |
| Net capacity in kilowatts (sold) purchased (summer) | **(44,000)** | 41,000 | 41,000 | 151,000 | 41,000 | — | (200,000) | (150,000) | — | 95,000 | (101,000) |
| Btu per net kwh generated | **10,676** | 10,754 | 10,635 | 10,756 | 10,874 | 11,138 | 11,119 | 11,158 | 11,633 | 11,266 | 11,518 |
| **Employee Data** | | | | | | | | | | | |
| Salaries and wages *(000's)* | **$ 96,607** | $ 96,399 | $ 97,425 | $ 92,950 | $ 89,246 | $ 87,907 | $ 80,239 | $ 73,602 | $ 68,465 | $ 54,693 | $ 56,380 |
| Pensions and benefits *(000's)* | **11,339** | 9,483 | 11,497 | 13,377 | 15,060 | 14,473 | 12,759 | 11,670 | 9,947 | 6,861 | 7,878 |
| | **$ 107,946** | $ 105,882 | $ 108,922 | $ 106,327 | $ 104,306 | $ 102,380 | $ 92,998 | $ 85,272 | $ 78,412 | $ 61,554 | $ 64,258 |
| Number of employees, December 31 | **2,799** | 2,771 | 2,863 | 2,838 | 2,939 | 2,957 | 2,928 | 2,856 | 2,868 | 2,726 | 2,572 |
| **Employee Data — Adjusted*** | | | | | | | | | | | |
| Salaries and wages *(000's)* | **$ 110,024** | $ 105,752 | $ 93,627 | $ 84,986 | $ 81,058 | $ 80,194 | $ 72,627 | $ 66,469 | $ 62,569 | $ 49,755 | $ 51,716 |
| Pensions and benefits *(000's)* | **12,636** | 10,712 | 11,092 | 12,350 | 13,792 | 13,281 | 11,610 | 10,751 | 9,282 | 6,287 | 7,359 |
| | **$ 122,660** | $ 116,464 | $ 104,719 | $ 97,336 | $ 94,850 | $ 93,475 | $ 84,237 | $ 77,220 | $ 71,851 | $ 56,042 | $ 59,075 |
| Number of employees, December 31 | **3,154** | 3,105 | 3,069 | 2,633 | 2,708 | 2,720 | 2,694 | 2,628 | 2,659 | 2,577 | 2,414 |

**Excludes or includes data related to employees allocated to or from other participants in jointly-owned units.*

## BOARD OF DIRECTORS

ARTHUR J. DOYLE*
*Chairman of the Board*
*and Chief Executive Officer*

WILLIAM H. CLARK*
*President and Executive Director*
*Urban League of Greater Kansas City*
*— community service agency*

ROBERT J. DINEEN
*President and Chief Executive Officer*
*The Marley Company*
*— diversified manufacturing and service company*

WILLIAM D. GRANT*
*Chairman of the Board*
*Business Men's Assurance Company of America*
*— insurance*

A. DRUE JENNINGS
*President*

GEORGE E. NETTELS, JR.
*President, Midwest Minerals, Inc.*
*Pittsburg, Kansas*
*— construction mineral processing and quarry operations*

LOUIS C. RASMUSSEN
*Executive Vice President-Finance*
*and Chief Financial Officer*

GEORGE A. RUSSELL
*Chancellor*
*University of Missouri–Kansas City*

EUGENE M. STRAUSS
*Owner of Strauss*
*insurance general agency*

LINDA HOOD TALBOTT
*President*
*Clearinghouse for Midcontinent Foundations*
*— information exchange for philanthropic activities*

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

ROBERT H. WEST*
*Chairman of the Board*
*Butler Manufacturing Company*
*— supplier of non-residential building systems, specialty components and construction services*

ROBERT K. ZIMMERMAN
*Advisory Director*

ROBERT A. OLSON
*Advisory Director*

*Member Executive Committee

## COMPANY OFFICERS**

ARTHUR J. DOYLE, 64
*Chairman of the Board and*
*Chief Executive Officer*
*1973*

A. DRUE JENNINGS, 41
*President*
*1980*

J. ROBERT MILLER, 63
*Executive Vice President-Operations*
*and Chief Operating Officer*
*1971*

LOUIS C. RASMUSSEN, 59
*Executive Vice President-Finance*
*and Chief Financial Officer*
*1974*

SAMUEL P. COWLEY, 53
*Senior Vice President-Corporate Affairs,*
*Secretary and Chief Legal Officer*
*1979*

J. MICHAEL EVANS, 42
*Senior Vice President-System Operations*
*1983*

BERNARD J. BEAUDOIN, 47
*Vice President-Finance*
*1984*

JAMES L. HOGAN, 57
*Vice President-Engineering*
*1984*

EDWIN B. McBURNEY, 61
*Vice President-Transmission*
*and Distribution*
*1984*

WILLIAM H. MILLER, 53
*Vice President-Customer, Employee*
*and Public Relations*
*1980*

RONALD G. WASSON, 42
*Vice President-Administrative Services*
*1983*

KENNETH P. BALDWIN, 61
*Treasurer*
*1986*

NEIL A. ROADMAN, 42
*Controller*
*1980*

MARK C. SHOLANDER, 42
*General Counsel*
*1986*

**Listing includes age, title and year promoted to officer

# SHAREHOLDER INFORMATION

## INVESTOR CONTACTS

Shareholder Account Information
Shareholder Relations Department
(816) 556-2053

Financial Information
Investor Relations
(816) 556-2312

## ANNUAL REPORT ON FORM 10-K

Copies of the Company's annual report to the Securities and Exchange Commission on Form 10-K will be provided without charge to any shareholder or beneficial owner of shares of the Company's stock upon written request to Samuel P. Cowley, Senior Vice President and Secretary, Kansas City Power & Light Company, P.O. Box 418679, Kansas City, Missouri 64141.

## DIVIDEND REINVESTMENT PLAN

Because of the Company's reduced need to raise capital and the high administrative costs of maintaining the plan, the Dividend Reinvestment Plan was discontinued effective July 31, 1987.

## TRANSFER AGENTS AND REGISTRARS

*Common and Preferred Stock*
United Missouri Bank of Kansas City, N.A.
Securities Transfer Dept.
P.O. Box 410064
Kansas City, Missouri 64141
(816) 556-7888

*Preference Stock*
Kansas City Power & Light Company
1330 Baltimore Avenue
Kansas City, Missouri 64105
(816) 556-2053

## COMMON STOCK PRICE RANGE

| | 1987 | | 1986 | |
|---|---|---|---|---|
| Quarter | High | Low | High | Low |
| First | 31⅛ | 27¾ | 29¼ | 22⅛ |
| Second | 29⅛ | 24¼ | 29½ | 23 |
| Third | 31 | 24¾ | 32¼ | 24¼ |
| Fourth | 28⅛ | 21 | 30¾ | 26⅝ |

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

NYSE Symbol: KLT

## COMMON STOCK DIVIDENDS

Common Stock dividends were declared as follows:

| Quarter | 1988 | 1987 | 1986 |
|---|---|---|---|
| First | $0.56 | $0.50 | $0.59 |
| Second | | 0.50 | 0.50 |
| Third | | 0.56 | 0.50 |
| Fourth | | 0.56 | 0.50 |

## PREFERRED AND PREFERENCE STOCK DIVIDENDS

Quarterly dividends on Preferred and Preference Stock were declared in each quarter of 1987 and 1986 as follows:

| Cumulative Preferred Stock | | Cumulative No Par Preferred Stock | |
|---|---|---|---|
| Series | Amount | Series | Amount |
| 3.80% | $0.95 | $ 2.33 | $0.5825 |
| 4.00% | 1.00 | 2.20 | 0.55 |
| 4.20% | 1.05 | 17.05* | 4.2625 |
| 4.35% | 1.0875 | 13.25** | 3.3125 |
| 4.50% | 1.125 | 12.875* | 3.21875 |
| 7.72% | 1.93 | | |

| Cumulative No Par Preference Stock | |
|---|---|
| Series | Amount |
| $ 8.00 | $2.00 |
| 12.75* | 3.1875 |

All dividends paid by the Company in 1987 were determined to be dividend income and no portion was considered a return of capital.

*The $17.05 Series, $12.875 Series and $12.75 Series were purchased or redeemed in March 1987.

**The $13.25 Series was redeemed in September 1987.

# The Company and its Service Area

Kansas City Power & Light Company is a medium-size electric utility and the corporate successor to one of the world's first electric companies, generating electricity since 1882. Headquartered in downtown Kansas City, Missouri, the Company generates and distributes electricity to about 397,000 customers in a 4,700-square-mile area located in 23 counties in western Missouri and eastern Kansas. Population of the service area is about 850,000. Customers include 349,000 residences, 45,000 commercial firms, and 3,000 industries, municipalities and other electric utilities. About 70% of total kwh sales and revenue are from Missouri customers and the remainder from Kansas.

Steam is produced and distributed to 117 businesses in downtown Kansas City and accounts for about one percent of total revenue.

**Generating Capacity and the MOKAN Pool**

The Company's 1987 total available capacity was 2,893 mw, including 2,937 mw of installed generating capacity less 44 mw of net capacity sales. Its 1987 system peak load was a record 2,531 mw and resulted in a capacity margin of about 12.5%, the equivalent of a reserve margin of 14.3%. In addition to being a member of the Southwest Power Pool, a regional reliability council, KCPL is one of 11 members of the MOKAN Pool, formed in 1962 to share reserve capacity, coordinate planning for additional generating units and expand transmission lines. Transmission connections with numerous utilities in Missouri, Kansas, Nebraska, Iowa and Minnesota enhance the Company's system reliability. Kansas City is a key center in the interconnected system which enables regional and interregional bulk power transactions among electric utility systems.

**Service Area**

Some 95% of the Company's business is derived from metropolitan Kansas City which has experienced steady economic growth. A key factor is the diversity of the area's industry, reflected in an unemployment rate which has been consistently below the national average. In November 1987, the area unemployment rate averaged 5.3% compared with the national average of 5.6%.

Kansas City is considered to be the world's agribusiness capital, centered around the Kansas City Board of Trade. Kansas City leads the nation in farm equipment distribution and hard winter wheat marketing, ranks second in wheat flour production, third in grain elevator storage capacity and is the nation's third largest feeder cattle market.

In addition to its strong agribusiness base, Kansas City leads the nation in the production of greeting cards and the manufacture of instrument landing systems, has the nation's second largest rail center and is the third largest producer of automobiles and trucks. Kansas City has developed into a major retail market, ranking among the top 30 metropolitan areas in total retail sales. Kansas City is also a major convention and entertainment center.

Located halfway between the geographic and population centers of the country and midway between Houston and the Canadian border, Kansas City is well positioned as a national hub for efficient networks of transportation and communications which will continue to play an important role in the area's steady economic growth.

KANSAS CITY POWER & LIGHT COMPANY
1330 Baltimore Avenue
Kansas City, Missouri 64105