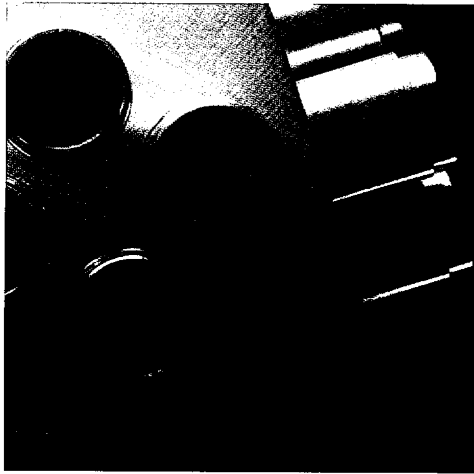
Kansas City Power & Light — Designing Our Future



Goal:
To lay
the building
blocks
for
continued
success

1999 — Annual Report

Company Profile

Kansas City Power & Light Company is a leading provider of energy and related products and services for homes and businesses in the Kansas City metropolitan area and nationwide. A progressive and successful company, KCPL leads the electric utility industry in customer service. Headquartered in downtown Kansas City, Missouri, KCPL generates and distributes electricity to over 463,000 retail customers, cities and electric utilities in Missouri and Kansas. KLT Inc. and Home Service Solutions Inc., wholly-owned subsidiaries of KCPL, pursue unregulated business ventures nationally, capturing growth opportunities in markets outside the regulated utility business.

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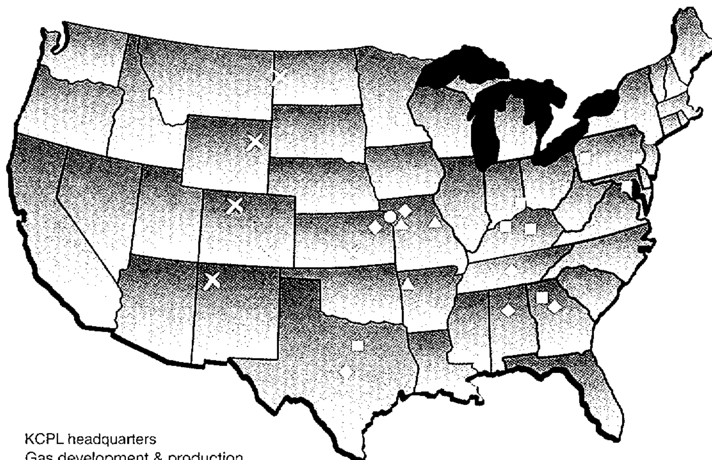
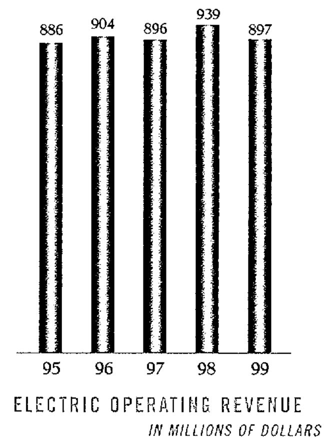
Year At A Glance

- KCPL terminates its merger agreement with Western Resources, later announcing its intent to bring additional value to shareholders by separating into three companies—generation, transmission and distribution, and nonregulated businesses.
- Hawthorn Generating Station's Unit #5 boiler explodes in February 1999; construction is underway to rebuild it by June 2001.
- KCPL customers set record of 3,251 megawatts for peak demand in third quarter 1999.
- Earnings per share in 1999 decrease to $1.26 from $1.89 in 1998, reflecting in part the unavailability of Hawthorn #5, intense summer heat and mild winter weather.
- Missouri customers' rates are reduced by about $15 million annually, effective March 1, 1999, maintaining KCPL's rates among the most competitive in the region. A moratorium in Missouri will maintain rate stability until at least 2002.
- Wolf Creek Nuclear Generating Station completes its tenth refueling outage in a plant-record 36 days.
- KCPL introduces shareholders' ability to purchase stock directly from the company through its enhanced Dividend Reinvestment & Direct Stock Purchase Plan.
- KLT Inc. names Greg Orman its new president; Ron Wasson moves to chairman. KLT Inc. also names four new members to its Board of Directors.
- KCPL's internet Web site — www.kcpl.com — is listed among Andersen Consulting's top 10 sites for its quality of content, usefulness to customers, interactivity and navigation.

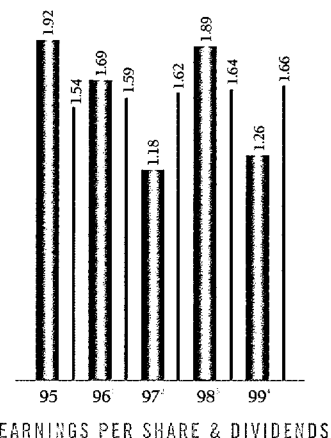


(dollars in thousands except per share amounts)	1999	1998
Electric operating revenues	$ 897,393	$ 938,941
Net income	$ 81,915	$ 120,722
Earnings available for common	$ 78,182	$ 116,838
Average number of shares	61,898,020	61,883,973
Per common share:		
Earnings	$ 1.26(1)	$ 1.89(2)
Dividends	$ 1.66	$ 1.64
Book value	$ 13.97	$ 14.41
Year-end stock price	$ 22 1/16	$ 29 5/8
Return on year-end common equity	9%	13%
Common dividend payout	132%	87%
Utility capital expenditures	$ 180,687	$ 119,540
Electric plant	$ 3,628,120	$ 3,576,490
Selected statistics:		
Retail megawatt-hour sales	13,342,151	13,441,850
Peak load - summer (mw)	3,251	3,175
Peak load - winter (mw)	2,171	2,117
Average number of retail customers	457,207	447,898
Number of common shareholders	20,661	22,070
Capitalization (% of total)		
Common equity	50%	47%
Preferred stock	2%	5%
Mandatorily redeemable preferred securities	9%	8%
Long-term debt(3)	39%	40%

(1) See Management Discussion for explanation of 1999 results.
(2) Reflects $0.20 per share charges for merger-related costs
(3) Excludes current maturities



ELECTRIC OPERATING REVENUE
IN MILLIONS OF DOLLARS



EARNINGS PER SHARE & DIVIDENDS

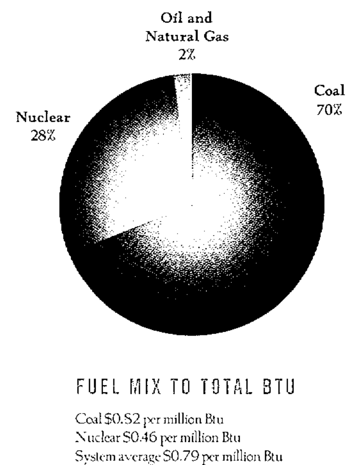
[1]-Reflects $0.31 per share for merger-related costs
[2]-Reflects $0.59 per share for merger-related costs
[3]-Reflects $0.20 per share for merger-related costs
[4]-See Management Discussion for explanation of 1999 results.

CERTAIN FORWARD-LOOKING INFORMATION

Statements made in this report which are not based on historical facts are forward-looking and, accordingly, involve risks and uncertainties that could cause actual results to differ materially from those discussed. Any forward-looking statements are intended to be as of the date on which such statement is made. In connection with the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, we are providing a number of important factors that could cause actual results to differ materially from provided forward-looking information. These important factors include:

- future economic conditions in the regional, national and international markets
- state, federal and foreign regulation
- weather conditions
- financial market conditions, including, but not limited to changes in interest rates
- inflation rates
- increased competition, including, but not limited to, the deregulation of the United States electric utility industry, and the entry of new competitors
- ability to carry out marketing and sales plans
- ability to achieve generation planning goals and the occurrence of unplanned generation outages
- nuclear operations
- ability to enter new markets successfully and capitalize on growth opportunities in nonregulated businesses
- adverse changes in applicable laws, regulations or rules governing environmental (including air quality regulations), tax or accounting matters

This list of factors may not be all-inclusive since it is not possible for us to predict all possible factors.



FUEL MIX TO TOTAL BTU

Coal $0.82 per million Btu
Nuclear $0.46 per million Btu
System average $0.79 per million Btu

DRUE JENNINGS
Chairman and CEO

KCPL builds on a solid foundation with a new spirit and a new sense of direction.

ast year was very challenging for our company, yet we are moving forward with a new spirit and a new sense of direction in 2000. I believe we are destined to become stronger because of what we've faced and overcome. Several events of 1999 brought opportunities for KCPL to implement plans to strengthen its operations and build an even better company.

Changing Direction: After extensive deliberation, KCPL's Board of Directors terminated its merger agreement with Western Resources just after the first of the year. The dramatic decline in Western's stock price since the merger agreement was signed in March 1998 negatively impacted the value of this transaction to shareholders. Our focus on improving share price and shareholder value, along with the inability to obtain a fairness opinion, drove our decision. It no longer made sense to merge with Western.

Building, Strengthening: In February 1999, an explosion destroyed the boiler of Hawthorn Unit #5, a 476-megawatt coal-fired generating unit. Fortunately, no one was injured; however, KCPL's earnings were impacted in 1999 by the loss of that plant. Earnings in 1999 were $1.26, down from $1.89 in 1998, due in part to this explosion, as well as an intense period of heat in July coupled with very mild winter weather. A rate reduction for Missouri customers also affected earnings in 1999. The impact of the

unavailability of Hawthorn #5 will continue to be felt in 2000; however, we anticipate that contributions from KLT Inc., our nonregulated businesses, will partially offset the additional costs of Hawthorn #5. Our economy remains robust, driving a strong electric service market, while our costs to produce electricity are still among the lowest in the region.

After the explosion, we set a course to return to a position of full strength as quickly as possible. Within months, KCPL's Board of Directors approved plans to rebuild Hawthorn #5 as a 540-megawatt coal-fired unit, and construction began on this new, state-of-the-art plant. When completed, the new and improved Hawthorn Unit #5 will be cost-competitive and among the cleanest coal-fired plants in the country, boasting some of the most technologically advanced environmental controls available. We anticipate this plant will be available in June 2001, in time for the hot summer months.

With the addition of Hawthorn Unit #6 last summer and three more peaking units expected to be on line this summer, Hawthorn Generating Station will bring enhanced capacity to our system. The additional megawatts generated will strengthen our position as a regionally cost-competitive provider.

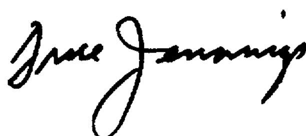
A Growing Strategy: Terminating the merger with Western brings an opportunity for KCPL on its own to restructure efficiently and effectively to succeed in a changing marketplace. After much thought and analysis, we strongly believe we can add more value by separating KCPL into three businesses — generation, transmission and distribution, and nonregulated businesses. By targeting these areas and focusing on their growth and development, we can bring enhanced opportunities to maximize the value of KCPL for our shareholders.

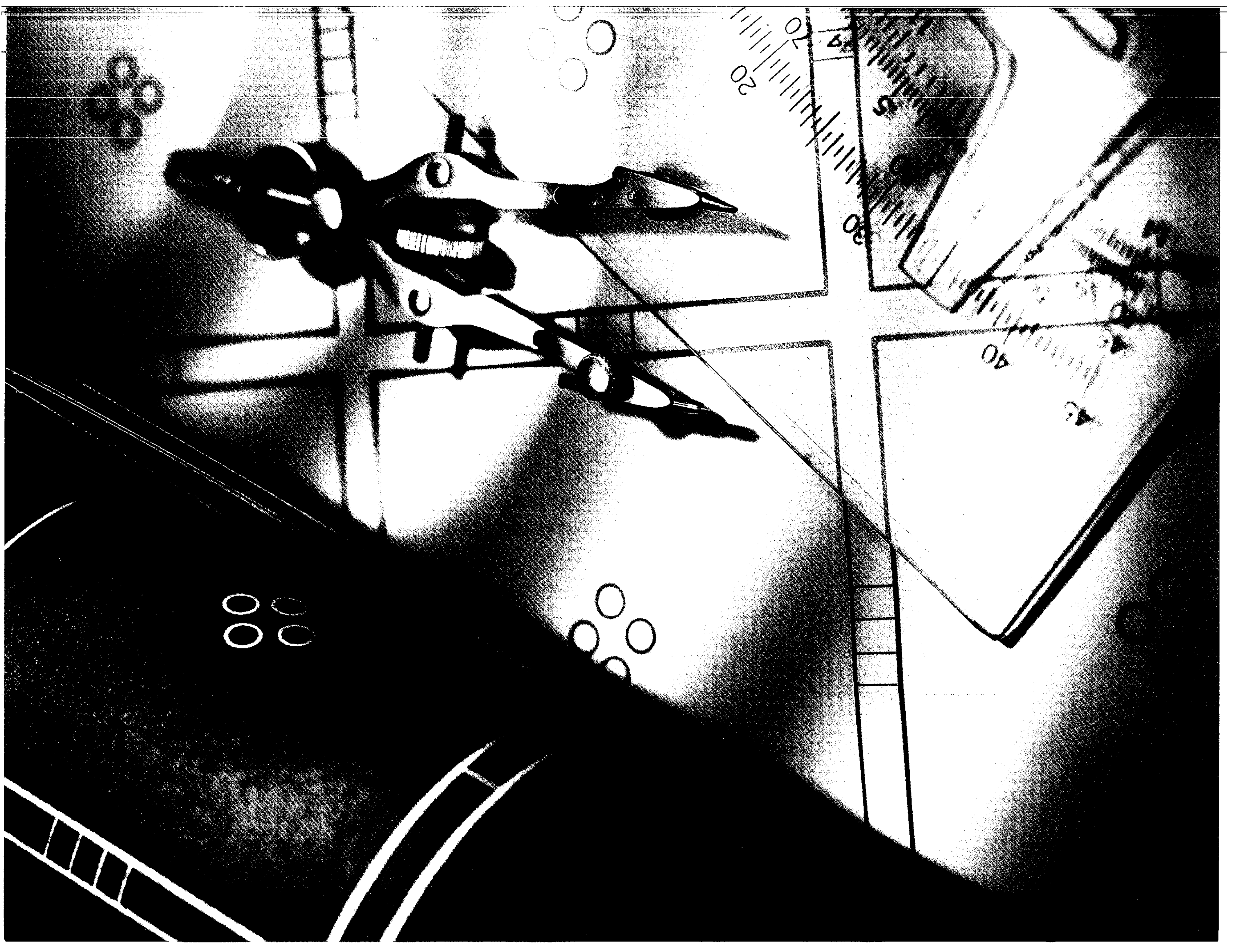
We anticipate seeking nonregulated status for KCPL's low-cost generation activities, allowing that segment of the business to compete outside the service territory while still providing power to our retail customers. Transmission and distribution services are expected to remain regulated, generating stable cash flows and earnings. Our current nonregulated businesses, KLT Inc. and Home Services Solutions Inc. (HSS), are undergoing their own evolution as efforts are focused on increasing the financial performance of each.

Changing Marketplace: The electric utility marketplace continues to change as deregulation moves across the country. Deregulation legislation has been proposed in Missouri, and we expect it to be considered in Kansas in the next couple of years. Such legislation will set a direction for each state's move to retail choice. KCPL is proactive in driving this legislation, because it will help shape our corporate restructuring strategy.

We are excited about the challenges this new world continues to offer, and we recognize that our talented employees play a crucial role in the attainment of our corporate objectives. Thank you for your confidence and support of our strategic long-term initiatives.

For the Board of Directors,





MARY TURNER AND STEVE EASLEY
Manager of Fuels and Director of Construction

Our enhanced generation capacity will create a blueprint for continued growth.

ompetition is the watchword in today's energy marketplace. KCPL's distinct competitive advantages include efficient power plants, low fuel costs and competitive rates. As a generation company, KCPL's power plants provide a solid foundation for continued growth. The plants serve a growing, diverse marketplace, both in the Kansas City area and in the wholesale power market. Our history of success in the generation arena lends confidence to a successful future.

In February 1999, KCPL's Hawthorn Generating Station lost a portion of its generation capacity when the Hawthorn Unit #5 boiler exploded. While the short-term effects of the explosion were dramatic, the long-term benefits will outweigh the interim losses. KCPL's Board of Directors approved reconstruction of Hawthorn #5 with a coal-fired unit expected to generate 540 megawatts. The rebuilt unit's state-of-the-art equipment will make it one of the cleanest, most efficient coal-fired units in the United States. Using an innovative fast-track approach to plant construction, we anticipate that the unit will be in operation by June 2001.

Bolstering the company's generation capacity will be an additional 294 megawatts of capacity planned to be on line by July 2000 to help mitigate the risks associated with another warm summer. In addition, Hawthorn Unit #6, a 141-megawatt gas-fired combustion turbine, went into operation in July 1999. Hawthorn Unit #5 and the peaking units will add strength to KCPL's already impressive generating system.

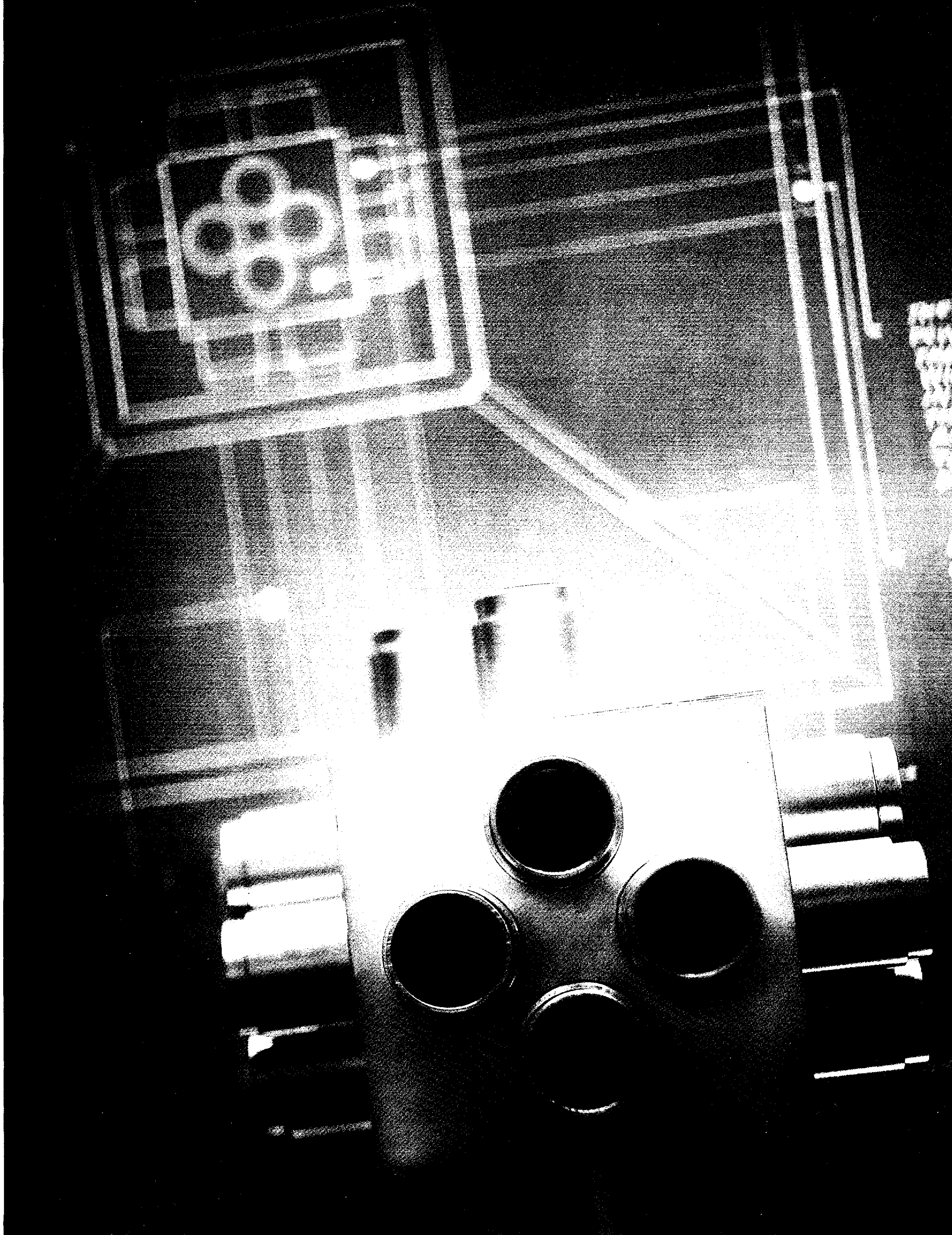
Low fuel costs, technologically advanced equipment and typically high plant availability across our system create a strong backdrop for a successful future for KCPL's generation company. Our nuclear plant, Wolf Creek Generating Station in south-central Kansas, has been one of the top performing nuclear plants in the world since coming on line in 1985.

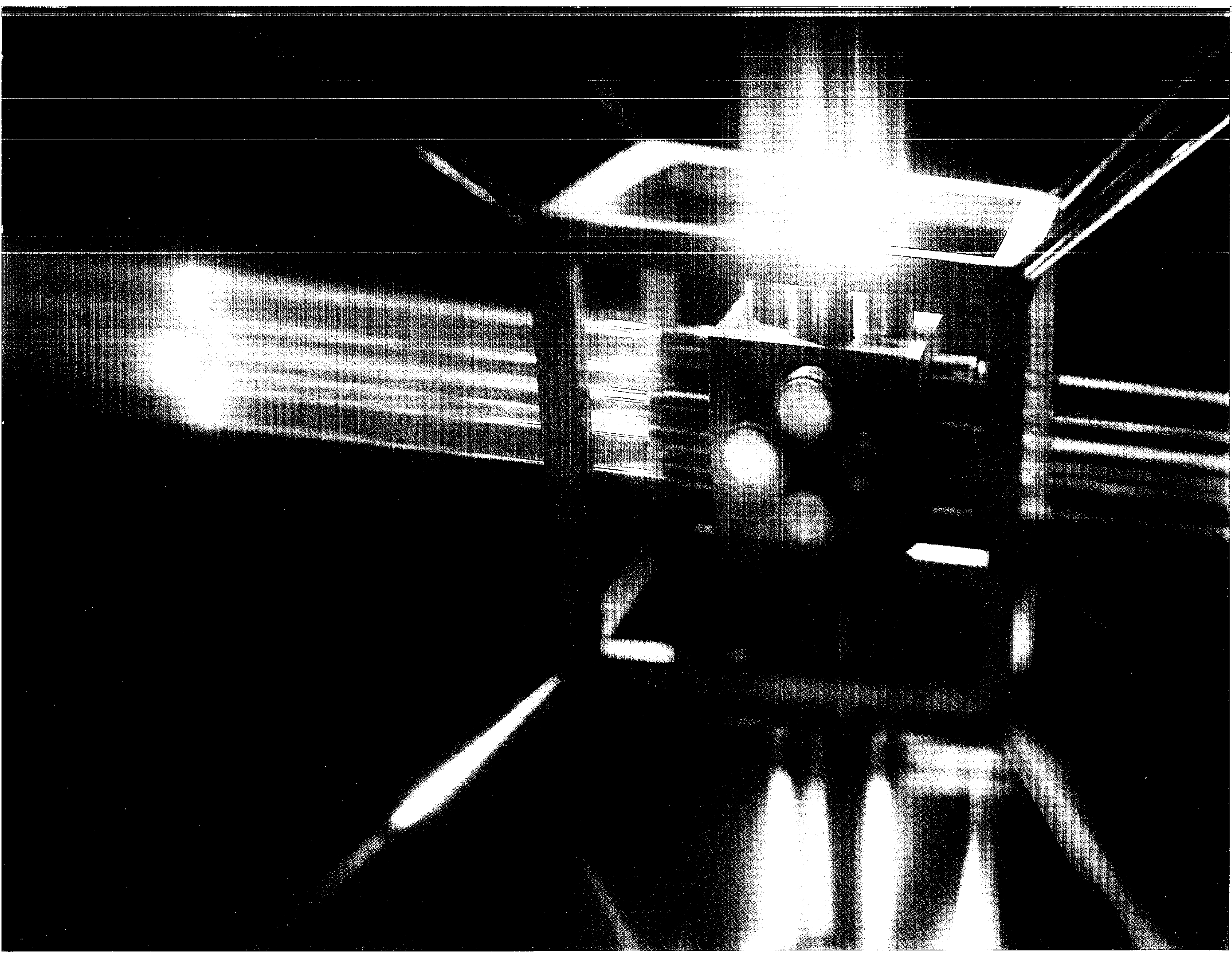
KCPL's decision to separate its generation assets into an unregulated business will bring significant benefits to the company. Our electric business is fundamentally sound and competitive. Its strong asset mix and low production costs will yield attractive opportunities for a separate generation business. It will allow KCPL to leverage its low-cost generation assets better in an unregulated environment.

Increased management focus on this area of KCPL will enable us to derive even more value from our assets. This focus will also facilitate unique growth of all of the separate business units.

As always, KCPL's employees stand ready to accept the challenges of operating a successful generation company in a competitive marketplace. Armed with solid technical skills and an understanding of what's required to be competitive, our employees are the building blocks on which our company will grow in a future that is very different from what we've experienced in the past. The challenge is here, and our employees are up to the task ahead.

Goal:
To capitalize on our competitive advantages in the generation marketplace





NANCY MOORE
Vice President-Customer Services

Our commitment to outstanding customer service completes our connection with customers.

t KCPL, we recognize the value of each customer and continually work to provide innovative solutions to our customers' energy needs. Change in the electric utility industry drives KCPL to create more connections to our customers. We must do more than just keep the lights on: We must continue to expand the services and conveniences we offer our customers.

Change surrounds us in the electric utility industry today. To date, 24 states offer retail customers a choice of electric providers or have initiated legislation to do so. In Missouri and Kansas, where KCPL has retail customers, the process is beginning. We expect both state legislatures to initiate action within the next two years that will move our company and its customers toward retail choice. KCPL supports this action and is actively working to help develop a restructuring bill that is considerate of all stakeholders. We're not afraid of the changes coming our way; we embrace them as opportunities.

The cornerstone of our success in the future will be our ability to provide more energy-related information to customers in less time. That has been the focus of our technological developments in recent years.

Last year, KCPL moved further beyond the boundaries of traditional service to bring customized technological innovation into customers' homes and businesses. Our efforts were rewarded as the company garnered recognition for these advances. Andersen Consulting, in a study of 144 utility companies' Web sites in the United States, United Kingdom, Australia and Hong Kong, found KCPL to have one of the top 10 Web sites in terms of quality of content, usefulness to the customer, range of interactivity and ease of navigation. AccountLink, KCPL's Internet service providing up-to-date customer account information, usage history and the ability to pay bills on line, has also been identified as a quality service to customers. These advances make www.kcpl.com a value-added resource for our customers.

With our technological connections in place, our focus remains on fully implementing the array of customer service tools that enable us to exceed customers' demands in all of our marketplace offerings.

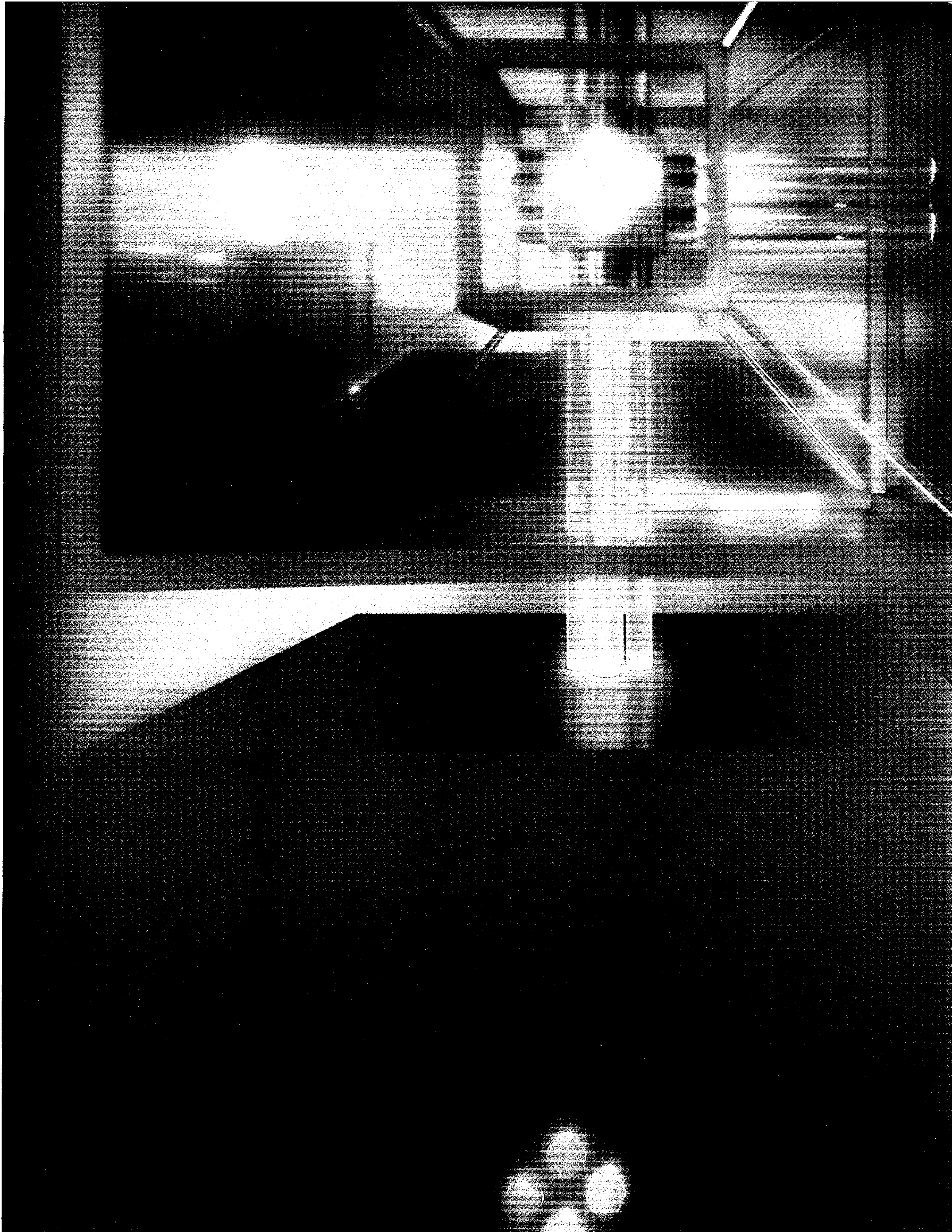
In the commercial sector, KCPL's Business Center proactively serves KCPL's 700 largest commercial and industrial customers. Its team of energy experts provides value-added services to these customers while building key relationships with them, effectively matching the customers' energy needs with the solutions we provide.

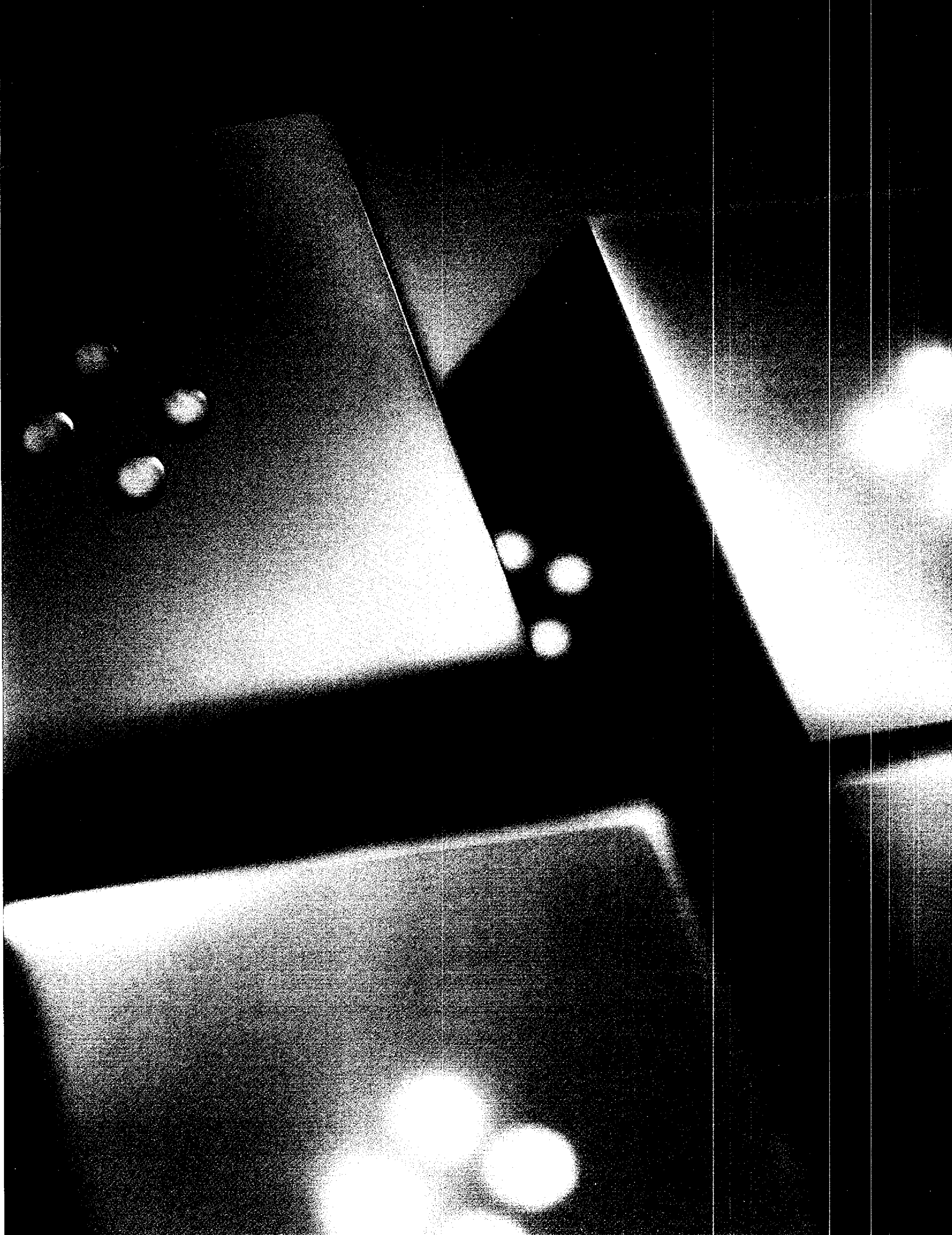
Our Promise of Customer Satisfaction, one of the first of its kind in the country, reminds our customers — both large and small, commercial and residential — of our commitment to superior service. This Promise guarantees that KCPL will meet stated service standards or the customer will be compensated. It's just one more way we have of connecting with our customers.

Our partnership with the greater Kansas City community also keeps us connected with our customers. KCPL's countless community investments provide education opportunities for children, development opportunities for area youths, environmental aid, preservation of Kansas City's history and more.

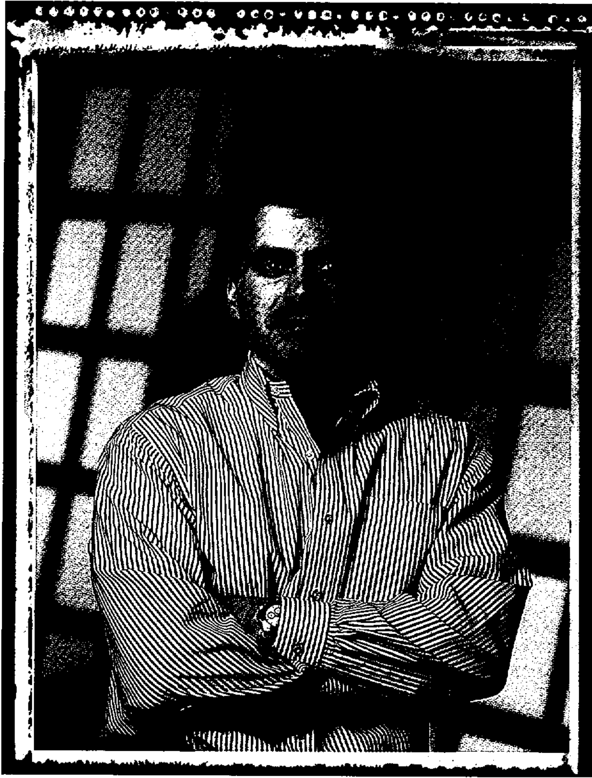
Keeping customers informed about our technological advances, marketplace strategies and commitment to outstanding service requires that we maintain effective communication efforts. In our traditional markets, customers recognize and support the Kansas City Power & Light brand. As our markets expand through diversified nonregulated activities to include upstream retailers, regional transmission companies and other strategic markets, our marketing strategies will position KCPL as the outstanding supplier of energy solutions.

Goal:
To provide innovative solutions to our customers' energy needs





GREG ORMAN
President and CEO-KLT Inc.



Together, our regulated and nonregulated business strengths come together to build value for our shareholders.

t's about building value. KLT Inc., one of KCPL's nonregulated subsidiaries with investments in energy-related and other businesses, was created to enhance KCPL's value to its shareholders.

In 1999, KLT Inc. set about refocusing its energies around three primary businesses characterized by rapid growth, value-added opportunities and aggressive development strategies: telecommunications, gas production and development, and retail energy services.

Telecommunications: Through its 47 percent ownership in Digital Teleport Inc. (DTI), KLT Telecom has investments in more than 8,000 route miles of fiber optic capacity, including metropolitan area networks in secondary and tertiary markets. DTI anticipates completing the majority of its development of a nationwide broadband network in 2000, ultimately leading to a planned network with more than 20,000 route miles (500,000 fiber miles). KLT is also evaluating early-stage investments in wireless-related businesses, which would complement its fiber ownership.

Gas production and development: KLT Gas produces 42 thousand cubic feet of natural gas on a daily basis, which would place it among the top 100 publicly traded companies

of its kind in the country. In 1999 the company increased production in its existing properties by more than 75 percent and acquired an additional 30 billion cubic feet (Bcf) of proven reserves, bringing its total proven reserves to 250 Bcf. KLT Gas is a market leader in coalbed methane gas production, a production method that yields a longer-term production life-cycle. It plans to continue its aggressive development of producing coalbed methane properties.

Retail energy services: KLT Energy Services acquired a majority interest in Strategic Energy Ltd. (SEL) in 1999, positioning it to take advantage of the opportunities in the $300 billion retail energy markets. SEL provides supply-side energy management services to commercial and industrial customers in North America. SEL's revenues grew from $7 million in 1998 to more than $62 million in 1999 as it began the expansion of its retail offerings. In 2000, SEL anticipates achieving revenues of around $140 million.

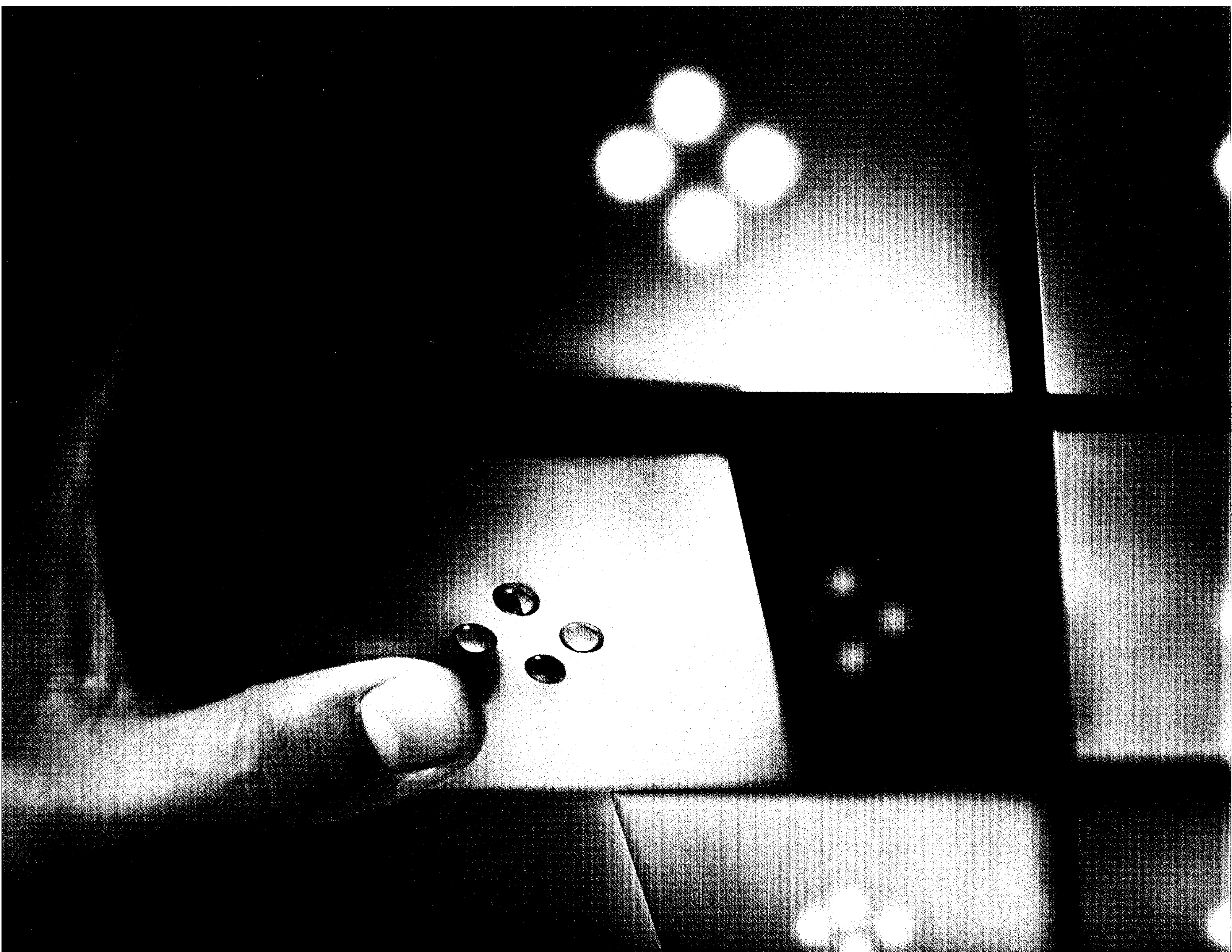
KLT Inc. is taking the steps necessary to create a performance-oriented culture. This includes establishing aggressive incentive-driven goals and a more disciplined approach to help ensure success. Investments that don't meet established investment criteria will not have a place in KLT. Further, efforts aimed at attracting outside talent to both its management team and board of directors will position the company to add more value.

In addition to KLT Inc., KCPL's newest non-regulated subsidiary, Home Service Solutions Inc. (HSS), invests in companies that provide products and service solutions to residential market customers. HSS's 49 percent ownership in R.S. Andrews Enterprises, Inc., has enabled KCPL to gain entry into this residential market as it builds a nationwide network of home service companies. As a part of HSS, Worry Free Service℠ provides financing for residential services, including preventive maintenance and warranty services for heating and air conditioning equipment.

HSS sells comfort and convenience to residential customers, and its ongoing and future alliances will continue to focus on services needed inside the home. It brings the KCPL brand and its service solutions to a nationwide network of customers, effectively expanding KCPL's market opportunities.

Goal:

To drive profitability through controlled and sustained growth



KCPL Officers*

Drue Jennings, 53
Chairman of the Board and
Chief Executive Officer
1980

Bernard J. Beaudoin, 59
President
1984

Marcus Jackson, 48
Executive Vice President and
Chief Financial Officer
1989

Ronald G. Wasson, 55
Executive Vice President - KCPL and
Chairman of the Board - KLT, Inc.
1989

John J. DeStefano, 50
Senior Vice President -
Business Development
1989

Jeanie Sell Latz, 48
Senior Vice President -
Corporate Services,
Corporate Secretary and
Chief Legal Officer
1991

Andrea Bielsker, 41
Vice President-Finance and Treasurer
1996

Frank L. Branca, 52
Vice President -
Generation Services
1989

Nancy J. Moore, 50
Vice President -
Customer Services
2000

Doug M. Morgan, 57
Vice President -
Information Technology
1994

Richard A. Spring, 45
Vice President -
Transmission & Environmental Services
1994

Bailus M. Tate, Jr., 53
Vice President -
Human Resources
1994

Neil Roadman, 54
Controller
1980

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

KLT Inc. Officers*

Ronald G. Wasson, 55
Chairman of the Board
1995

Greg Orman, 31
President and
Chief Executive Officer
2000

Mark G. English, 48
Vice President -
General Counsel and
Corporate Secretary
1995

David M. McCoy, 52
Vice President -
Business Development
1996

Floyd R. Pendleton, 56
Vice President -
Business Development
1992

James P. Gilligan, 43
Treasurer
1997

** Listing includes name, title and year named KLT Inc. officer.*

Board of Directors

Drue Jennings*
Chairman of the Board and
Chief Executive Officer

Bernard J. Beaudoin
President

Dr. David L. Bodde
Charles N. Kimball Professor of Technology
and Innovation at the Bloch School of
Business and Public Administration,
University of Missouri-Kansas City

William H. Clark*
President,
The Urban League of Greater Kansas City
community service agency

Robert J. Dineen*
Chairman of the Board,
Layne Christensen Company
drilling services company

W. Thomas Grant II
Chairman of the Board, President and Chief
Executive Officer,
Lab*One*, Inc.
a centralized laboratory that markets clinical, substance abuse and insurance laboratory services

George E. Nettels, Jr.
Chairman of the Board,
Midwest Minerals, Inc.
construction mineral processing and quarry operations
President, Yampa Resource Associates, Inc.
mined land reclamation operation

Dr. Linda Hood Talbott
President,
Talbott & Associates
consultants in strategic planning, philanthropic management and development to foundations and corporations
Chairman, Center for Philanthropic
Leadership

Robert H. West*
Retired Chairman of the Board and
Chief Executive,
Butler Manufacturing Company
supplier of non-residential building systems

** Member, Executive Committee*

Termination of Merger
On January 2, 2000, KCPL's Board of Directors unanimously voted to terminate its Amended and Restated Agreement and Plan of Merger, dated as of March 18, 1998, with Western Resources Inc. (Western Resources). See Note 14 to the Consolidated Financial Statements for further information concerning the terminated Western Resources merger.

Regulation and Competition
As competition develops throughout the electric utility industry, we are positioning Kansas City Power & Light Company (KCPL) to excel in an open market. We are continuing to improve the efficiency of KCPL's electric utility operations, lowering prices and offering new services.

Competition in the electric utility industry accelerated with the passage of the National Energy Policy Act of 1992. This Act gave the Federal Energy Regulatory Commission (FERC) the authority to require electric utilities to provide transmission line access to independent power producers (IPPs) and other utilities (wholesale wheeling). In April 1996 FERC issued an order requiring all owners of transmission facilities to adopt open-access tariffs and participate in wholesale wheeling. We made the necessary filings to comply with that order.

FERC's April 1996 order encouraged more movement toward retail competition at the state level. An increasing number of states have already adopted open access requirements for utilities' retail electric service, allowing competing suppliers access to their retail customers (retail wheeling). Many other states, including Kansas and Missouri, are actively considering retail wheeling. While retail wheeling legislation was introduced in Kansas and Missouri in 1999, no comprehensive legislation was passed.

Retail access could result in market-based rates below current cost-based rates, providing growth opportunities for low-cost producers and risks for higher-cost producers, especially those with large industrial customers. Lower rates and the loss of major customers could result in stranded costs and place an unfair burden on the remaining customer base or shareholders. We cannot predict whether any stranded costs would be recoverable in future rates. If an adequate and fair provision for recovery of lost revenues is not provided, certain generating assets may have to be evaluated for impairment and appropriate charges recorded against earnings. In addition to lowering profit margins, market-based rates could require generating assets to be depreciated over shorter useful lives, increasing operating expenses.

KCPL is positioned to compete in an open market with its diverse customer mix and pricing strategies. Industrial customers make up about 20% of KCPL's retail mwh sales, well below the utility industry average. KCPL's flexible industrial rate structure is competitive with other companies' rate structures in the region. In addition, we have entered into long-term contracts for a significant portion of KCPL's industrial sales. Although no direct competition for retail electric service currently exists within KCPL's service territory, it exists in the bulk power market and between alternative fuel suppliers and KCPL. Third-party energy management companies are seeking to initiate relationships with large users in KCPL's service territory in an attempt to enhance their chances to supply electricity directly when retail wheeling is authorized.

Increased competition could also force utilities to change accounting methods. Financial Accounting Standards Board (FASB) Statement No. 71 — Accounting for Certain Types of Regulation, applies to regulated entities whose rates are designed to recover the costs of providing service. A utility's operations could cease meeting the requirements of FASB 71 for various reasons, including a change in regulation or a change in the competitive environment for a company's regulated services. For those operations no longer meeting the requirements of regulatory accounting, regulatory assets would be written off. KCPL can maintain its $138 million of regulatory assets at December 31, 1999, as long as FASB 71 requirements are met.

Competition could eventually have a material, adverse effect on KCPL's results of operations and financial position. Should competition eventually result in a significant charge to equity, capital requirements and related costs could increase significantly.

KLT Inc. Nonregulated Opportunities
KLT Inc. (KLT), a wholly-owned subsidiary of KCPL, pursues nonregulated business ventures. Existing ventures include investments in telecommunications, oil and gas development and production, energy services and affordable housing limited partnerships.

KCPL's investment in KLT was $119 million as of December 31, 1999 and 1998. KLT's loss for 1999 totaled $1.3 million compared to income of $4.6 million in 1998. (See KLT earnings per share analysis on page 22 for significant factors impacting KLT's operations and resulting net income for 1999, 1998 and 1997.) KLT's consolidated assets at December 31, 1999, totaled $268 million.

Telecommunications
Through our subsidiary, KLT Telecom, we own 47% of DTI Holdings (acquired in 1997), which is the parent company of Digital Teleport, Inc. (DTI), a facilities-based telecommunications company. DTI is creating an approximately 20,000 route-mile, digital fiber optic network comprising 23 regional rings that interconnect primary, secondary and tertiary cities in 37 states. DTI now owns or controls over 8,000 route-miles of fiber optic capacity with local rings located in the metropolitan areas of Kansas City, St. Louis, Memphis and Tulsa. By the end of year 2000, DTI projects it will have over 14,000 route-miles of its network completed.

The strategic design of the DTI network allows DTI to offer reliable, high-capacity voice and data transmission services, on a region-by-region basis, to primary carriers and end-user customers who seek a competitive alternative to existing providers. DTI's network infrastructure is designed to provide reliable customer service through back-up power systems, automatic traffic re-routing and computerized automatic network monitoring. If the network experiences a failure of one of its links, the routing intelligence of the equipment transfers traffic to the next choice route, thereby ensuring call delivery without affecting customers. DTI currently provides services to other communications companies including AT&T, Sprint, MCI Worldcom, Ameritech Cellular and Broadwing Communications, among others. DTI also provides private line services to targeted business and governmental end-user customers.

DTI intends to focus on the continued build-out of its sophisticated low cost network and to grow its products and services with the objective of becoming a major competitor in the telecommunication services industry.

Oil and Gas Development and Production
KLT Gas pursues nonregulated growth primarily through the acquisition, development and production of natural gas properties. We have built a knowledge base in coalbed methane production and reserves evaluation. Therefore, the focus of KLT Gas is on coalbed methane, a niche in the oil and gas industry where we believe our expertise gives us a competitive advantage. Coalbed methane, with a longer, predictable reserve life, is inherently lower risk than conventional gas exploration. In addition to coalbed methane projects, we seek out high quality conventional gas production to add additional value to our operations. Conventional gas properties comprise approximately 25% of KLT Gas' properties as of December 31, 1999.

KLT Gas has properties in Colorado, Texas, Wyoming, Oklahoma, Kansas, New Mexico and North Dakota. KLT Gas has an ownership interest in approximately 200 wells in these states and plans to drill over 150 additional wells during 2000. In 1999, KLT Gas acquired properties in five new basins. These acquisitions provide significant planned future growth potential by virtue of their development acreage and proven reserve base. At December 31, 1999, net proven reserves approximate 247 Billion Cubic Feet. Average gas production at December 31, 1999, was approximately 42 Million Cubic Feet per Day. These levels of net production and reserves in the United States would place KLT Gas in the top 100 publicly-traded oil and gas companies in the United States, based on the September 1999 Oil and Gas Journal. In January 2000, KLT Gas acquired 80 wells with significant proven reserves, continuing its growth strategy. KLT Gas develops newly acquired areas to realize significant gas production from proven reserves.

The future price scenarios for natural gas appear strong, showing steady growth. We believe the demand for natural gas should strengthen into the future. Environmental concerns are leading to increased demand of natural gas by electric utilities switching from coal or oil generation to cleaner burning natural gas. We believe that natural gas prices will continue to be more stable than oil prices and that increased demand for natural gas will move natural gas prices upward in the future. Even with the stable gas prices, we utilize gas forward contracts to minimize the risk of gas price changes.

Energy Services
KLT Energy Services acquired in 1999 a 56% ownership (49% of the voting stock) in Strategic Energy, LLC (SEL). SEL provides energy supply coordination services and purchases electricity and gas for resale to retail end users. SEL also provides strategic planning and consulting services in natural gas and electricity markets.

SEL builds strong customer relationships by providing quality services over extended periods of time. SEL has provided services to over 100 Fortune 500 companies and currently serves over 5,000 customers. SEL has developed an excellent market reputation for providing energy procurement services to end-users over the past fifteen years. Their revenues grew significantly from $7 million in 1998 to $62 million in 1999.

SEL has developed into a major provider of services, mainly electricity for a fee, in the newly deregulated electricity market in Pennsylvania, capturing approximately 10% of the eligible commercial market and 4% of the eligible industrial market in western Pennsylvania. SEL utilizes hedges on all of its retail obligations to eliminate any market risk.

SEL has invested substantial dollars in information systems necessary to manage both retail and wholesale energy on an integrated basis over the past three years. SEL plans to continue to invest in systems to maintain and exploit their technological advantage.

Home Service Solutions Inc.
Nonregulated Opportunities

Home Service Solutions Inc. (HSS), a wholly-owned subsidiary of KCPL, pursues nonregulated business ventures, primarily in residential services. At December 31, 1999, HSS has a 49% ownership in R.S. Andrews Enterprises, Inc. (RSAE), a consumer services company in Atlanta, Georgia. RSAE has made acquisitions in key U.S. markets. RSAE provides heating, cooling, plumbing and electrical services as well as appliance services, pest control and home warranties. Additionally, Worry Free Service, Inc., a wholly-owned subsidiary of HSS, provides financing for residential services, including preventative maintenance and warranty services for heating and air conditioning equipment.

KCPL's investment in HSS was $46.3 million as of December 31, 1999 and $21.2 million as of December 31, 1998. HSS' loss for 1999 totaled $3.7 million compared to a loss of $0.1 million in 1998. In 1999, HSS' loss included $2.4 million from its investment in RSAE primarily because of increased integration costs incurred by RSAE associated with recent acquisitions. HSS' consolidated assets at December 31, 1999, totaled $50 million.

Earnings Overview

	For the year ended December 31		
	1999	1998	1997
Earnings per share (EPS)	**$ 1.26**	$ 1.89	$ 1.18
EPS excluding merger expenses	**$ 1.23** *	$ 2.09	$ 1.77
Increase(Decrease) excluding merger expenses	**$(0.86)**	$ 0.32	

* Net income in 1999 was increased $1.7 million ($0.03 per share) because the merger expenses incurred in 1999 were more than offset by the tax deductibility of certain 1998 merger expenses in 1999.

EPS, excluding merger expenses, decreased in 1999 compared to 1998 and was affected by the following factors:

- The approximate $15 million Missouri rate reduction, effective March 1, 1999, reduced EPS by $0.13 in 1999.
- Intense and prolonged heat during the last half of July produced a new summer peak demand of 3,251 megawatts and increased kilowatt-hour consumption. Because of these conditions, purchased power prices and volumes exceeded the prior year's. These higher purchased power expenses in July 1999, net of the increased revenues, lowered EPS by approximately $0.18 in 1999.
- The impact of the unavailability of Hawthorn No. 5, excluding the impact of the July 1999 heat storm, reduced EPS by $0.10 in 1999 (see page 26).
- Earnings per share from KLT decreased $0.09 in 1999 (see KLT earnings per share analysis on page 22).
- Earnings per share from HSS decreased $0.06 in 1999 primarily because of equity losses from HSS' investment in R.S. Andrews Enterprises, Inc. At December 31, 1999, HSS had a 49% ownership in R.S. Andrews Enterprises, Inc.
- Milder than normal weather in 1999, despite intense heat in July 1999, compared with warmer than normal summer weather in 1998, reduced EPS in 1999.
- Higher operating expenses in 1999 compared to 1998, excluding the impact of the unavailability of Hawthorn No. 5, reduced EPS in 1999.

EPS, excluding merger expenses, increased in 1998 compared to 1997 and was affected by the following factors:

- Warmer than normal summer weather in 1998 compared with cooler than normal summer weather in 1997, in addition to continued load growth, increased EPS in 1998.
- The Kansas rate reduction, effective January 1, 1998, reduced EPS by $0.14 in 1998.
- Increased depreciation expense reduced EPS by $0.05 in 1998.

Megawatt-Hour (Mwh) Sales
and Electric Operating Revenues

Sales and Revenue Data:

Increase (Decrease) from Prior Year	**1999**		1998	
	Mwh	**Revenues**	Mwh	Revenues
	(revenue change in millions)			
Retail:				
Residential	**(3)%**	**$ (10)**	8 %	$ 19
Commercial	**1 %**	**(5)**	5 %	13
Industrial	**(1)%**	**1**	4 %	3
Other	**2 %**	**—**	8 %	(4)
Total retail	**(1)%**	**(14)**	6 %	31
Sales for resale:				
Bulk power sales	**(38)%**	**(26)**	8 %	11
Other	**(1)%**	**—**	4 %	—
Total		**(40)**		42
Other revenues		**(2)**		1
Total electric operating revenues		**$ (42)**		$ 43

In 1999 the Missouri Public Service Commission (MPSC) approved a stipulation and agreement that called for KCPL to reduce its annual Missouri electric revenues by 3.2%, or about $15 million effective March 1, 1999. Revenues decreased by about $13 million in 1999 as a result of the Missouri rate reduction. As part of the stipulation and agreement, KCPL, MPSC Staff or the Office of Public Counsel will not file any case with the Commission, requesting a general increase or decrease, rate credits or rate refunds that would become effective prior to March 1, 2002.

The Kansas Corporation Commission (KCC) approved a rate settlement agreement, effective January 1, 1998, authorizing a $14.2 million annual revenue reduction and an annual increase in depreciation expense of $2.8 million. Pending the approval of a new Kansas rate design, we accrued $14.2 million during 1998 for refund to customers. The new rate design was approved in December 1998 and directed KCPL to refund, starting March 1, 1999, the $14.2 million we accrued during 1998, plus the amount that we accrued for January and February 1999.

Milder than normal weather decreased retail mwh sales in 1999 compared with 1998, but the decrease was partially offset by continued load growth. Load growth consists of higher usage per customer as well as new customer additions. Warmer than normal summer weather and continued load growth increased retail mwh sales in 1998 compared with 1997. Less than 1% of revenues include an automatic fuel adjustment provision.

Other retail revenues in 1998 decreased from 1997 while Other retail mwh sales increased reflecting the sale of the public streetlight system to the City of Kansas City, Missouri in August 1997. KCPL reduced the rate per mwh paid by the City as a result of the sale agreement.

Bulk power sales vary with system requirements, generating unit and purchased power availability, fuel costs and requirements of other electric systems. The unavailability of Hawthorn No. 5 contributed to a 38% decrease in bulk power mwh sales from 1998 levels. In addition, the Wolf Creek refueling and maintenance outage in Spring 1999 contributed to decreased bulk power mwh sales in 1999 compared to 1998. The price per mwh and quantity of bulk power sales increased in 1998 compared to 1997 increasing bulk power revenues. Outages at the Hawthorn No. 5 and LaCygne No. 1 generating units in 1998 decreased bulk power mwh sales partially offsetting this increase.

Future mwh sales and revenues per mwh could be affected by national and local economies, weather, customer conservation efforts and availability of generating units. Competition including alternative sources of energy such as natural gas, co-generation, IPPs and other electric utilities, may also affect future sales and revenue.

Fuel and Purchased Power

Combined fuel and purchased power expenses for 1999 increased 8% from 1998 while total mwh sales (total of retail and sales for resale) decreased by 8%. Excluding the impacts of the unavailability of Hawthorn No. 5 and the July heat storm, net interchange and fuel costs increased in 1999 by $11 million compared to 1998 because of increased per unit prices. The unavailability of Hawthorn No. 5 resulted in increased purchased power expenses partially offset by decreased fuel expenses at Hawthorn No. 5. Moreover, as a result of the intense and prolonged heat in the Midwest during the last half of July 1999, KCPL incurred approximately $18 million in higher costs including purchased power expenses, net of the increased revenues. Prices for purchased power in the wholesale market escalated during the last half of July 1999, reflecting constrained transmission and limited generating capacity in the region. Normal costs of $20 to $30 per mwh of purchased power in the Midwest and South rose to more than $3,000 per mwh. Because of these market conditions and the unavailability of Hawthorn No. 5, KCPL incurred purchased power costs of $35 million in July 1999, an increase of $25 million over July 1998. These higher prices explain why Combined fuel and purchased power expenses increased while Total MWH sales decreased.

Combined fuel and purchased power expenses for 1998 increased 7% from 1997 while total mwh sales increased by 6%. The price per unit of purchased power increased in 1998 compared to 1997 because the availability of purchased power decreased and market-based rates were widely used in the competitive wholesale market. Even with the increase in the price per unit of purchased power however, KCPL's price per unit of total generation and purchased power in 1998 remained consistent with 1997. Purchased power expenses also increased in 1998 due to replacement power expenses incurred during outages at the Hawthorn No. 5 and LaCygne No. 1 generating units. Purchased power expenses include capacity purchases that provide a cost-effective alternative to constructing new capacity.

Nuclear fuel costs per mmBtu remained substantially less than the mmBtu price of coal. Nuclear fuel costs per mmBtu decreased 5% during 1999 and 6% during 1998. Nuclear fuel costs per mmBtu averaged 56% of the mmBtu price of

coal in 1999 and 60% of the mmBtu price of coal in 1998 and 1997. We expect the price of nuclear fuel to remain fairly constant through the year 2005. During 1999 fossil plants represented about 71% of total generation and the nuclear plant about 29%. During 1998 fossil plants represented about 70% of total generation and the nuclear plant about 30%.

The cost of coal per mmBtu increased 1% in 1999 compared to 1998 and declined 5% in 1998 compared to 1997. The cost of coal per mmBtu increased in 1999 because Hawthorn No. 5 was unavailable. The cost of coal per mmBtu at Hawthorn No. 5 was lower than the average cost of coal per mmBtu at most of KCPL's other coal-fired plants. Not only do KCPL's coal procurement strategies continue to provide coal costs below the regional average, but we also expect coal costs to remain fairly consistent with 1999 levels through 2000.

Other Operation and Maintenance Expenses

Combined other operation and maintenance expenses for 1999 declined slightly from 1998. As a result of the February 17, 1999, boiler explosion at Hawthorn No. 5, Hawthorn No. 5's other operation and maintenance expenses decreased. The decline in maintenance expenses at Hawthorn No. 5 was partially offset by increased maintenance expenses at LaCygne No. 2 during a scheduled outage in Spring 1999. Administrative and general labor expenses and customer accounts expenses for meter reading and customer record keeping increased in 1999, offsetting most of the decline in other operation and maintenance expenses as a result of the Hawthorn No. 5 explosion.

Combined other operation and maintenance expenses for 1998 declined $4.2 million from 1997 due to lower non-fuel production operations and lower administrative and general expenses, partially offset by increased advertising expenses. In addition, during the Wolf Creek outage, completed in December 1997, actual costs incurred were $3.5 million in excess of the estimated and accrued costs, increasing combined other operation and maintenance expenses in 1997.

We continue to emphasize new technologies, improved work methodologies and cost control. We continuously improve our work processes to provide increased efficiencies and improved operations. For example, through the use of cellular technology, more than 90% of KCPL's customer meters are read automatically.

Depreciation

The increased depreciation expense in 1999 compared to 1998 reflected increased depreciation of capitalized computer software for internal use and normal increases in depreciation from capital additions. These increases were partially offset by a $2.4 million decrease in depreciation expense in 1999 because Hawthorn No. 5 property was partially retired due to the February 1999 explosion.

The increase in depreciation expense in 1998 compared to 1997 reflected the implementation of the KCC settlement agreement as well as normal increases in depreciation from capital additions. The KCC settlement agreement, effective January 1, 1998, authorized a $2.8 million annual increase in depreciation expense.

Taxes

Operating income taxes decreased $20 million in 1999 compared to 1998 reflecting lower taxable operating income. Operating income taxes increased $8 million in 1998 compared to 1997 reflecting higher taxable operating income.

Components of general taxes:

	1999	1998	1997
		(thousands)	
Property	**$ 42,734**	$ 41,398	$ 43,529
Gross receipts	**41,216**	42,140	40,848
Other	**9,051**	10,048	8,920
Total	**$ 93,001**	$ 93,586	$ 93,297

Property taxes decreased in 1998 compared to 1997, reflecting lower Missouri and Kansas property tax assessed valuations in 1998, as well as changes in Kansas tax law which reduced the mill levy rates. Changes in gross receipts taxes result from changes in billed Missouri revenues.

Other Income and (Deductions)

KLT *summarized operations*

	For the year ended December 31		
	1999	1998	1997
	(millions, except for earnings per share)		
Miscellaneous income and (deductions) - net *	**$ (34.6)**	$ (22.1)	$ (16.2)
Income taxes	**45.2**	40.2	35.7
Interest charges	**(11.9)**	(13.5)	(13.5)
Net income (loss)	**$ (1.3)**	$ 4.6	$ 6.0
KLT Earnings (Loss) per share	**$ (0.02)**	$ 0.07	$ 0.10

* To table on page 22

KLT earnings per share analysis

	For the year ended December 31		
	1999	1998	1997
	(earnings per share)		
KLT excluding items below	**$ 0.30**	$ 0.24	$ 0.14
Sale of Nationwide Electric	**0.20**	—	—
Write down of Lyco investment	**(0.03)**	—	—
Write down of a note receivable	**(0.05)**	—	(0.02)
KLT Power transactions	—	(0.02)	—
KLT Telecom — Telemetry Solutions	**(0.20)**	(0.06)	(0.02)
KLT Telecom — Digital Teleport Inc.	**(0.24)**	(0.09)	—
KLT Earnings (Loss) per share	**$(0.02)**	$ 0.07	$ 0.10

In September 1999, KLT Energy Services sold 100% of the stock it held in Nationwide Electric, Inc., resulting in a gain of $20 million.

KLT Telecom consisted primarily of investments in Telemetry Solutions and Digital Teleport Inc. (DTI). Because Telemetry Solutions' subsidiaries were unable to bring their products to market, KLT Telecom decided, in the third quarter of 1999, to cease funding Telemetry Solutions and wrote off its investment. (Both the write-off of the investment ($0.13 per share) and the operating losses incurred prior to the write-off are included on the KLT Telecom – Telemetry Solutions line in the earnings per share table above).

The enlarged scope of the business plans of DTI accelerated the time and increased the magnitude of network depreciation expenses. Interest expense also increased, due to discounted, high-yield bonds offered in 1998 to obtain funds to expand the digital fiber optic network, contributing to DTI's 1999 and 1998 losses. KLT Telecom's total losses from its investment in DTI are limited to its $45 million equity investment. At December 31, 1999, the equity investment in DTI is approximately $14 million, limiting the magnitude of possible future losses.

The following significant factors affected KLT's 1998 operations:

- The $4 million gain on the sale of the common stock of KLT Power Inc.
- The $6 million write down of KLT's investment in a power station in China. After this write-off, KLT has no other recorded assets in foreign countries.
- A $9 million loss on a KLT equity investment in Digital Teleport, Inc. (DTI) due to developmental costs DTI incurred in 1998.

Miscellaneous income and (deductions) — net

	For the year ended December 31		
	1999	1998	1997
	(millions)		
Merger-related expenses	**$ (3.2)**	$(14.6)	$(60.0)
* From table on page 21	**(34.6)**	(22.1)	(16.2)
Other	**(13.9)**	(4.8)	(3.2)
Total Miscellaneous income and (deductions) – net	**$ (51.7)**	$(41.5)	$(79.4)

A $53 million payment to UtiliCorp United Inc. (UtiliCorp) in February 1997 comprised the bulk of merger-related expenses in 1997. The September 1996 termination of the UtiliCorp merger agreement and the February 1997 merger agreement with Western Resources triggered the payment to UtiliCorp under provisions of the UtiliCorp merger agreement. Subsequently, the planned merger with Western Resources was terminated.

Other Miscellaneous income and (deductions) – net for 1999 was affected by a $2 million write-off to comply with an AICPA Statement of Position (SOP) regarding start-up activities and a $3 million reduction in electric operations interest and dividend income in 1999 compared to 1998. Further, HSS' operations resulted in deductions of approximately $6 million primarily due to equity losses from HSS' investment in R.S. Andrews Enterprises, Inc.

Other Income and (Deductions) — Income taxes

Other Income and (Deductions) – Income taxes for all years reflects the tax impact on total miscellaneous income and (deductions) – net. Additionally, KLT accrued tax credits of $28 million in 1999, $25 million in 1998 and $23 million in 1997 related to investments in affordable housing limited partnerships and oil and gas investments. Also, income taxes in 1999 decreased by $3.6 million because we were able to deduct for tax purposes certain merger costs that were treated as permanent tax differences in 1998. These costs became deductible when we terminated the merger with Western Resources.

Interest Charges

Long-term debt interest expense decreased in 1999 compared to 1998, reflecting lower average levels of outstanding long-term debt. The lower average levels of debt reflected $69 million of scheduled debt repayments made by KCPL, repayments of affordable housing notes made by KLT and lower average levels of debt by KLT on its bank credit agreement.

Long-term debt interest expense decreased in 1998 compared to 1997, reflecting lower average levels of outstanding

long-term debt. The lower average levels of debt reflected $61 million in scheduled debt repayments made by KCPL in 1998.

The average interest rate on long-term debt, including current maturities, was about 6% during the last three years.

We use interest rate swap and cap agreements to limit the volatility in interest expense on a portion of KLT's variable-rate, bank credit agreement and KCPL's variable-rate, long-term debt. Although these agreements are an integral part of interest rate management, the incremental effect on interest expense and cash flows is not significant. We do not use derivative financial instruments for speculative purposes.

Short-term debt interest expense increased in 1999 compared to 1998 reflecting higher average levels of outstanding short-term debt by KCPL. Whereas KCPL had $214 million of commercial paper outstanding at December 31, 1999, it had no outstanding commercial paper at December 31, 1998.

Wolf Creek

Wolf Creek is one of KCPL's principal generating units, representing about 19% of KCPL's generating capacity, excluding the Hawthorn No. 5 generating unit. The plant's operating performance has remained strong over the last three years, contributing about 28% of the annual mwh generation while operating at an average capacity of 91%. Furthermore, Wolf Creek has the lowest fuel cost per mmBtu of any of KCPL's generating units. During 1998 Wolf Creek generated more mwhs than in any other year of operation.

We accrue the incremental operating, maintenance and replacement power costs for planned outages evenly over the unit's operating cycle, normally 18 months. As actual outage expenses are incurred, the refueling liability and related deferred tax asset are reduced. Wolf Creek's eleventh refueling and maintenance outage is scheduled for the fall of 2000 and is estimated to be a 35-day outage.

Wolf Creek's tenth refueling and maintenance outage, estimated to be a 40-day outage, began April 3, 1999, and was completed May 9, 1999. Actual costs of the 1999 outage were $1 million less than the estimated and accrued costs for the outage. The 36-day outage was the shortest refueling and maintenance outage in Wolf Creek's history.

Wolf Creek's ninth refueling and maintenance outage, budgeted for 35 days, began in early October 1997 and was completed in December 1997 (58 days). Several equipment problems caused the extended length of the ninth outage. Actual costs of the 1997 outage were $6 million in excess of the estimated and accrued costs for the outage.

Wolf Creek's assets represent about 39% of utility total assets and its operating expenses represent about 19% of utility operating expenses. No major equipment replacements are currently projected. An extended shut-down of Wolf Creek could have a substantial adverse effect on KCPL's business, financial condition and results of operations because of higher replacement power and other costs. Although not expected, the Nuclear Regulatory Commission could impose an unscheduled plant shut-down, reacting to safety concerns at the plant or other similar nuclear units. If a long-term shut-down occurred, the state regulatory commissions could reduce rates by excluding the Wolf Creek investment from rate base.

Ownership and operation of a nuclear generating unit exposes KCPL to risks regarding decommissioning costs at the end of the unit's life and to potential retrospective assessments and property losses in excess of insurance coverage. These risks are more fully discussed in the related sections of Notes 1 and 4 to the Consolidated Financial Statements.

Environmental Matters

KCPL's operations must comply with federal, state and local environmental laws and regulations. The generation and transmission of electricity produces and requires disposal of certain products and by-products, including polychlorinated biphenyl (PCBs), asbestos and other potentially hazardous materials. The Federal Comprehensive Environmental Response, Compensation and Liability Act (the Superfund law) imposes strict joint and several liability for those who generate, transport or deposit hazardous waste. This liability extends to the current property owner, as well as prior owners back to the time of contamination.

We continually conduct environmental audits to detect contamination and ensure compliance with governmental regulations. However, compliance programs need to meet new and future environmental laws, as well as regulations governing water and air quality, including carbon dioxide emissions, nitrogen oxide emissions, hazardous waste handling and disposal, toxic substances and the effects of electromagnetic fields. Therefore, compliance programs could require substantial changes to operations or facilities (see Note 4 to the Consolidated Financial Statements).

Impact of the Year 2000 Issue
Due to the many hours worked by knowledgeable and committed personnel, we experienced no Year 2000-related problems during the turn of the century. We will continue to monitor our systems to prevent incidental production errors and to ensure no problems occur during the leap year rollover. KCPL expensed about $4 million over the last three years to assess, remediate and test all of its computer hardware, software and embedded systems.

Significant Consolidated Balance Sheet Changes (December 31, 1999 compared to December 31, 1998)

- Net utility plant in service decreased by $53.9 million primarily because the $80 million partial insurance recovery for the Hawthorn No. 5 boiler explosion is included in accumulated depreciation.
- Utility plant - construction work in process increased $48.1 million primarily due to increases of $35.6 million at Hawthorn No. 5 for rebuilding the boiler and $45.1 million for construction of an additional 294 megawatts of capacity partially offset by projects completed during 1999.
- Investments and nonutility property increased $33.5 million primarily due to the following:
  - $14.5 million increase in HSS' investment in R.S. Andrews Enterprises,
  - $12.9 million increase in HSS' Worry Free net equipment and Notes Receivable,
  - $4.8 million increase in KCPL's decommissioning trust fund,
  - $0.7 million increase in KLT's investments, including a $39.1 million increase in oil and gas property offset primarily by the sale of Nationwide Electric, Inc. and equity losses at Digital Teleport Inc.
- Cash and cash equivalents decreased by $30.1 million; and commercial paper, a current liability, increased $214.0 million due to expenditures exceeding cash receipts.
- Deferred charges - regulatory assets increased $5.7 million primarily because of the buyout of a fuel contract less normal amortization.
- Other deferred charges decreased $15.0 million primarily reflecting the change in KLT's ownership in a subsidiary to less than 50% and KLT Telecom's September 1999 write-off of Telemetry Solutions. The change in ownership changed KLT's accounting treatment of the investment from consolidation to an equity investment, removing deferred charges from KLT's books.
- Capitalization decreased primarily due to redemption of $50 million Cumulative No Par Preferred Stock Auction Series A in December 1999. Additionally, KCPL reclassified $52.5 million of long-term debt to current maturities and made $24.7 million in dividend payments in excess of net income. KLT's long-term debt decreased $10.9 million primarily due to reclassification of the current maturities of affordable housing notes to current liabilities.
- Notes payable to banks increased $14.7 million due to borrowings by KLT Gas to fund oil and gas development activities.
- Current maturities of long-term debt decreased $34.8 million primarily reflecting a $16.5 million decrease in maturing medium-term notes. Moreover, KLT's borrowings on its bank credit agreement decreased by $18.0 million since December 31, 1998.
- Accounts payable increased $6.5 million primarily due to accruals for Hawthorn station construction project expenditures at December 31, 1999.
- Accrued taxes decreased $14.7 million primarily due to the timing of income tax and property tax payments.
- Other current liabilities decreased $15.3 million primarily because of the rate refund to Kansas retail customers in March 1999, of which $14.2 million was accrued at December 31, 1998.
- A payment to the IRS in 1999 for the settlement of certain outstanding issues decreased deferred income taxes by $12 million and accrued interest by $7 million.

Projected Construction Expenditures
Total utility capital expenditures, excluding allowance for funds used during construction, were $181 million in 1999. The utility construction expenditures, excluding Hawthorn No. 5 construction expenditures (see Hawthorn No. 5 discussion below), are projected for the next five years as follows:

Construction Expenditures:

	2000	2001	2002	2003	2004	Total
			(millions)			
Generating facilities	$ 90	$ 54	$ 29	$ 30	$ 12	$215
Nuclear fuel	19	11	11	22	12	75
Distribution and transmission facilities	73	65	57	49	51	295
General facilities	11	6	2	3	3	25
Total	$193	$136	$ 99	$104	$ 78	$610

This construction expenditure plan is subject to continual review and change.

Capital Requirements and Liquidity

KCPL's liquid resources at December 31, 1999, included cash flows from operations; $300 million of registered but unissued, unsecured medium-term notes; and $125 million of unused bank lines of credit. The unused lines consisted of KCPL's short-term bank lines of credit of $61 million and KLT's bank credit agreement of $64 million. In January 2000, KLT borrowed $17 million on its bank credit agreement primarily to fund an oil and gas acquisition by KLT Gas. At December 31, 1999, KCPL had $214 million of commercial paper borrowings. We plan to issue unsecured medium-term notes during the first quarter of the year 2000 to refinance a portion of the commercial paper borrowings.

KCPL continues to generate positive cash flows from operating activities. Individual components of working capital will vary with normal business cycles and operations. Also, the timing of the Wolf Creek outage affects the refueling outage accrual, deferred income taxes and amortization of nuclear fuel. Cash from operating activities decreased in 1999 compared to 1998 primarily due to decreased net income before non-cash expenses, the buyout of a fuel contract, the refund of amounts accrued for the Kansas rate adjustment, a payment of $19 million to the IRS to settle certain outstanding issues and changes in certain working capital items (as detailed in Note 1 to the Consolidated Financial Statements). Cash from operating activities increased in 1998 compared to 1997 due to increased net income before non-cash expenses and changes in certain working capital items.

Cash used in investing activities varies with the timing of utility capital expenditures and purchases of investments and nonutility properties. Cash used for investing activities increased in 1999 compared to 1998 primarily because of increased utility capital expenditures, increased utility plant net removal costs and increased expenditures for oil and gas nonutility property. The proceeds from the sale of the Nationwide Electric, Inc. stock by KLT Energy Services and $80 million in partial insurance recoveries related to Hawthorn No. 5 partially offset these increases in 1999. Proceeds in 1998 reflected the sale of KLT Power Inc. Cash used for investing activities decreased in 1998 compared to 1997 partly due to the proceeds from this sale. Additionally, KLT made several large investments during 1997. Partially offsetting these activities, KCPL received $21.5 million in 1997 from the sale of streetlights to the City of Kansas City, Missouri at a minimal gain.

Cash used for financing activities decreased in 1999 primarily due to $214 million of commercial paper that KCPL borrowed during 1999. Partially offsetting this decrease, KCPL redeemed $50 million of preferred stock in 1999. Cash used for financing activities increased in 1998 compared to 1997 primarily due to $103 million of debt repayments in 1998. KLT primarily used the proceeds from the sale of KLT Power Inc. in 1998 to repay borrowings under its bank credit agreement. Additionally, KCPL made $61 million in scheduled repayments of long-term debt in 1998.

KCPL's common dividend payout ratio was 132% in 1999, 87% in 1998 and 137% in 1997. See Earnings Overview on page 19 for discussion of declines in EPS that caused the increased payout ratio in 1999. The 1997 payout ratio was higher mainly due to $60 million in merger-related expenses incurred in 1997.

We expect KCPL to meet day-to-day operations, utility construction requirements (excluding new generating capacity) and dividends with internally-generated funds. But KCPL might not be able to meet these requirements with internally-generated funds because of the effect of inflation on operating expenses, the level of mwh sales, regulatory actions, compliance with future environment regulations and the availability of generating units (see discussion below). The funds needed to retire $349 million of maturing debt through the year 2004 will be provided from operations, refinancings or short-term debt. KCPL might issue additional debt and/or additional equity to finance growth or take advantage of new opportunities.

Hawthorn No. 5

On February 17, 1999, an explosion occurred at the 476-megawatt, coal-fired Hawthorn Generating Station Unit No. 5 (Hawthorn No. 5). The boiler, which was destroyed, was not operating at the time, and there were no injuries. Though the cause of the explosion is still under investigation, preliminary results indicate that an explosion of accumulated gas in the boiler's firebox caused the damage. KCPL has property insurance coverage with limits of $300 million. Through December 31, 1999, KCPL has received $80 million in insurance recoveries under this coverage and has recorded the recoveries in Utility Plant – accumulated depreciation on the consolidated balance sheet.

We have entered into a contract for construction of a new coal-fired boiler to permanently replace the lost capacity of Hawthorn No. 5. Construction expenditures for rebuilding Hawthorn No. 5 were $36 million in 1999 and are projected to be $199 million in 2000 and $54 million in 2001. These amounts have not been reduced by the $80 million insurance proceeds received in 1999 or future proceeds to be received. The new unit, expected to have a capacity of 540 megawatts, is estimated to be in service June 1, 2001. However, we are continuing to evaluate alternatives to replace the power generated by Hawthorn No. 5 before the new coal-fired boiler comes on line. We believe that we can secure sufficient power to meet the energy needs of KCPL's customers. Hawthorn No. 6, a 141-megawatt, gas-fired combustion turbine was accepted under a lease arrangement and placed into commercial operation in July 1999. An additional 294 megawatts of capacity, represented by two new combustion turbines and a re-powered existing unit, are under construction and on schedule to be in service by July 2000.

We estimated for the year 1999, excluding the impact of the July heat storm, a net increase in expense of $10 million before taxes due to the February 17, 1999, Hawthorn No. 5 explosion. However, weather during July 1999 was abnormal. Intense and prolonged heat during the last half of July 1999 contributed to a reduction of core utility business earnings per share of $0.18, lowering EPS. A portion of this reduction in EPS can be attributed to the unavailability of Hawthorn No. 5. However, it is not possible to estimate the impact of the unavailability of Hawthorn No. 5 on that portion of the reduction in EPS that resulted from the July 1999 heat storm.

Assuming normal weather and operating conditions, we estimate a net increase in expense (before tax) of $31 million for the year 2000 and $3 million for the year 2001. This estimate mainly includes the effect of increased net replacement power costs, reduced bulk power sales and a reduction of Hawthorn No. 5 fuel expense.

Year Ended December 31	1999	1998	1997
		(thousands)	
Electric Operating Revenues	**$ 897,393**	$ 938,941	$ 895,943
Operating Expenses			
Operation			
Fuel	**129,255**	143,349	134,509
Purchased power	**94,697**	63,618	59,247
Other	**196,926**	188,991	193,265
Maintenance	**62,589**	70,998	70,892
Depreciation	**118,428**	115,452	110,898
Income taxes	**58,548**	78,782	71,113
General taxes	**93,001**	93,586	93,297
Total	**753,444**	754,776	733,221
Electric Operating Income	**143,949**	184,165	162,722
Other Income and (Deductions)			
Allowance for equity funds used during construction	**2,657**	3,816	2,407
Miscellaneous income and (deductions) - net	**(51,725)**	(41,501)	(79,421)
Income taxes	**55,368**	45,982	63,034
Total	**6,300**	8,297	(13,980)
Income Before Interest Charges	**150,249**	192,462	148,742
Interest Charges			
Long-term debt	**51,327**	57,012	60,298
Short-term debt	**4,362**	295	1,382
Mandatorily redeemable Preferred Securities	**12,450**	12,450	8,853
Miscellaneous	**3,573**	4,457	3,990
Allowance for borrowed funds used during construction	**(3,378)**	(2,474)	(2,341)
Total	**68,334**	71,740	72,182
Net income	**81,915**	120,722	76,560
Preferred stock dividend requirements	**3,733**	3,884	3,789
Earnings available for common stock	**$ 78,182**	$ 116,838	$ 72,771
Average number of common shares outstanding	**61,898**	61,884	61,895
Basic and diluted earnings per common share	**$ 1.26**	$ 1.89	$ 1.18
Cash dividends per common share	**$ 1.66**	$ 1.64	$ 1.62

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

Year Ended December 31	1999	1998	1997
		(thousands)	
Beginning Balance	**$ 443,699**	$ 428,452	$ 455,934
Net Income	**81,915**	120,722	76,560
	525,614	549,174	532,494
Dividends Declared			
Preferred stock -at required rates	**3,911**	3,980	3,773
Common stock	**102,751**	101,495	100,269
Ending Balance	**$ 418,952**	$ 443,699	$ 428,452

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

CONSOLIDATED BALANCE SHEETS

	December 31 1999	December 31 1998
ASSETS		
Utility Plant, at Original Cost	(thousands)	
Electric	**$ 3,628,120**	$3,576,490
Less-accumulated depreciation	**1,516,255**	1,410,773
Net utility plant in service	**2,111,865**	2,165,717
Construction work in progress	**158,616**	110,528
Nuclear fuel, net of amortization of $108,077 and $105,661	**28,414**	40,203
Total	**2,298,895**	2,316,448
Regulatory Asset - Recoverable Taxes	**106,000**	109,000
Investments and Nonutility Property	**376,704**	343,247
Current Assets		
Cash and cash equivalents	**13,073**	43,213
Receivables	**71,548**	70,131
Fuel inventories, at average cost	**22,589**	18,749
Materials and supplies, at average cost	**46,289**	45,363
Deferred income taxes	**2,751**	4,799
Other	**6,086**	5,926
Total	**162,336**	188,181
Deferred Charges		
Regulatory assets	**31,908**	26,229
Other deferred charges	**14,299**	29,259
Total	**46,207**	55,488
Total	**$ 2,990,142**	$3,012,364
CAPITALIZATION AND LIABILITIES		
Capitalization (see statements)	**$ 1,739,590**	$ 1,880,147
Current Liabilities		
Notes payable to banks	**24,667**	10,000
Commercial paper	**214,032**	—
Current maturities of long-term debt	**128,858**	163,630
Accounts payable	**68,309**	61,764
Accrued taxes	**972**	15,625
Accrued interest	**15,418**	23,380
Accrued payroll and vacations	**20,102**	21,684
Accrued refueling outage costs	**7,056**	12,315
Other	**13,569**	28,874
Total	**492,983**	337,272
Deferred Credits and Other Liabilities		
Deferred income taxes	**592,227**	625,426
Deferred investment tax credits	**54,333**	58,786
Other	**111,009**	110,733
Total	**757,569**	794,945
Commitments and Contingencies (Note 4)		
Total	**$ 2,990,142**	$ 3,012,364

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

	December 31 1999	December 31 1998
	(thousands)	
Common Stock Equity		
Common stock-150,000,000 shares authorized without par value		
61,908,726 shares issued, stated value	**$ 449,697**	$ 449,697
Retained earnings (see statements)	**418,952**	443,699
Accumulated other comprehensive income (loss)		
Unrealized gain (loss) on securities available for sale	**(2,337)**	74
Capital stock premium and expense	**(1,668)**	(1,668)
Total	**864,644**	891,802
Cumulative Preferred Stock		
$100 Par Value		
3.80% - 100,000 shares issued	**10,000**	10,000
4.50% - 100,000 shares issued	**10,000**	10,000
4.20% - 70,000 shares issued	**7,000**	7,000
4.35% - 120,000 shares issued	**12,000**	12,000
No Par Value		
4.27%** -500,000 shares issued	—	50,000
$100 Par Value - Redeemable		
4.00%	**62**	62
Total	**39,062**	89,062
Company-obligated Mandatorily Redeemable Preferred Securities of a trust holding solely KCPL Subordinated Debentures	**150,000**	150,000
Long-term Debt (excluding current maturities)		
General Mortgage Bonds		
Medium-Term Notes due 2000-2008, 6.99% and 6.95% weighted-average rate	**286,000**	338,500
4.87%* Environmental Improvement Revenue Refunding Bonds due 2012-23	**158,768**	158,768
Environmental Improvement Revenue Refunding Bonds		
5.06%* Series A & B due 2015	**106,500**	106,500
4.50% Series C due 2017	**50,000**	50,000
4.35% Series D due 2017	**40,000**	40,000
Subsidiary Obligations		
Affordable Housing Notes due 2000-08, 8.35% and 8.42% weighted-average rate	**44,616**	54,775
Other Long-Term Notes	—	740
Total	**685,884**	749,283
Total	**$ 1,739,590**	$ 1,880,147

* *Variable rate securities, weighted-average rate as of December 31, 1999.*
** *Variable rate securities, weighted-average rate as of December 31, 1998.*
The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Consolidated Statements of Cash Flows

Year Ended December 31	1999	1998	1997
		(thousands)	
Cash Flows from Operating Activities			
Net income	**$ 81,915**	$ 120,722	$ 76,560
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation of electric plant	**118,428**	115,452	110,898
Amortization of:			
Nuclear fuel	**15,782**	19,146	16,836
Other	**12,263**	9,071	9,591
Deferred income taxes (net)	**(26,784)**	(2,468)	4,780
Investment tax credit amortization	**(4,453)**	(4,471)	(3,850)
Fuel contract settlement	**(13,391)**	—	—
Losses from equity investments	**24,951**	11,683	2,748
Asset impairments	**21,078**	6,027	2,300
Gain on sale of Nationwide Electric, Inc. stock	**(19,835)**	—	—
Kansas rate refund accrual	**(14,200)**	14,200	—
Allowance for equity funds used during construction	**(2,657)**	(3,816)	(2,407)
Other operating activities (Note 1)	**(32,988)**	17,117	(8,972)
Net cash from operating activities	**160,109**	302,663	208,484
Cash Flows from Investing Activities			
Utility capital expenditures	**(180,687)**	(119,540)	(124,734)
Allowance for borrowed funds used during construction	**(3,378)**	(2,474)	(2,341)
Purchases of investments	**(35,072)**	(55,154)	(107,603)
Purchases of nonutility property	**(55,792)**	(22,611)	(15,733)
Sale of KLT Power	—	53,033	—
Sale of Nationwide Electric, Inc. stock	**39,617**	—	—
Hawthorn No. 5 partial insurance recovery	**80,000**	—	—
Sale of streetlights	—	—	21,500
Other investing activities	**(10,316)**	8,008	(8,902)
Net cash from investing activities	**(165,628)**	(138,738)	(237,813)
Cash Flows from Financing Activities			
Issuance of mandatorily redeemable Preferred Securities	—	—	150,000
Issuance of long-term debt	**10,889**	7,406	66,292
Repayment of long-term debt	**(109,060)**	(102,680)	(28,832)
Net change in short-term borrowings	**228,699**	8,757	1,243
Dividends paid	**(106,662)**	(105,475)	(104,042)
Redemption of preferred stock	**(50,000)**	—	—
Other financing activities	**1,513**	(2,818)	(4,805)
Net cash from financing activities	**(24,621)**	(194,810)	79,856
Net Change in Cash and Cash Equivalents	**(30,140)**	(30,885)	50,527
Cash and Cash Equivalents at Beginning of Year	**43,213**	74,098	23,571
Cash and Cash Equivalents at End of Year	**$ 13,073**	$ 43,213	$ 74,098
Cash Paid During the Year for:			
Interest (net of amount capitalized)	**$ 74,520**	$ 71,696	$ 71,272
Income taxes	**$ 52,300**	$ 24,788	$ 22,385

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

Year Ended December 31	1999	1998	1997
		(thousands)	
Net income	$ 81,915	$ 120,722	$ 76,560
Other comprehensive loss:			
Unrealized loss on securities available for sale	(3,778)	(2,915)	(7,138)
Income tax benefit	1,367	1,054	2,589
Net unrealized loss on securities available for sale	(2,411)	(1,861)	(4,549)
Comprehensive Income	$ 79,504	$ 118,861	$ 72,011

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

1. Summary of Significant Accounting Policies

The Company

Kansas City Power & Light Company is a medium-sized electric utility with more than 463,000 customers at year-end in western Missouri and eastern Kansas. About 95% of KCPL's retail revenues are from the Kansas City metropolitan area, an agribusiness center and major regional center for wholesale, retail and service companies. About two-thirds of KCPL's retail sales are to Missouri customers, the remainder to Kansas customers.

The consolidated financial statements include the accounts of Kansas City Power & Light Company, KLT Inc. (KLT) and Home Service Solutions Inc. (HSS). KLT and HSS are wholly-owned, nonregulated subsidiaries. The consolidated entity is referred to as KCPL. We formed KLT in 1992 as a holding company for various nonregulated business ventures. Existing ventures include investments in energy services, oil and gas development and production, telecommunications and affordable housing limited partnerships. We formed HSS in 1998 and invested in R.S. Andrews Enterprises, Inc., a consumer services company in Atlanta, Georgia. Also in 1998, HSS acquired through its subsidiary Worry Free Service, Inc. the Worry Free assets from KCPL. Worry Free provides financing for residential services, including preventative maintenance and warranty services for heating and air conditioning equipment.

Currently, the electric utility accounts for about 89% of consolidated assets and substantially all results of operations. Intercompany balances and transactions have been eliminated. KLT and HSS revenues and expenses are classified as Other Income and (Deductions) and Interest Charges in the income statement.

The accounting records conform to the accounting standards set by the Federal Energy Regulatory Commission (FERC) and generally accepted accounting principles. These standards require the use of estimates and assumptions that affect amounts reported in the financial statements and the disclosure of commitments and contingencies.

Cash and Cash Equivalents

Cash and cash equivalents consists of highly liquid investments with original maturities of three months or less.

Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Current Assets and Current Liabilities — The stated value of financial instruments classified as current assets or liabilities approximates fair value due to the short-term nature of the instruments.

Investments and Nonutility Property — The nuclear decommissioning trust fund is recorded at fair value. Fair value is based on quoted market prices of the investments held by the fund. The fair value of KLT's affordable housing limited partnership portfolio, based on the discounted cash flows generated by tax credits and tax deductions, approximates book value. This calculation did not include the estimated cash flows from the sale of properties. The fair values of other various investments are not readily determinable and the investments are therefore stated at cost.

Long-term debt — KCPL's incremental borrowing rate for similar debt was used to determine fair value if quoted market prices were not available. The stated values approximate fair market values.

Securities Available for Sale

An investment in CellNet Data System Inc. (CellNet) is accounted for as securities available for sale and adjusted to market value, with unrealized gains or (losses) reported as a separate component of comprehensive income.

The cost of these securities available for sale that KLT held as of December 31, 1999 and 1998 was $4.8 million. Accumulated net unrealized losses were $2.3 million at December 31, 1999, and accumulated net unrealized gains were $0.1 million at December 31, 1998.

On February 1, 2000, CellNet announced that it had agreed to sell its assets to a third party and that the third party had agreed to assume some of CellNet's financial obligations. As part of this transaction, CellNet plans to reorganize under Chapter 11 of the United States Bankruptcy Code. If the proposed reorganization plan is approved, KLT's investment would become worthless and would result in a realized loss of $4.8 million before taxes ($0.05 per share).

Investments in Affordable Housing Limited Partnerships

Through December 31, 1999, KLT had invested $104 million in affordable housing limited partnerships. About $71 million of these investments were recorded at cost; the equity method was used for the remainder. We reduce tax expense in the year tax credits are generated. A change in accounting principle relating to investments made after May 19, 1995, requires the use of the equity method when a company owns more than 5% in a limited partnership investment. Of the investments recorded at cost, $68 million exceed this 5% level but were made before May 19, 1995.

Utility Plant

Utility plant is stated at historical costs of construction. These costs include taxes, an allowance for funds used during construction (AFDC) and payroll-related costs, including pensions and other fringe benefits. Replacements, improvements and additions to units of property are capitalized. Repairs of property and replacements of items not considered to be units of property are expensed as incurred (except as discussed under Wolf Creek Refueling Outage Costs). When property units are retired or otherwise disposed, the original cost, net of salvage and removal, is charged to accumulated depreciation.

Through December 31, 1999, KCPL has received $80 million in insurance recoveries related to property destroyed in the February 17, 1999 explosion at the Hawthorn No. 5 generating unit. Recoveries received have been recorded in Utility Plant-accumulated depreciation.

AFDC represents the cost of borrowed funds and a return on equity funds used to finance construction projects. AFDC on borrowed funds reduces interest charges. AFDC on equity funds is shown as a noncash item in Other Income and (Deductions). The rates used to compute gross AFDC are compounded semi-annually and averaged 7.7% for 1999, 9.3% for 1998, and 8.6% for 1997.

Depreciation is computed using the straight-line method over the estimated lives of depreciable property based on rates approved by state regulatory authorities. Annual depreciation rates average about 3%.

Wolf Creek Refueling Outage Costs

Forecasted incremental costs to be incurred during scheduled Wolf Creek Generating Station (Wolf Creek) refueling outages are accrued monthly over the unit's operating cycle, normally about 18 months. Estimated incremental costs, which include operating, maintenance and replacement power expenses, are based on budgeted outage costs and the estimated outage duration. Changes to or variances from those estimates are recorded when known or probable.

Nuclear Plant Decommissioning Costs

The Missouri Public Service Commission (MPSC) and the Kansas Corporation Commission (KCC) require the owners of Wolf Creek to submit an updated decommissioning cost study every three years. The following table shows the decommissioning cost estimates and the escalation rates and earnings assumptions approved by the MPSC in January 2000. It also shows the decommissioning cost estimates submitted to the KCC on September 1, 1999, and the escalation rates and earnings assumptions approved by the KCC in 1997. We have not yet received approval from the KCC for the cost estimates submitted and we have not yet submitted to the KCC the 1999 study of escalation rates and earnings assumptions. The decommissioning cost estimates are based on the immediate dismantlement method and include the costs of decontamination, dismantlement and site restoration. We do not expect plant decommissioning to start before 2025.

	KCC	MPSC
Future cost of decommissioning:		
Total Station (billions)	$ 1.2	$ 1.5
47% share (millions)	$ 554	$ 694
Current cost of decommissioning (in 1999 dollars):		
Total Station (millions)	$ 470	$ 470
47% share (millions)	$ 221	$ 221
Annual escalation factor	3.60%	4.50%
Annual return on trust assets	6.80%	7.66%

KCPL contributes about $3 million annually to a tax-qualified trust fund to be used to decommission Wolf Creek. These costs are charged to other operation expenses and recovered in billings to customers (rates). Contributions to the trust will increase slightly in the year 2000. These funding levels assume a certain return on trust assets. If the actual return on trust assets is below the anticipated level, we believe a rate increase will be allowed ensuring full recovery of decommissioning costs over the remaining life of the unit.

The trust fund balance, including reinvested earnings, was $52 million at December 31, 1999, and $47 million at December 31, 1998. These assets are reflected in Investments and Nonutility Property. The related liabilities for decommissioning are included in Deferred Credits and Other Liabilities — Other.

In 1996 the Financial Accounting Standards Board (FASB) issued an Exposure Draft of a proposed Statement of Financial Accounting Standards, Accounting for Certain Liabilities Related to Closure or Removal of Long-Lived Assets, that addressed the accounting for decommissioning costs. In November 1997 the FASB decided to reconsider the scope of the statement. The FASB expects to issue another Exposure Draft in the year 2000.

If current electric utility industry accounting practices for decommissioning costs change, annual decommissioning expenses could increase and trust fund income from the external decommissioning trusts could be reported as investment income. We cannot predict the effect of any such changes, if any, on results of operations, financial position, or related regulatory practices. However, we do not anticipate results of operations to be significantly affected as long as KCPL is regulated.

Nuclear Fuel

We amortize nuclear fuel to fuel expense based on the quantity of heat produced during generation of electricity. Under the Nuclear Waste Policy Act of 1982, the Department of Energy (DOE) is responsible for the permanent disposal of spent nuclear fuel. For the future disposal of spent nuclear fuel, KCPL pays the DOE a quarterly fee of one-tenth of a cent for each kilowatt-hour of net nuclear generation delivered and sold. These disposal costs are charged to fuel expense.

A permanent disposal site may not be available for the industry until 2010 or later, although an interim facility may be available earlier. Under current DOE policy, once a permanent site is available, the DOE will accept spent nuclear fuel first from the owners with the oldest spent fuel. As a result, disposal services for Wolf Creek may not be available before 2016. Wolf Creek has an on-site, temporary storage facility for spent nuclear fuel. Under current regulatory guidelines, this facility can provide storage space until about 2005. Wolf Creek has begun replacement of spent fuel storage racks to increase its on-site storage capacity for all spent fuel expected to be generated by Wolf Creek through the end of its licensed life, in 2025.

Regulatory Assets

FASB Statement No. 71 — Accounting for Certain Types of Regulation, applies to regulated entities whose rates are designed to recover the costs of providing service. Under this statement, we defer on the balance sheet items when allowed by a commission's rate order or when it is probable, based on regulatory past practices, that future rates will recover the amortization of the deferred costs. If FASB 71 were not applicable, the unamortized balance of $137.9 million of KCPL's regulatory assets, net of the related tax benefit, would be written off.

	December 31, 1999	Amortization Ending period
	(millions)	
Deferred Charges		
Coal contract termination costs	$ 15.5	2003
1996 snowstorm costs	3.5	2001
Decommission and decontaminate federal uranium enrichment facilities	5.0	2007
Premium on redeemed debt	6.4	2023
Other	1.5	2006
Total	31.9	
Recoverable Taxes	106.0	
Total Regulatory Assets	$ 137.9	

Oil and Gas Properties

KLT Gas follows the full cost method of accounting for its oil and gas properties. Under the full cost method, all costs of acquisition, exploration and development of oil and gas reserves are capitalized regardless of success. Any excess of book value plus costs to develop over the present value (10% discount rate) of estimated future net revenues (at year-end prices) from the oil and gas reserves would be expensed.

Depletion, depreciation and amortization of these assets is calculated using the units of production method. The depletion per mmBtu was $0.42 for 1999 and $0.26 for 1998. Undeveloped leaseholds were included in the depletable base in both years. All oil and gas property interests owned by KLT Gas are located in the United States.

Revenue Recognition
We use cycle billing and accrue estimated unbilled revenue at the end of each reporting period.

Income Taxes
The balance sheet includes deferred income taxes for all temporary differences between the tax basis of an asset or liability and that reported in the financial statements. These deferred tax assets and liabilities are determined by using the tax rates scheduled by the tax law to be in effect when the differences reverse.

Regulatory Asset — Recoverable Taxes mainly reflects the future revenue requirements necessary to recover the tax benefits of existing temporary differences previously passed through to customers. We record operating income tax expense based on ratemaking principles. However, if the method used for the balance sheet were reflected in the income statement, net income would remain the same.

We amortize investment tax credits to income over the remaining service lives of the related properties.

Derivative Financial Instruments
We use interest rate swap agreements to reduce the impact of changes in interest rates on variable-rate debt. The net effect of these agreements is recorded as interest expense. Interest rate swap agreements effectively fix the interest rates on a portion of KCPL's variable-rate debt. These agreements are not adjusted to market value as they are used only to manage interest expense and the intent is to hold them until their termination date.

In June 1998, the Financial Accounting Standards Board (FASB) issued FASB 133, "Accounting for Derivative Instruments and Hedging Activities". The effective date of FASB 133 for KCPL is January 1, 2001. FASB 133 requires an entity to recognize all derivatives as either assets or liabilities on the balance sheet and measure those instruments at fair value. We are currently evaluating the effect adopting FASB 133 will have on KCPL's financial statements.

Environmental Matters
We accrue environmental costs when it is probable a liability has been incurred and the amount of the liability can be reasonably estimated.

Basic and Diluted Earnings per Common Share Calculation

	1999	1998	1997
		(millions)	
Net Income	**$ 81.9**	$ 120.7	$ 76.6
Less: Preferred stock dividend requirements	**$ 3.7**	$ 3.9	$ 3.8
Earnings available for common stock	**$ 78.2**	$ 116.8	$ 72.8
Divided by: Average number of common shares outstanding	**61.9**	61.9	61.9
Basic and diluted earnings per common share	**$ 1.26**	$ 1.89	$ 1.18

Consolidated Statements of Cash Flows — Other Operating Activities

	1999	1998	1997
		(thousands)	
Cash flows affected by changes in:			
Receivables	**$ (1,417)**	$ (7,898)	$ 973
Fuel inventories	**(3,840)**	(4,925)	5,253
Materials and supplies	**(926)**	1,216	755
Accounts payable	**6,545**	4,196	1,950
Accrued taxes	**(14,653)**	13,953	(16,771)
Accrued interest	**(7,962)**	1,020	1,306
Wolf Creek refueling outage accrual	**(5,259)**	10,651	(5,517)
Other	**(5,476)**	(1,096)	3,079
Total	**$ (32,988)**	$17,117	$ (8,972)

Change in Accounting Estimate
In 1998 we adopted the American Institute of Certified Public Accountants Statement of Position (SOP) 98-1 — Accounting for the Costs of Computer Software Developed or Obtained For Internal Use.

Because we adopted SOP 98-1 in 1998, net income increased approximately $2.9 million ($0.05 per share) in 1999 and $3.2 million ($0.05 per share) in 1998. Net income increased because we capitalized payroll costs for employees developing the software. We expensed such costs in prior years. We amortize capitalized software costs on a straight-line basis over estimated service lives of 5 to 10 years.

2. PENSION PLANS AND OTHER EMPLOYEE BENEFITS

KCPL has defined benefit pension plans for its employees, including officers. Benefits under these plans reflect the employees' compensation, years of service and age at retirement. KCPL satisfies the minimum funding requirements under the Employee Retirement Income Security Act of 1974.

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

We accrue the cost of postretirement health care and life insurance benefits during an employee's years of service and recover these accruals through rates. We fund the portion of net periodic postretirement benefit costs that are tax deductible.

	Pension Benefits		Other Benefits	
	1999	1998	**1999**	1998
Change in benefit obligation	(thousands)			
Benefit obligation at beginning of year	**$ 384,588**	$ 334,017	**$ 36,222**	$ 33,198
Service cost	**10,983**	9,661	**678**	532
Interest cost	**25,446**	24,892	**2,493**	2,429
Contribution by participants			**207**	169
Actuarial (gain) loss	**(56,395)**	39,214	**(4,191)**	2,980
Benefits paid	**(29,362)**	(22,875)	**(3,024)**	(2,832)
Benefits paid by KCPL	**(321)**	(321)	**(475)**	(254)
Benefit obligation at end of year[a]	**$ 334,939**	$ 384,588	**$ 31,910**	$ 36,222
Change in plan assets				
Fair value of plan assets at beginning of year	**$ 407,829**	$ 423,331	**$ 6,364**	$ 4,970
Actual return on plan assets	**72,520**	5,131	**(85)**	380
Contributions by employer and participants	**2,163**	2,242	**3,845**	3,846
Benefits paid	**(29,362)**	(22,875)	**(3,024)**	(2,832)
Fair value of plan assets at end of year	**$ 453,150**	$ 407,829	**$ 7,100**	$ 6,364
Funded status	**$ 118,211**	$ 23,241	**$ (24,810)**	$ (29,858)
Unrecognized actuarial (gain) loss	**(130,455)**	(31,907)	**(3,439)**	370
Unrecognized prior service cost	**3,423**	3,921	**478**	555
Unrecognized transition obligation	**(4,325)**	(6,397)	**15,267**	16,442
Accrued benefit cost	**$ (13,146)**	$ (11,142)	**$ (12,504)**	$ (12,491)

(a) Based on weighted-average discount rates of 7.90% in 1999 and 6.75% in 1998; and increases in future salary levels of 4% to 5% in 1999 and 1998.

	Pension Benefits			Other Benefits		
	1999	1998	1997	**1999**	1998	1997
Components of net periodic benefit cost	(thousands)					
Service cost	**$ 10,983**	$ 9,661	$ 8,427	**$ 678**	$ 532	$ 514
Interest cost	**25,446**	24,892	24,258	**2,493**	2,429	2,518
Expected return on plan assets	**(31,263)**	(29,806)	(25,142)	**(348)**	(203)	(118)
Amortization of prior service cost	**498**	547	491	**77**	77	77
Recognized net actuarial loss (gain)	**896**	(910)	(622)	**51**	8	(25)
Transition obligation	**(2,072)**	(2,072)	(2,072)	**1,175**	1,174	1,174
Net periodic benefit cost	**$ 4,488**	$ 2,312	$ 5,340	**$ 4,126**	$ 4,017	$ 4,140

Long-term rates of return on pension assets of 9.0% to 9.25% were used.

Actuarial assumptions include an increase in the annual health care cost trend rate for the year 2000 of 7%, decreasing to its ultimate level of 6% in 2001. The health care plan requires retirees to share in the cost when premiums exceed a certain amount. An increase or decrease in the assumed health care cost trend rate by 1% per year would only increase or decrease the benefit obligation as of December 31, 1999, by about $600,000 and the combined service and interest costs of the net periodic postretirement benefit cost for 1999 by about $70,000.

Stock Options

The exercise price of stock options granted equaled the market price of KCPL's common stock on the grant date. One-half of all options granted vested one year after the grant date, the other half vested two years after the grant date. An amount equal to the quarterly dividends paid on KCPL's common stock shares (dividend equivalents) accrues on the options for the benefit of option holders. The option holders are entitled to stock for their accumulated dividend equivalents only if the options are exercised when the market price is above the exercise price. At December 31, 1999, the market price of KCPL's common stock was $22.0625, which was below the grant price for three of the five years that options were granted. Unexercised options expire ten years after the grant date.

We follow Accounting Principles Board (APB) Opinion 25 – Accounting for Stock Issued to Employees and related interpretations in accounting for this plan. Because of the dividend equivalents provision, we expensed $(1.1) million in 1999, $0.1 million in 1998 and $1.2 million in 1997. The expense includes accumulated and reinvested dividends plus the impact of the change in stock price since the grant date. Because of the decrease in KCPL's common stock market price during 1999, we recorded a $1.1 million expense reduction.

FASB Statement No. 123 – Accounting for Stock-Based Compensation requires certain disclosures regarding expense and value of options granted using the fair-value method, even though we follow APB Opinion 25. We have expensed approximately the same amount as required by FASB 123. For options outstanding at December 31, 1999, grant prices range from $20.625 to $26.188 and the weighted-average remaining contractual life is 5.1 years.

Stock option activity over the last three years is summarized below:

	1999		1998		1997	
	shares	**price***	shares	price*	shares	price*
Outstanding at January 1	**97,875**	**$23.41**	265,250	$23.12	298,875	$22.96
Granted	–	–	–	–	–	–
Exercised	–	–	(143,875)	22.68	(33,625)	21.75
Canceled	**(8,000)**	**21.63**	(23,500)	24.54	–	–
Outstanding at December 31	**89,875**	**$23.57**	97,875	$23.41	265,250	$23.12
Exercisable as of December 31	**89,875**	**$23.57**	97,875	$23.41	235,750	$22.73

**weighted-average price*

3. Income Taxes

Income tax expense consisted of the following:

	1999	1998	1997
		(thousands)	
Current income taxes:			
Federal	**$ 31,439**	$ 32,621	$ 2,801
State	**2,978**	7,118	4,348
Total	**34,417**	39,739	7,149
Deferred income taxes, net:			
Federal	**(23,313)**	(2,225)	4,108
State	**(3,471)**	(243)	672
Total	**(26,784)**	(2,468)	4,780
Investment tax credit amortization and reversals	**(4,453)**	(4,471)	(3,850)
Total income tax expense	**$ 3,180**	$ 32,800	$ 8,079

KCPL's effective income tax rates differed from the statutory federal rates mainly due to the following:

	1999	1998	1997
Federal statutory income tax rate	**35.0%**	35.0%	35.0%
Differences between book and tax depreciation not normalized	**6.9**	2.1	3.7
Amortization of investment tax credits	**(5.2)**	(2.9)	(4.5)
Federal income tax credits	**(26.4)**	(14.6)	(26.0)
State income taxes	**(0.4)**	2.9	3.9
Merger expenses	**(3.8)**	2.1	–
Other	**(2.4)**	(3.2)	(2.6)
Effective income tax rate	**3.7%**	21.4%	9.5%

The tax effects of major temporary differences resulting in deferred tax assets and liabilities in the balance sheets are as follows:

December 31	1999	1998
	(thousands)	
Plant related	**$ 523,539**	$ 547,223
Recoverable taxes	**41,000**	42,000
Other	**24,937**	31,404
Net deferred income tax liability	**$ 589,476**	$ 620,627

The net deferred income tax liability consisted of the following:

December 31	1999	1998
	(thousands)	
Gross deferred income tax assets	**$ (65,491)**	$ (64,564)
Gross deferred income tax liabilities	**654,967**	685,191
Net deferred income tax liability	**$ 589,476**	$ 620,627

4. Commitments and Contingencies

Nuclear Liability and Insurance

Liability Insurance

The Price-Anderson Act currently limits the combined public liability of nuclear reactor owners to $9.5 billion for claims that could arise from a single nuclear incident. The owners of Wolf Creek (the Owners) carry the maximum available commercial insurance of $0.2 billion. Secondary Financial Protection (SFP), an assessment plan mandated by the Nuclear Regulatory Commission (NRC), provides insurance for the $9.3 billion balance.

Under SFP, if there were a catastrophic nuclear incident involving any of the nation's licensed reactors, the Owners would be subject to a maximum retrospective assessment per incident of up to $88 million ($41 million, KCPL's share). The Owners are jointly and severally liable for these charges, payable at a rate not to exceed $10 million ($5 million, KCPL's share) per incident per year, excluding applicable premium taxes. The assessment, most recently revised in 1998, is subject to an inflation adjustment every five years based on the Consumer Price Index.

Property, Decontamination, Premature Decommissioning and Extra Expense Insurance

The Owners also carry $2.8 billion ($1.3 billion, KCPL's share) of property damage, decontamination and premature decommissioning insurance for loss resulting from damage to the Wolf Creek facilities. Nuclear Electric Insurance Limited (NEIL) provides this insurance.

In the event of an accident, insurance proceeds must first be used for reactor stabilization and NRC mandated site decontamination. KCPL's share of any remaining

proceeds can be used for further decontamination, property damage restoration and premature decommissioning costs. Premature decommissioning coverage applies only if an accident at Wolf Creek exceeds $500 million in property damage and decontamination expenses, and only after trust funds have been exhausted (see Note 1 — Nuclear Plant Decommissioning Costs).

The Owners also carry additional insurance from NEIL to cover costs of replacement power and other extra expenses incurred in the event of a prolonged outage resulting from accidental property damage at Wolf Creek.

Under all NEIL policies, KCPL is subject to retrospective assessments if NEIL losses, for each policy year, exceed the accumulated funds available to the insurer under that policy. The estimated maximum amount of retrospective assessments to KCPL under the current policies could total about $6 million.

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

Low-Level Waste

The Low-Level Radioactive Waste Policy Amendments Act of 1985 mandated that the various states, individually or through interstate compacts, develop alternative low-level radioactive waste disposal facilities. The states of Kansas, Nebraska, Arkansas, Louisiana and Oklahoma formed the Central Interstate Low-Level Radioactive Waste Compact and selected a site in northern Nebraska to locate a disposal facility. Wolf Creek Nuclear Operating Corporation (WCNOC) and the owners of the other five nuclear units in the compact have provided most of the pre-construction financing for this project. As of December 31, 1999, KCPL's net investment on its books was $7.4 million.

Significant opposition to the project has been raised by Nebraska officials and residents in the area of the proposed facility, and attempts have been made through litigation and proposed legislation in Nebraska to slow down or stop development of the facility. On December 18, 1998, the application for a license to construct this project was denied. In December 1998, the utilities filed a federal court lawsuit contending Nebraska officials acted in bad faith while handling the license application. On January 15, 1999, a request for a contested case hearing on the denial of the license was filed. On April 16, 1999, a U.S. District Court judge in Nebraska issued an injunction staying indefinitely any further activity on the contested case hearing. In May 1999 the state of Nebraska appealed the injunction. The possibility of reversing the license denial will be greater when the contested case hearing ultimately is conducted than it would have been had the hearing been conducted immediately. In May 1999, the Nebraska legislature passed a bill withdrawing Nebraska from the Compact. In August 1999, the Nebraska governor gave official notice of the withdrawal to the other member states. Withdrawal will not be effective for five years and will not, of itself, nullify the site license proceeding.

Nuclear Fuel Commitments

As of December 31, 1999, KCPL's portion of Wolf Creek nuclear fuel commitments included $26 million for enrichment through 2003, $65 million for fabrication through 2025 and $14 million for uranium and conversion through 2003.

Environmental Matters

KCPL's policy is to act in an environmentally responsible manner and use the latest technology available to avoid and treat contamination. We continually conduct environmental audits designed to ensure compliance with governmental regulations and to detect contamination. However, governmental bodies may impose additional or more rigid environmental regulations that could require substantial changes to operations or facilities.

Monitoring Equipment and Certain Air Toxic Substances

The Clean Air Act Amendments of 1990 required KCPL to spend about $5 million in prior years for the installation of continuous emission monitoring equipment to satisfy the requirements under the acid rain provision. Also, a study under the Act could require regulation of certain air toxic substances, including mercury. We cannot predict the likelihood of any such regulations or compliance costs.

Air Particulate Matter

In July 1997 the United States Environmental Protection Agency (EPA) published new air quality standards for particulate matter. Additional regulations implementing these new particulate standards have not been finalized. Without the implementation regulations, the impact of the standards on KCPL cannot be determined. However, the impact on KCPL and other utilities that use fossil fuels could be substantial. Under the new fine particulate regulations the EPA is in the process of implementing a three-year study of fine particulate

emissions. Until this testing and review period has been completed, KCPL cannot determine additional compliance costs, if any, associated with the new particulate regulations.

Nitrogen Oxide

In 1997 the EPA also issued new proposed regulations on reducing nitrogen oxide (NO_X) emissions. The EPA announced in 1998 final regulations implementing reductions in NO_X emissions. These regulations initially called for 22 states, including Missouri, to submit plans for controlling NO_X emissions. The regulations require a significant reduction in NO_X emissions from 1990 levels at KCPL's Missouri coal-fired plants by the year 2003.

To achieve these proposed reductions, KCPL would need to incur significantly higher capital costs, purchase power or purchase NO_X emissions allowances. It is possible that purchased power or emissions allowances may be too costly or unavailable.

Preliminary analysis of the regulations indicate that selective catalytic reduction technology will be required for some of the KCPL units, as well as other changes. Currently, we estimate that additional capital expenditures to comply with these regulations could range from $40 million to $60 million. Operations and maintenance expenses could also increase by more than $2.5 million per year. These capital expenditure estimates do not include the costs of the new air quality control equipment to be installed at Hawthorn No. 5. The new air control equipment designed to meet current environmental standards will also comply with the proposed requirements discussed above.

We continue to refine our preliminary estimates and explore alternatives to comply with these new regulations in order to minimize, to the extent possible, KCPL's capital costs and operating expenses. The ultimate cost of these regulations could be significantly different from the amounts estimated above.

In December 1998, KCPL and several other western Missouri utilities filed suit against the EPA over the inclusion of western Missouri in NO_X reduction program. The outcome cannot be predicted at this time.

In May 1999, a three-judge panel of the D.C. Circuit of the U.S. Court of Appeals found certain portions of the NO_X control program unconstitutional in a related case. The EPA is pursuing appellate review of this finding, and the outcome cannot be predicted at this time. If the panel's decision is upheld, the effect will be to decrease the severity of the standards with which KCPL ultimately may need to comply.

The State of Missouri is currently developing a State Implementation Plan (SIP) for NO_X reduction. This plan will likely result in KCPL having to comply with new standards for NO_X that are less severe than those that would result from the EPA's 1998 NO_X SIP call. As currently proposed, KCPL would not incur significant additional costs to comply with the State of Missouri SIP.

Carbon Dioxide

At a December 1997 meeting in Kyoto, Japan, the Clinton Administration supported changes to the International Global Climate Change treaty which would require a seven percent reduction in United States carbon dioxide (CO_2) emissions below 1990 levels. The Administration has not submitted this change to the U.S. Senate where ratification is uncertain. If future reductions of electric utility CO_2 emissions are eventually required, the financial impact upon KCPL could be substantial.

Coal Contracts

KCPL's share of coal purchased under existing contracts was $33 million in 1999, $37 million in 1998 and $38 million in 1997. Under these coal contracts, KCPL's remaining share of purchase commitments totals $56 million. Obligations for the years 2000 through 2003 total $29, $12, $11 and $4 million, respectively. The remainder of KCPL's coal requirements will be fulfilled through spot market purchases. KCPL has freight commitments for delivery of coal for the next six years at the cost of approximately $14 to $17 million per year.

Leases

KCPL has a transmission line lease with another utility whereby, with FERC approval, the rental payments can be increased by the lessor. If this occurs and we are able to secure an alternative transmission path, we can cancel the lease. Commitments under this lease total $2 million per year and $49 million over the remaining life of the lease if it is not canceled.

Rental expense for other leases, including railcars, computer equipment, buildings, transmission line and other items, was about $22 million per year for the last three years. The remaining rental commitments under these leases total $163 million. Obligations for the years 2000 through 2004 average $15 million per year. Capital leases are not material and are included in these amounts.

As the managing partner of three jointly-owned generating units, KCPL has entered into leases for railcars to serve those units. We have reflected the entire lease commitment in the above amounts although about $2 million per year ($30 million total) will be reimbursed by the other owners.

KCPL has a renewable lease agreement for a combustion turbine that expires in October 2000. The lease may be extended if both KCPL and the lessor agree to extend it. Commitments under this lease total approximately $3 million for the year 2000.

Purchased Capacity Commitments
KCPL purchases capacity from other utilities and nonutility suppliers. Purchasing capacity provides the option to purchase energy if needed or when market prices are favorable. This is a cost-effective alternative to new construction. As of December 31, 1999, contracts to purchase capacity totaled $149 million through 2016. KCPL purchased capacity of about $26 million during each of the last three years. For the years 2000 through 2004, these commitments average $20 million per year. For the next five years, net capacity purchases average about 6% of KCPL's 1999 total available capacity.

Corporate Owned Life Insurance
On January 4, 2000, KCPL received written notification from the Internal Revenue Service (IRS) that it intends to dispute interest deductions associated with KCPL's corporate owned life insurance (COLI) program. We understand this issue is an IRS Coordinated Issue and thus has been raised and not finalized for many of the largest companies in the country. A disallowance of KCPL's COLI interest deductions and assessed interest on the disallowance for tax years 1994 to 1998 would reduce net income by approximately $12 million. KCPL believes it has complied with all applicable tax laws and regulations and will vigorously contest any adjustment or claim by the IRS including exhausting all appeals available.

Gas Firm Sales Agreement
KLT sells 15,000 mmBtu (equivalent to approximately 15 Million Cubic Feet) of natural gas per day under 3 firm sales agreements of 5,000 mmBtu. Two of the contracts expire in April 2000 and are priced at $2.18 and $2.26 per mmBtu. The third contract expires in June 2000 and is priced at $2.365 per mmBtu. For gas sales not covered by these contracts, KLT's sales price at December 31, 1999, was $2.05 per mmBtu.

Guaranteed Savings Energy Management Agreements
KCPL is contingently liable for guaranteed energy savings under agreements with several customers. KCPL has entered agreements with an aggregate value of approximately $16 million over a period of five to fifteen years. In most cases a subcontractor would indemnify KCPL for any payments made by KCPL under these guarantees.

5. EQUITY METHOD INVESTMENTS

Equity method investments, excluding affordable housing limited partnerships, consist of the following:

Name of Company	Common Ownership Percentage		Carrying Value[1] December 31		Goodwill included in Carrying Value December 31	
	1999	1998	**1999**	1998	**1999**	1998
			(thousands)			
DTI Holdings, Inc.	**47%**	47%	**$ 13,989**	$ 36,172	–	–
Nationwide Electric, Inc.[2]	–	57%	–	12,939	–	$ 12,303
Strategic Energy, LLC[2]	**56%**	–	**7,306**	–	**$ 5,362**	–
R.S. Andrews Enterprises, Inc.	**49%**	42%	**25,589**	11,105	**6,490**	4,839
Other	Various		**4,363**	7,603	–	1,763
Total equity method investments			**$ 51,247**	$ 67,819	**$ 11,852**	$ 18,905

(1) Carrying Value is net of amortization of goodwill. Such amortization is over 15 to 40 years.

(2) We hold less than 50% of the voting common stock.

In addition to the above goodwill, an additional $11 million of goodwill, net of amortization, as of December 31, 1998, was included in other deferred charges on the consolidated balance sheet. A portion of this goodwill was written off in 1999 and the remainder was included in the equity investment in Strategic Energy, LLC as a result of a reorganization of one of KLT's investments.

The non-public, unaudited combined summarized financial information supplied to KCPL by companies in which we have an equity investment is as follows:

December 31	**1999**	1998
	(thousands)	
Current assets	**$ 129,109**	$ 268,958
Non-current assets	**397,418**	221,753
Total Assets	**$ 526,527**	$ 490,711
Current liabilities	**$ 68,239**	$ 49,483
Non-current liabilities	**414,846**	367,084
Equity[1]	**43,442**	74,144
Total Liabilities and Equity	**$ 526,527**	$ 490,711
Revenues	**$ 193,171**	$ 113,658
Costs and expenses	**245,038**	135,036
Net Loss	**$ (51,867)**	$ (21,378)
KCPL's share of net loss[2]	**$ (24,951)**	$ (11,683)

(1) Includes DTI's $45 million of convertible preferred stock held by KLT.

(2) Includes losses of $1.7 million for 1999 and $1.9 million for 1998 for KLT's share of affordable housing limited partnership losses in order to agree to presentation in the Consolidated Statements of Cash Flows.

6. Segment and Related Information

KCPL's reportable segments are strategic business units. Electric Operations includes the regulated electric utility, unallocated corporate charges and wholly-owned subsidiaries on an equity basis. KLT and HSS are holding companies for various nonregulated business ventures.

The summary of significant accounting policies applies to all of the segments. We evaluate performance based on profit or loss from operations and return on capital investment. We eliminate all intersegment sales and transfers. We include KLT and HSS revenues and expenses in Other Income and (Deductions) and Interest Charges in the Consolidated Statements of Income.

The tables below reflect summarized financial information concerning KCPL's reportable segments.

	Electric Operations	KLT	HSS	Intersegment Eliminations	Consolidated Totals
			(thousands)		
1999					
Electric Operating Income[a]	$ 143,949				$ 143,949
Miscellaneous Income[b]	25,630	$ 17,173	$ (355)	$ 4,946	47,394
Miscellaneous Deductions[c]	(42,015)	(51,786)	(5,318)	—	(99,119)
Income taxes on Other Income and (Deductions)	8,151	45,198	2,019	—	55,368
Interest Charges	(56,457)	(11,877)	—	—	(68,334)
Net Income (Loss)	81,915	(1,292)	(3,654)	4,946	81,915
Assets	2,851,469	267,763	50,043	(179,133)	2,990,142
1998					
Electric Operating Income[a]	$ 184,165				$ 184,165
Miscellaneous Income[b]	21,808	$ 25,246	$ 733	$ (4,486)	43,301
Miscellaneous Deductions[c]	(36,496)	(47,373)	(933)	—	(84,802)
Income taxes on Other Income and (Deductions)	5,694	40,210	78	—	45,982
Interest Charges	(58,265)	(13,475)	—	—	(71,740)
Net Income (Loss)	120,722	4,608	(122)	(4,486)	120,722
Assets	2,831,052	310,750	24,239	(153,677)	3,012,364
1997					
Electric Operating Income[a]	$ 162,722				$ 162,722
Miscellaneous Income[b]	20,407	$ 24,651		$ (6,037)	39,021
Miscellaneous Deductions[c]	(77,614)	(40,828)		—	(118,442)
Income taxes on Other Income and (Deductions)	27,279	35,755		—	63,034
Interest Charges	(58,641)	(13,541)		—	(72,182)
Net Income	76,560	6,037		(6,037)	76,560
Assets	2,835,414	346,154		(123,535)	3,058,033

(a) Refer to the Consolidated Statements of Income for detail of Electric Operations revenues and expenses.
(b) Includes nonregulated revenues, interest and dividend income, income and losses from equity investments and gains on sales of property.
(c) Includes nonregulated expenses, losses on sales of property, asset impairments and merger-related expenses.

7. Oil and Gas Property and Intangible Property

Oil and gas property and equipment included in Investments and Nonutility Property on the consolidated balance sheets totaled $87 million, net of accumulated depreciation of $5 million, in 1999 and $43 million, net of accumulated depreciation of $2 million in 1998. Included in the oil and gas property and equipment were intangible drilling costs of $24 million in 1999 and $15 million in 1998.

Electric utility plant on the consolidated balance sheets included intangible computer software of $63 million, net of accumulated depreciation of $13 million, in 1999 and $27 million, net of accumulated depreciation of $7 million, in 1998.

8. Receivables

December 31	**1999**	1998
	(thousands)	
KCPL Receivable Corporation	**$ 29,705**	—
Customer Accounts Receivable	—	$ 31,150
Other Receivables	**41,843**	38,981
Receivables	**$ 71,548**	$ 70,131

In 1999 KCPL entered into a revolving agreement to sell all of its right, title and interest in the majority of its customer accounts receivable to KCPL Receivable Corporation, a special purpose entity established to purchase customer accounts receivable from KCPL. KCPL Receivable Corporation has sold receivable interests to outside investors. In consideration of the sale, KCPL received $60 million in cash and the remaining balance in the form of a subordinated note from KCPL Receivable Corporation. The agreement is structured as a true sale under which the creditors of KCPL Receivable Corporation will be entitled to be satisfied out of the assets of KCPL Receivable Corporation prior to any value being returned to KCPL or its creditors. At December 31, 1999, $89.7 million of accounts receivable, net of reserves, was sold under the agreement.

At December 31, 1998, the customer accounts receivable of $31.2 million was recorded net of allowance for doubtful accounts of $1.9 million. As of December 31, 1998, we sold with limited recourse $60 million of customer accounts receivable.

Costs associated with the sale of customer accounts receivable of approximately $3.5 million for each of the years ended December 31, 1999, 1998 and 1997, were included in Other Income and (Deductions) — Miscellaneous income and (deductions) - net.

The other receivables consist primarily of receivables from partners in jointly-owned electric utility plants, bulk power sales receivables and accounts receivable held by subsidiaries.

9. Short-term Borrowings and Short-term Bank Lines of Credit

Short-term borrowings consist of funds borrowed from banks or through the sale of commercial paper as needed. The weighted-average interest rate on the $214 million of commercial paper outstanding as of December 31, 1999, was 6.4%. Under minimal fee arrangements, KCPL's unused short-term bank lines of credit totaled $61 million as of December 31, 1999, and $210 million as of December 31, 1998.

KLT Gas has a short-term revolving note payable to a bank that provides borrowing capacity of up to $25 million for oil and gas development activities. Under this note, KLT had borrowings at December 31, 1999, of $24.7 million at an interest rate of 8.5% and borrowings at December 31, 1998, of $10.0 million at an interest rate of 7.0%. The note is collateralized by a mortgage on a significant portion of the natural gas leaseholds, mineral interest and facilities and expires in March 2000.

10. Common Stock Equity, Preferred Stock, Redeemable Preferred Stock and Mandatorily Redeemable Preferred Securities

Common Stock Equity

KCPL has shares of common stock registered with the Securities and Exchange Commission for a Dividend Reinvestment and Stock Purchase Plan (the Plan). The Plan allows for the purchase of common shares by reinvesting dividends or making optional cash payments. We currently purchase shares for the Plan on the open market.

As of December 31, 1999 and 1998, KCPL held 10,706 shares of its common stock to be used for future distribution. We include the cost of these shares in Investments and Nonutility Property.

The Restated Articles of Consolidation contain a restriction related to the payment of dividends in the event common equity falls to 25% of total capitalization. If preferred stock dividends are not declared and paid when scheduled, KCPL could not declare or pay common stock dividends or purchase any common shares. If the unpaid preferred stock dividends equal four or more full quarterly dividends, the preferred shareholders, voting as a single class, could elect members to the Board of Directors.

Preferred Stock and Redeemable Preferred Stock
Scheduled mandatory sinking fund requirements for the redeemable 4% Cumulative Preferred Stock are 1,600 shares per year. Shares issued totaled 7,957 as of December 31, 1999, and 9,557 as of December 31, 1998. Shares held by KCPL to meet future sinking fund requirements totaled 7,334 as of December 31, 1999, and 8,934 as of December 31, 1998. The cost of the shares held is reflected as a reduction of the capital account.

During 1999, we redeemed 500,000 shares of Cumulative No Par Preferred Stock, reducing the number of Cumulative Preferred Stock shares issued by 500,000 and the stated capital of KCPL by $50,000,000.

As of December 31, 1999, 0.4 million shares of $100 par Cumulative Preferred Stock, 1.6 million shares of Cumulative No Par Preferred Stock and 11 million shares of no par Preference Stock were authorized. We have the option to redeem the $39 million of issued Cumulative Preferred Stock at prices approximating par or stated value.

Mandatorily Redeemable Preferred Securities
In April 1997 KCPL Financing I (Trust) issued $150,000,000 of 8.3% preferred securities. The sole asset of the Trust is the $154,640,000 principal amount of 8.3% Junior Subordinated Deferrable Interest Debentures, due 2037, issued by KCPL. The terms and interest payments on these debentures correspond to the terms and dividend payments on the preferred securities. We deduct these payments for tax purposes. We may elect to defer interest payments on the debentures for a period up to 20 consecutive quarters, causing dividend payments on the preferred securities to be deferred as well. In case of a deferral, interest and dividends will continue to accrue, along with quarterly compounding interest on the deferred amounts. We may redeem all or a portion of the debentures after March 31, 2002. If we redeem all or a portion of the debentures, the Trust must redeem an equal amount of preferred securities at face value plus accrued and unpaid distributions. The back-up undertakings in the aggregate provide a full and unconditional guarantee of amounts due on the preferred securities.

11. Long-Term Debt

General Mortgage Bonds and Unsecured Notes
KCPL is authorized to issue mortgage bonds under the General Mortgage Indenture and Deed of Trust dated December 1, 1986, as supplemented. The Indenture creates a mortgage lien on substantially all utility plant.

As of December 31, 1999, $497 million general mortgage bonds were pledged under the Indenture to secure the outstanding medium-term notes and revenue refunding bonds.

KCPL is also authorized to issue up to $300 million in unsecured medium-term notes under an indenture dated December 1, 1996. This indenture prohibits KCPL from issuing additional general mortgage bonds while any unsecured notes are outstanding. We have not issued any unsecured notes.

Subsidiary Obligations
KLT has a bank credit agreement for $125 million collateralized by the capital stock of KLT's direct subsidiaries. Under this revolving credit agreement, KLT had borrowings at December 31, 1999, of $61 million with a weighted-average interest rate of 7.7%. KLT had borrowings at December 31, 1998, of $79 million with a weighted-average interest rate of 6.4%. This debt is classified as current maturities since the agreement expires in June 2000.

The affordable housing notes are collateralized by the affordable housing investments.

Scheduled Maturities
Long-term debt maturities for the years 2000 through 2004 are $129, $94, $38, $29 and $59 million, respectively.

12. Derivative Financial Instruments

As of December 31, 1999 and 1998, KCPL had entered into two interest rate swap agreements to limit the interest rate on $30 million of long-term debt. The swap agreements mature in 2001 and effectively fix the interest rate to a weighted-average rate of 3.88%. Also, as of December 31, 1998, KLT had entered into an interest rate swap agreement to limit the interest rate on $40 million of its variable-rate bank credit agreement. This swap agreement matured in 1999 and was not renewed.

These swap agreements are with highly rated financial institutions and simply limit KCPL's exposure to increases in interest rates. They do not subject KCPL to any material credit or market risks. The fair value of these agreements is

immaterial and is not reflected in the financial statements. Although derivatives are an integral part of KCPL's interest rate management, the effect on interest expense for each of the last three years was less than $0.6 million.

KLT entered into a put and call agreement in 1999 in which the grantee has the option to sell to KLT up to 1,411,765 common shares of a publicly traded stock at a purchase price of $3.54 per share. KLT is also granted the right to purchase up to 1,411,765 common shares at a purchase price of $4.25 per share. At December 31, 1999, the stock was trading at $4.44. However, since the exercise period is from April 30, 2000 through September 30, 2000, the fair market value of these options is not readily determinable at December 31, 1999, and is not recorded in the consolidated financial statements.

13. Jointly-owned Electric Utility Plants

KCPL's share of jointly-owned electric utility plants as of December 31, 1999, is as follows (in millions of dollars):

	Wolf Creek Unit	LaCygne Units	Iatan Unit
KCPL's share	47%	50%	70%
Utility plant in service	$1,349	$ 307	$ 245
Estimated accumulated depreciation (production plant only)	$ 464	$ 195	$ 153
Nuclear fuel, net	$ 28	$ —	$ —
KCPL's accredited capacity—megawatts	550	681	469

Each owner must fund its own portion of the plant's operating expenses and capital expenditures. KCPL's share of direct expenses is included in the appropriate operating expense classifications in the income statement.

14. Termination of Planned Merger with Western Resources

On January 2, 2000, KCPL's Board of Directors unanimously voted to terminate its Amended and Restated Agreement and Plan of Merger, dated as of March 18, 1998, with Western Resources. The Board of Directors acted pursuant to a provision of the parties' Merger Agreement that permitted either party to terminate the Merger Agreement if it was not consummated on or before December 31, 1999. The termination was effective immediately.

A key factor in the KCPL Board's action was problems at Western Resources' Protection One subsidiary and their impact on Western Resources as a whole. These problems and the related decline in Western Resources' stock price since the signing of the Merger Agreement had a direct bearing on the value of the contemplated transaction to KCPL's shareholders, as well as the future prospects of Western Resources and its affiliated companies assuming such transaction was consummated. Western Resources' common stock, which closed at $43.13 per share on March 18, 1998, closed at $16.94 per share on December 31, 1999. Also critical among the KCPL Board's reasons for their decision was the fact that KCPL's financial advisor, Merrill Lynch & Co., was unable to provide an opinion that the contemplated transaction was fair to KCPL shareholders from a financial point of view.

15. Quarterly Operating Results (Unaudited)

	Quarter			
	1st	2nd	3rd	4th
1999	(millions)			
Operating revenues	$ 191	$ 217	$ 301	$ 189
Operating income	26	41	54	23
Net income	12	25	37	7
Basic and diluted earnings per common share	$ 0.18	$ 0.39	$0.59	$0.11

	Quarter			
	1st	2nd	3rd	4th
1998	(millions)			
Operating revenues	$ 196	$ 240	$ 313	$ 190
Operating income	30	51	77	26
Net income	14	39	59	9
Basic and diluted earnings per common share	$ 0.22	$ 0.60	$0.94	$0.13

The quarterly data is subject to seasonal fluctuations with peak periods occurring during the summer months.

Report of Independent Accountants

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

We have audited the accompanying consolidated balance sheets and statements of capitalization of Kansas City Power & Light Company and Subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of income, retained earnings, cash flows and comprehensive income for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Kansas City Power & Light Company and Subsidiaries as of December 31, 1999 and 1998, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States.

PricewaterhouseCoopers LLP

Kansas City, Missouri
February 1, 2000

Summary of Earnings (thousands)	**1999**	1998	1997	1996	1995	1989
Operating Revenues	**$ 897,393**	$ 938,941	$ 895,943	$ 903,919	$ 885,955	$ 790,216
Operating Expenses	**753,444**	754,776	733,221	726,106	718,907	602,685
Operating Income	**143,949**	184,165	162,722	177,813	167,048	187,531
Other Income and (Deductions)	**6,300**	8,297	(13,980)	(11,559)	10,060	6,477
Income Before Interest Charges	**150,249**	192,462	148,742	166,254	177,108	194,008
Interest Charges	**68,334**	71,740	72,182	58,083	54,522	85,390
Net Income	**81,915**	120,722	76,560	108,171	122,586	108,618
Preferred Stock Dividend Requirements	**3,733**	3,884	3,789	3,790	4,011	6,359
Available for Common Stock	**$ 78,182**	$ 116,838	$ 72,771	$ 104,381	$ 118,575	$ 102,259
Capitalization (thousands)[1]						
Common Stock Equity	**$ 864,644**	$ 891,802	$ 878,420	$ 910,449	$ 897,938	$ 835,917
Preferred Stock	**39,000**	89,000	89,000	89,000	89,000	92,000
Preferred Stock[2]	**62**	62	62	62	1,436	2,396
Preferred Securities[2]	**150,000**	150,000	150,000	—	—	—
Long-term Debt	**$ 814,742**	$ 912,913	$ 1,008,187	$ 970,727	$ 909,516	$ 918,654
Common Stock Data						
Average Shares Outstanding (thousands)	**61,898**	61,884	61,895	61,902	61,902	61,855
Earnings per Common Share	**$ 1.26**	$ 1.89	$ 1.18	$ 1.69	$ 1.92	$ 1.65
Return on Year-end Common Equity	**9.0%**	13.1%	8.3%	11.5%	13.2%	12.2%
Cash Dividends per Share	**$ 1.66**	$ 1.64	$ 1.62	$ 1.59	$ 1.54	$ 1.25
Book Value per Share	**$ 13.97**	$ 14.41	$ 14.19	$ 14.71	$ 14.50	$ 13.50
Common Stock Equity Ratio	**49.7%**	47.4%	42.8%	46.8%	49.2%	46.2%
Common Stock Price						
High	**$ 29 5/8**	$ 31 13/16	$ 29 15/16	$ 29 3/8	$ 26 5/8	$ 18 1/8
Low	**$ 20 13/16**	$ 28	$ 27 3/8	$ 23 5/8	$ 21 1/8	$ 14 1/8
Other Data and Ratios						
Utility Capital Expenditures (thousands)	**$ 180,687**	$ 119,540	$ 124,734	$ 100,947	$ 134,070	$ 103,169
Total Assets (thousands)	**$ 2,990,142**	$ 3,012,364	$ 3,058,033	$ 2,914,512	$ 2,882,506	$ 2,620,826
Ratio of Earnings to Fixed Charges	**2.07**	2.87	2.03	3.06	3.94	2.92

(1) Includes amounts to be redeemed or purchased and current maturities

(2) Redeemable

Electric Sales Statistics

	1999	1998	1997	1996	1995	1989
Revenues (thousands)						
Residential	**$ 324,091**	$ 334,228	$ 315,240	$ 306,340	$ 306,171	$ 255,913
Commercial	**387,067**	391,921	379,307	379,824	370,467	332,150
Industrial	**119,727**	119,316	116,269	119,395	114,539	110,413
Other	**7,756**	7,459	11,583	14,488	14,303	13,971
Total retail	**838,641**	852,924	822,399	820,047	805,480	712,447
Bulk power	**45,773**	71,121	59,647	71,894	65,749	57,209
Other sales for resale	**3,968**	4,056	4,055	3,549	3,143	5,174
Total	**888,382**	928,101	886,101	895,490	874,372	774,830
Other electric revenues	**9,011**	10,840	9,842	8,429	11,583	7,936
Total	**$ 897,393**	$ 938,941	$ 895,943	$ 903,919	$ 885,955	$ 782,766
Megawatt-Hour Sales						
Residential	**4,287,963**	4,413,732	4,087,618	3,906,196	3,879,975	3,165,473
Commercial	**6,260,085**	6,204,153	5,897,781	5,659,237	5,422,077	4,699,160
Industrial	**2,724,234**	2,755,710	2,640,294	2,737,464	2,573,883	2,162,396
Other	**69,869**	68,255	63,480	62,700	65,492	72,075
Total retail	**13,342,151**	13,441,850	12,689,173	12,365,597	11,941,427	10,099,104
Bulk power	**2,125,383**	3,435,974	3,177,576	4,071,222	4,045,225	3,528,919
Other sales for resale	**123,769**	124,584	119,926	100,809	78,127	120,509
Total	**15,591,303**	17,002,408	15,986,675	16,537,628	16,064,779	13,748,532
Average Number of Customers						
Residential	**402,741**	393,173	388,547	381,389	377,302	356,609
Commercial	**51,966**	52,031	51,655	50,677	49,797	46,857
Industrial	**2,381**	2,575	2,716	2,814	2,677	2,452
Other	**119**	119	120	123	131	133
Total retail	**457,207**	447,898	443,038	435,003	429,907	406,051
Bulk power	**24**	25	27	28	22	22
Other sales for resale	**11**	11	11	12	11	12
Total	**457,242**	447,934	443,076	435,043	429,940	406,085
Residential Sales						
Average mwh per customer	**10.6**	11.2	10.5	10.2	10.3	8.9
Average revenue per kwh	**7.6¢**	7.6¢	7.7¢	7.8¢	7.9¢	8.1¢
Load Statistics						
Net generation-mwh	**14,827,901**	16,538,214	15,415,784	16,128,325	15,852,834	13,764,615
Purchased-mwh	**1,618,702**	1,256,094	1,397,130	1,218,715	969,525	666,827
Total-mwh	**16,446,603**	17,794,308	16,812,914	17,347,040	16,822,359	14,431,442
Maximum net hourly demand in						
megawatts-winter	**2,171**	2,117	2,002	2,012	1,864	1,829
megawatts-summer	**3,251**	3,175	3,044	2,987	2,909	2,541
Net generating capability in megawatts (summer)	**2,884**[2]	3,361	3,297	3,134	3,103	3,025
Net capacity (sold) purchased summer (megawatts)	**345**	272	399	408	426	81
Btu per kwh generated	**10,648**	10,539	10,594	10,669	10,619	10,674
Number of Employees						
December 31	**2,222**	2,233	2,298	2,297	2,330	2,873
December 31-adjusted[1]	**2,529**	2,550	2,594	2,602	2,643	3,251

(1) Excludes employees allocated to other participating companies at LaCygne and Iatan stations and includes employees allocated from Wolf Creek.
(2) Excludes the 476 megawatts of generating capability unavailable due to the February 17, 1999 explosion at Hawthorn Generating Station Unit No. 5.

Form 10-K

Copies of KCPL's 1999 annual report filed with the Securities and Exchange Commission on Form 10-K will be provided at no charge to any shareholder or beneficial owner of shares in KCPL's stock upon written request to:

Corporate Secretary
Kansas City Power & Light Company
P.O. Box 418679
Kansas City, Missouri 64141-9679

Stock Data

KCPL stock is traded on the New York Stock Exchange (NYSE) and the Chicago Stock Exchange, under the ticker symbol KLT.

Shareholders of record as of December 31, 1999: 20,661.

All dividends paid by KCPL in 1999 were determined to be dividend income and no portion was considered a return of capital.

World Wide Web Site

Information available includes Company news releases, stock quotes, customer account information, community and environmental efforts, and information of general interest to investors and customers. You can visit the site at www.kcpl.com.

Common Stock Dividends Paid

Quarter	2000	1999	1998
First	**$0.415**	**$0.415**	$0.405
Second		**0.415**	0.405
Third		**0.415**	0.415
Fourth		**0.415**	0.415

Preferred Stock Dividends

Quarterly dividends on preferred stock were declared in each quarter of 1999 and 1998 as follows:

Cumulative Preferred Stock

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

Two-Year Common Stock History

KCPL's common stock price range was as follows:

	1999		1998	
Quarter	**High**	**Low**	High	Low
First	**$29 5/8**	**$24 5/8**	$31 5/8	$28 5/16
Second	**28 3/16**	**23 5/16**	31 1/2	28 1/16
Third	**26 11/16**	**22 3/16**	30 3/4	28
Fourth	**25 1/8**	**20 13/16**	31 13/16	28 3/8

Annual Meeting of Shareholders

All shareholders will receive in March proxy materials and information about KCPL's annual shareholders meeting, to be held at 10:00 a.m. on May 2, 2000, at the Hyatt Regency Crown Center, 2345 McGee Street in Kansas City, Missouri. More details will be available in the proxy materials. Any questions may be directed to Investor Relations at 800-245-5275.

Dividend Reinvestment and Direct Stock Purchase Plan

KCPL offers the opportunity to purchase common shares directly from the company with an initial investment of $500 through our enhanced Dividend Reinvestment and Direct Stock Purchase Plan. The Plan offers shareholders several choices, including reinvestment of all or some of their common stock quarterly dividends and the option of investing additional cash monthly. Shareholders may choose to deposit their stock certificate(s) with the transfer agent for safekeeping in their Plan account. For more information or an enrollment form, contact Investor Relations, UMB Bank, n.a. or visit KCPL's Web site at www. kcpl. com.

Direct Deposit and Automatic Monthly Deduction of Dividends

Shareholders may elect the convenience of having dividends deposited directly to their checking, savings or other accounts. Shareholders can also choose to authorize automatic monthly deductions from checking or savings accounts to purchase additional shares. Electing direct deposit or automatic deduction changes only the manner of dividend payment. Annual report and proxy materials, year-end tax information and other correspondence will be mailed to the shareholder's address of record. For more information, please contact Investor Relations or UMB Bank, n.a. or visit KCPL's Web site at www. kcpl. com.

Registered Shareholder Inquiries

For account information or assistance, including change of address, stock transfers, dividend payments, duplicate accounts or to report a lost certificate, please contact Investor Relations at 800-245-5275.

Financial Inquiries

Security analysts and investment professionals seeking financial information about KCPL may contact Investor Relations at 816-556-2312.

Transfer Agent and Stock Registrar

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

1201 Walnut Kansas City Missouri 64106