

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES AND EXCHANGE ACT OF 1934

For the fiscal year ended DECEMBER 31, 1998

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

COMMISSION FILE NUMBER 1-707

KANSAS CITY POWER & LIGHT COMPANY  
(Exact name of registrant as specified in its charter)

Missouri (State or other jurisdiction of incorporation or organization)	44-0308720 (I.R.S. Employer Identification No.)
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1201 Walnut Street  
Kansas City, Missouri 64106  
(Address of principal executive offices)

Registrant's telephone number, including area code: 816-556-2200

Securities registered pursuant to Section 12(b) of the Act:

Title of each class -----	Name of each exchange on which registered -----
Cumulative Preferred Stock par value \$100 per share - 3.80%, 4.50%, 4.35%	New York Stock Exchange
Common Stock without par value	New York Stock Exchange Chicago Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:  
None.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to the Form 10-K.

On March 12, 1999, KCPL had 61,898,020 shares of common stock outstanding. The aggregate market value of the common stock held by nonaffiliates of KCPL (based upon the closing price of the Company's common stock on the New York Stock Exchange on March 12, 1999) was approximately \$1,553,853,220.

Documents Incorporated by Reference  
Portions of the 1999 Proxy Statement are incorporated by reference in Part III of this report.

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## CERTAIN FORWARD-LOOKING INFORMATION

Statements made in this Form 10-K 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:

- - the proposed Western Resources Inc. merger
- - future economic conditions in the regional, national and international markets
- - state, federal and foreign regulation and possible additional reductions in regulated electric rates
- - 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
- - unforeseen events that would prevent correcting internal or external information systems for Year 2000 problems
- - 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.

## PART I

### ITEM 1. BUSINESS

Kansas City Power & Light Company (KCPL) was incorporated in Missouri in 1922 and is headquartered in downtown Kansas City, Missouri. KCPL is a medium-sized public utility engaged in the generation, transmission, distribution and sale of electricity to over 451,000 customers at year-end in a 4,700 square mile area located in all or portions of 31 counties in western Missouri and eastern Kansas. About two-thirds of KCPL's retail sales are to Missouri customers and the remainder to Kansas customers. Customers include approximately 396,000 residences, 52,000 commercial firms, and 3,000 industrials, municipalities and other electric utilities. Retail revenues in Missouri and Kansas accounted for approximately 91% of KCPL's total utility revenues in 1998. Wholesale firm power, bulk power sales and miscellaneous electric revenues accounted for the remainder of utility revenues. Low fuel costs and superior plant performance enable KCPL to serve its customers well while maintaining a leadership position in the bulk power market.

KLT Inc., a wholly-owned, nonutility subsidiary of KCPL formed in 1992, pursues nonregulated business ventures. Existing ventures include investments in energy services, oil and gas development and production, telecommunications and affordable housing limited partnerships. Home Service Solutions Inc. (HSS), a wholly-owned, nonutility subsidiary of KCPL formed in 1998, holds interests in companies providing products and services solutions to residential customers. (See "Subsidiaries" on page 6 of this report.) Approximately 3.7% of KCPL's consolidated net income came from the subsidiaries in 1998.

#### Proposed Merger With Western Resources, Inc.

On March 18, 1998, KCPL and Western Resources, Inc. (Western Resources) entered into an Amended and Restated Agreement and Plan of Merger (Amended Agreement). This Amended Agreement provides for the combination of the regulated electric utilities of KCPL and Western Resources into Westar Energy, a new company. (See Note 12 to Consolidated Financial Statements, "Amended and Restated Plan of Merger with Western Resources", on page 44.)

#### Regulation

KCPL is subject to the jurisdiction of the Public Service Commission of the State of Missouri (MPSC), the State Corporation Commission of the State of Kansas (KCC), the Federal Energy Regulatory Commission (FERC), the Nuclear Regulatory Commission (NRC) and certain other governmental regulatory bodies as to various phases of its operations, including rates, service, safety and nuclear plant operations, environmental matters and issuances of securities.

#### Rates

The MPSC and KCC regulate KCPL's retail electric rates for sales within the respective states of Missouri and Kansas. FERC approves KCPL's rates for wholesale bulk electricity sales. Firm electric sales are made by contractual arrangements between the entity being served and KCPL.

## Missouri

Pursuant to a stipulation and agreement with the MPSC, KCPL reduced Missouri retail rates by about 2.7% effective January 1, 1994, 2% effective July 9, 1996, and by about 2.5% effective January 1, 1997. On January 26, 1999, KCPL, Staff of the MPSC and the Office of Public Counsel filed a Stipulation and Agreement with the MPSC providing for a proposed rate reduction of 3.2% beginning March 1, 1999. This Stipulation and Agreement is subject to MPSC approval.

## Kansas

Pursuant to a rate settlement and agreement with the KCC, KCPL implemented a 4.7% reduction in Kansas retail rates which was effective January 1, 1998, and implemented March 1, 1999. The amount accrued between January 1, 1998, and the implementation date was refunded.

## Environmental

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 since the time of contamination.

We continually conduct environmental audits designed to detect contamination and ensure compliance with governmental regulations. However, compliance programs needed to meet new and future environmental laws and 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, could require substantial changes to operations or facilities. We cannot presently estimate any additional costs of meeting such new regulations or standards which might be established in the future or the possible effect which any new regulations or standards could have on KCPL's operations. However, we currently estimate that expenditures necessary to comply with environmental regulations will not be material with the possible exceptions set forth below.

## Air

### 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 real 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 (NOx) emissions. The EPA announced in 1998 final regulations implementing reductions in NOx emissions. These regulations require 22 states, including Missouri, to submit plans for controlling NOx emissions by September 1999. The regulations require a significant reduction in NOx emissions from 1990 levels at KCPL's Missouri coal-fired plants by the year 2003. To achieve these reductions, KCPL would need to incur significantly higher capital costs or purchase power or NOx 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 \$90 to \$150 million over the period from 1999 to 2002. Operations and maintenance expenses could also increase by more than \$10 million per year, beginning in 2003. We continue to refine these preliminary estimates and explore alternatives to comply with these new regulations to minimize, to the extent possible, KCPL's capital costs and operating expenses. The ultimate cost of these regulations could be significantly different than the amounts estimated above.

KCPL and several other western Missouri utilities filed suit against the EPA over the inclusion of western Missouri in the NOx reduction program. This matter is in the early stage of litigation and the outcome cannot be predicted at this time.

## 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 (CO2) emissions below 1990 levels. President Clinton stated that this change in the treaty would not be submitted to the U.S. Senate at this time where ratification is uncertain. If future reductions of electric utility CO2 emissions are eventually required, the financial impact upon KCPL could be substantial.

## Water

KCPL commissioned an environmental assessment of its Northeast Station and of its Spill Prevention Control and Countermeasure plan as required by the Clean Water Act. The assessment revealed contamination of the site by petroleum products, heavy metals, volatile and semi-volatile organic compounds, asbestos, pesticides and other regulated substances. Based upon studies and discussions with Burns & McDonnell, the cost of the cleanup could range between \$1.5 million and \$6 million.

Also, groundwater analysis has indicated that certain volatile organic compounds are moving through the Northeast site, just above bedrock, from sources off-site. The Missouri Department of Natural Resources (MDNR) was notified of the possible release of petroleum products and the presence of volatile organic compounds (VOCs) moving under the site. Monitoring and removal of free petroleum products continues at the site. KCPL was advised that MDNR located a source of the VOCs upgradient and unrelated to KCPL. MDNR is working with that site owner to reduce the flow of VOCs under Northeast Station.

## Competition

A number of states already have authorized retail electric competition. Other states, including Kansas and Missouri, are studying the issue. In Kansas, a taskforce established by the Legislature concluded its two-year effort by proposing a comprehensive retail competition bill in the 1998 legislative session. That bill was not passed. Comprehensive retail competition legislation again has been proposed in the 1999 legislative session. That legislation is not expected to pass this year. In Missouri, a legislative interim committee has spent two years studying retail electric competition. It is expected that the committee will continue its efforts in 1999. In addition, a task force established by the Missouri Public Service Commission prepared a report in 1998 addressing implementation issues relating to retail competition. Comprehensive retail competition legislation is not expected to pass the Missouri General Assembly this year. (See Item 7 "Regulation and Competition" on page 13 of this report.)

## Fuel Supply

KCPL's principal sources of fuel for electric generation are coal and nuclear fuel. These fuels are expected to satisfy about 95% of the 1999 fuel requirements with the remainder provided by other sources including natural gas, oil and steam. The 1998 and estimated 1999 fuel mix, based on total Btu generation, are as follows:

	1998	Estimated 1999
	----	-----
Coal	69%	70%
Nuclear	29%	25%
Other	2%	5%

### Coal

KCPL's average cost per million Btu of coal burned, excluding fuel handling costs, was \$0.81 in 1998, \$0.85 in 1997, and \$0.85 in 1996.

During 1999, approximately 10.4 million tons of coal (6.8 million tons, KCPL's share) are projected to be burned at KCPL's generating units, including jointly-owned units. This amount has been reduced for 1999 due to the unavailability of Hawthorn 5. (See Generation Resources, footnote (d), on page 8 of this report.) KCPL has entered into coal-purchase contracts with various suppliers in Wyoming's Powder River Basin, the nation's principal supplier of low-sulfur coal. These contracts, with expiration dates ranging from 1999 through 2003, will satisfy approximately 90% of the projected coal requirements for 1999, 50% for 2000, and 20% thereafter.

### Nuclear

KCPL also owns 47% of Wolf Creek Nuclear Operating Corporation (WCNOC), the operating company for the Wolf Creek Generating Station (Wolf Creek). WCNOC has on hand or under contract 100% of the uranium needs for 1999 and 59% of the uranium required to operate Wolf Creek through September 2003. The balance is expected to be obtained through contract and spot market purchases.

Contracts are in place for the conversion of uranium to uranium hexafluoride sufficient for operation of Wolf Creek through 2001. WCNOC has obtained or has under contract 100% of Wolf Creek's uranium enrichment requirements for 1999 and 88% of the

enrichment services required for operation of Wolf Creek through March 2005. The balance is expected to be obtained through a combination of contract and spot market purchases.

#### High-Level Waste

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 this 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 started plans 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.

#### 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. WCNOG and the owners of the other five nuclear units in the compact provide most of the pre-construction financing for this project. As of December 31, 1998, KCPL's net investment for this project was \$7.3 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. On January 15, 1999, a request for a contested case hearing on the denial of the license was filed. The contested case hearing must be granted. There is a reasonable possibility that the contested case hearing will be stayed for a significant period of time. If such a stay occurs, a greater possibility of reversing the license denial will exist when the contested case hearing ultimately is conducted.

#### Employees

At December 31, 1998, KCPL and its wholly-owned subsidiaries had 2,233 employees (including temporary and part-time employees), 1,389 of which were represented by three local unions of the International Brotherhood of Electrical Workers (IBEW). KCPL has labor agreements with Local 1613, representing clerical employees (which expires March 31, 1999), with Local 1464, representing outdoor workers (which expires



January 8, 2000), and with Local 412, representing power plant workers (which expires February 28, 2001). KCPL is also a 47% owner of WCNO, which employs 999 persons to operate Wolf Creek.

#### Subsidiaries

KLT Inc. has five active wholly-owned direct subsidiaries:

- KLT Investments Inc., a passive investor in affordable housing investments that generate tax credits.
- KLT Investments II Inc., a passive investor in economic and community-development and energy-related projects.
- KLT Energy Services Inc., a participant in energy management and lighting services businesses. Custom Energy, L.L.C., a majority-owned subsidiary, provides energy management and lighting services to commercial, industrial and governmental customers. KLT Energy Services Inc. also has a 50%-owned subsidiary, Custom Lighting Services, L.L.C., which provides streetlight design, construction and maintenance services to municipalities. KLT Energy Services Inc. is an investor in Nationwide Electric, Inc., which is a consolidator of industrial and commercial electrical contractors.
- KLT Gas Inc., a participant in oil and gas exploration, development and production. KLT Gas Inc. has one wholly-owned subsidiary, FAR Gas Acquisitions Corporation, which holds limited partnerships in coal seam methane gas wells that generate tax credits. KLT Gas Inc. also has a 95% ownership in Apache Canyon Gas L.L.C., which has production from over 150 coal seam methane wells and continues development of mineral rights in the vicinity of Weston, Colorado.
- KLT Telecom Inc., an investor in communications and information technology opportunities. KLT Telecom Inc. has one majority-owned subsidiary, Telemetry Solutions, a provider of spread spectrum storage tank monitoring services. KLT Telecom Inc. is also an investor in Digital Teleport, Inc., a St. Louis, Missouri, facility-based provider of long-haul and local telecommunication services.

KCPL's equity investment in KLT Inc. at December 31, 1998, was \$119 million.

Home Service Solutions Inc. made investments in two companies:

- Worry Free Service, Inc., a participant in electrical and energy-related services to residential users (owned 100% by HSS).
- R. S. Andrews Enterprise, Inc., a consumer services company in Atlanta, Georgia (HSS holds 43% ownership interest).

KCPL's current equity investment in HSS is approximately \$24 million.

Officers of the Registrant

Name	Age	Positions Currently Held	Year Named Officer
Drue Jennings	52	Chairman of the Board and Chief Executive Officer	1980
Bernard J. Beaudoin	58	President	1984
Marcus Jackson	47	Executive Vice President - Chief Financial Officer	1989
John J. DeStefano	49	Senior Vice President - Business Development	1989
Jeanie Sell Latz	47	Senior Vice President - Corporate Services, Corporate Secretary and Chief Legal Officer	1991
Frank L. Branca	51	Vice President - Production	1989
Charles R. Cole	52	Vice President - Customer Services	1990
Douglas M. Morgan	56	Vice President - Information Technology	1994
Richard A. Spring	44	Vice President - Transmission and Environmental Services	1994
Bailus M. Tate	52	Vice President - Human Resources	1994
Andrea F. Bielsker	40	Treasurer	1996
Neil A. Roadman	53	Controller	1980

All of the foregoing persons have been officers or employees in a responsible position with KCPL for the past five years. The term of office of each officer commences with his or her appointment by the Board of Directors and ends at such time as the Board of Directors may determine.

ITEM 2. PROPERTIES

Generation Resources

KCPL's generating facilities consist of the following:

Unit	Year Completed	Estimated 1999 Megawatt (mw) Capacity	Fuel
Existing Units			
Base Load...Wolf Creek(a)	1985	547(b)	Nuclear
Iatan	1980	469(b)	Coal
LaCygne 2	1977	337(b)	Coal
LaCygne 1	1973	344(b)	Coal
Hawthorn 6(c)	1997	141	Gas/Oil
Hawthorn 5(d)	1969	0	Coal/Gas
Montrose 3	1964	176	Coal
Montrose 2	1960	164	Coal
Montrose 1	1958	170	Coal
Peak Load...Northeast 13 and 14(c)*	1976	114	Oil
Northeast 17 and 18(c)	1977	117	Oil
Northeast 15 and 16(c)	1975	116	Oil
Northeast 11 and 12(c)	1972	111	Oil
Grand Avenue (2 units)	1929 & 1948	73	Gas
Total		2,879	

(a) This unit is one of KCPL's principal generating facilities and has the lowest fuel cost of any of its generating facilities. An extended shutdown of the unit could have a substantial adverse effect on the operations of KCPL and its financial condition.

(b) KCPL's share of jointly-owned unit.

(c) Combustion turbines.

(d) On February 17, 1999, an explosion occurred at the Hawthorn Generating Station. Alternatives for the replacement of the power generated at the Station are being evaluated. For 1999, estimates of net increased expenses from the loss of generation are between \$6.5 million and \$11.5 million. See Note 14 to Consolidated Financial Statements, Subsequent Events, second paragraph, page 46, and Item 7, fourth paragraph, on page 23.

KCPL owns the Hawthorn Station (Jackson County, Missouri), Montrose Station (Henry County, Missouri), Northeast Station (Jackson County, Missouri) and two Grand Avenue Station turbine generators (Jackson County, Missouri). KCPL also owns 50% of the 688-mw LaCygne 1 Unit and 674-mw LaCygne 2 Unit in Linn County, Kansas; 70% of the 670-mw Iatan Station in Platte County, Missouri; and 47% of the 1,164 mw Wolf Creek in Coffey County, Kansas.

## Transmission and Distribution Resources

KCPL's electric transmission system is interconnected with systems of other utilities to permit bulk power transactions with other electricity suppliers. KCPL owns approximately 1,700 miles of transmission lines, approximately 8,900 miles of overhead distribution lines, and approximately 3,200 miles of underground distribution lines. KCPL has all franchises necessary to sell electricity within the territories from which substantially all of its gross operating revenue is derived.

## General

KCPL's principal plants and properties, insofar as they constitute real estate, are owned in fee; certain other facilities are located on premises held under leases, permits or easements; and its electric transmission and distribution systems are for the most part located over or under highways, streets, other public places or property owned by others for which permits, grants, easements or licenses (deemed satisfactory but without examination of underlying land titles) have been obtained.

Substantially all of the fixed property and franchises of KCPL, which consists principally of electric generating stations, electric transmission and distribution lines and systems, and buildings (subject to exceptions and reservations), are subject to a General Mortgage Indenture and Deed of Trust dated as of December 1, 1986.

## ITEM 3. LEGAL PROCEEDINGS

Kansas City Power & Light Co. v. Western Resources, Inc., et. al

On May 20, 1996, KCPL commenced litigation in the United States District Court for the Western District of Missouri, Western Division (District Court), against Western Resources, Inc. (Western Resources) and Robert L. Rives (Rives) requesting the District Court to declare the Amended and Restated Agreement and Plan of Merger between KCPL, KC Merger Sub, Inc., UtiliCorp and KC United Corp., dated January 1996, amended May 20, 1996 (Amended Merger Agreement), and the transactions contemplated thereby (collectively the Transaction) were legal. On May 24, 1996, Jack R. Manson (Manson), filed an action to become a party to the above litigation as the shareholders' representative. Manson made claims against KCPL and all its directors stating they had violated their fiduciary duties; that their actions in adopting the Amended Merger Agreement were illegal and ultra vires; that the adoption of the Amended Merger Agreement illegally deprived shareholders of rights under Missouri law; and that the adoption of the Amended Merger Agreement was an excessive response to Western Resources' acquisition offer.

The District Court on August 2, 1996, ruled the transactions contemplated by the Amended Merger Agreement were legally valid and authorized under Missouri law; but the combined transactions resulted in a merger between KCPL and UtiliCorp requiring, under Missouri law, approval by the holders of two-thirds of the outstanding shares of KCPL's stock. By order dated November 25, 1996, the District Court allowed Manson to amend his counterclaim claiming the directors breached their fiduciary duties by refusing to meet with Western Resources and had committed reckless, grossly negligent, or negligent waste of corporate assets by pursuing the merger with UtiliCorp.

On July 18, 1997, the District Court issued an Order dismissing Manson's counterclaims. Manson then filed a motion to amend the Order requesting the Court award his attorneys' fees in this matter. The Court, in an Order dated July 6, 1998, awarded approximately \$500,000 in attorneys' fees to Manson. Both Manson and KCPL appealed the award to the United States Court of Appeals for the Eighth Circuit. Manson is seeking an award of over \$6 million in attorneys' fees in the appeal which is still pending. On March 8, 1999, the Court heard this appeal. The Company believes it should prevail on Manson's claim for additional fees.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted during the fourth quarter of the fiscal year covered by this report to a vote of security holders through the solicitation of proxies or otherwise.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

(1) Principal Market:

Common Stock of KCPL is listed on the New York Stock Exchange and the Chicago Stock Exchange.

(2) Stock Price Information:

Quarter	Common Stock Price Range (\$)			
	1997		1998	
	High	Low	High	Low
First	29-3/4	28	31-5/8	28-5/16
Second	29-1/8	27-3/8	31-1/2	28-1/16
Third	29-13/16	28-7/16	30-3/4	28
Fourth	29-15/16	27-3/8	31-13/16	28-3/8

Holder

At December 31, 1998, KCPL's Common Stock was held by 22,070 shareholders of record.

Dividends

Common Stock dividends were declared as follows:

Quarter	1997	1998	1999
-----	-----	-----	-----
First	\$0.405	\$0.405	\$0.415
Second	0.405	0.405	
Third	0.405	0.415	
Fourth	0.405	0.415	

KCPL's Restated Articles of Consolidation contain certain restrictions on the payment of dividends on KCPL's Common Stock.

ITEM 6. SELECTED FINANCIAL DATA

	Year Ended December 31				
	1998(a)	1997(a)(b)	1996(a)	1995	1994(c)
	(dollars in millions except per share amounts)				
Operating revenues	\$ 939	\$ 896	\$ 904	\$ 886	\$ 868
Net income	\$ 121	\$ 77	\$ 108	\$ 123	\$ 105
Earnings per common share	\$ 1.89	\$ 1.18	\$ 1.69	\$ 1.92	\$ 1.64
Total assets at year end	\$3,012	\$3,058	\$2,915	\$2,883	\$2,770
Total mandatorily redeemable preferred securities	\$ 150	\$ 150	\$ --	\$ --	\$ --
Total redeemable preferred stock and long-term debt (including current maturities)	\$ 913	\$1,008	\$ 971	\$ 911	\$ 833
Cash dividends per common share	\$ 1.64	\$ 1.62	\$ 1.59	\$ 1.54	\$ 1.50
Ratio of earnings to fixed charges	2.87	2.03	3.06	3.94	4.07

- (a) KCPL incurred merger-related costs of \$15 million in 1998, \$7 million in 1997 and \$31 million in 1996.
- (b) KCPL paid \$53 million to UtiliCorp United (UtiliCorp) in 1997 for terminating the merger with UtiliCorp and agreeing to a merger with Western Resources Inc. (Western Resources).
- (c) KCPL incurred a \$22.5 million expense in 1994 for a voluntary early retirement program.

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### STATUS OF MERGER

See Note 12 to the Consolidated Financial Statements for the current status of the proposed Western Resources Inc. (Western Resources) merger. In December 1996 the Federal Energy Regulatory Commission (FERC) issued a statement concerning electric utility mergers. Under the statement, companies must demonstrate that their merger does not adversely affect competition or wholesale rates. As a result, FERC may consider a number of remedies including transmission upgrades, divestitures of generating assets or formation of independent system operators.

### 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. In particular, KCPL's value-added services for large energy users now include contracts for natural gas commodities.

Competition in the electric utility industry accelerated with the passage of the National Energy Policy Act of 1992. This Act gave 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 are actively considering retail wheeling including Kansas and Missouri. While retail wheeling legislation is likely to be introduced in Kansas and Missouri in 1999, we do not anticipate any comprehensive legislation passing in 1999.

In Kansas, a retail wheeling task force, formed by the legislature, proposed a restructuring bill that would implement retail competition on July 1, 2001. Two of the key points were: 1) the Kansas Corporation Commission (KCC) would determine the amount of under-utilized assets (stranded costs) each utility would be allowed to recover and 2) a unit charge per kwh would be assessed to all customers for recovery of competitive transition costs (such costs include stranded costs, other regulatory assets, nuclear decommissioning, etc.).

In Missouri, a retail wheeling task force formed by the Missouri Public Service Commission (MPSC) issued its report in May 1998. The report identified issues and various options for the legislature to address. Also, a legislative committee has been formed to study the issue.

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. Testimony filed in the merger case in Kansas indicates stranded costs of approximately \$1 billion for KCPL. An independent study prepared at the request of the KCC concluded there are no stranded costs. 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 lower 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 21% of KCPL's retail mwh sales, well below the utility industry average. KCPL's flexible industrial rate structure is competitive with other companies in the region. In addition, we have entered into or are negotiating long-term contracts for a large 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. We also are currently encountering third-party energy management companies seeking to initiate relationships with large users in KCPL's service territory in an attempt to enhance their chances to directly supply electricity if 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 stop 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 \$135 million of regulatory assets at December 31, 1998, as long as FASB 71 requirements are met.

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

#### NONREGULATED OPPORTUNITIES

KLT Inc. (KLT), a wholly-owned subsidiary of KCPL, pursues nonregulated business ventures. In 1998, KLT sold the common stock of KLT Power Inc., a wholly-owned subsidiary of KLT, resulting in an after-tax gain of approximately \$2.4 million. Remaining ventures include investments in energy services, oil and gas development and production, telecommunications and affordable housing limited partnerships.

KCPL's equity investment in KLT was \$119 million as of December 31, 1998 and 1997. KLT's net income for 1998 totaled \$4.6 million compared to \$6.0 million in 1997. KLT's consolidated assets at December 31, 1998, totaled \$311 million.

In 1998, Home Service Solutions Inc. (HSS), a new wholly-owned subsidiary of KCPL, invested in R.S. Andrews Enterprises, Inc. (RSAE), a consumer services company in Atlanta, Georgia. RSAE expects to make future acquisitions in other key U.S. markets. Also in 1998, HSS formed Worry Free Service, Inc. and acquired the Worry Free nonregulated assets from KCPL. Worry Free Service, Inc. provides residential services including preventative maintenance and warranty services for heating and air conditioning equipment. KCPL's equity investment in Home Service Solutions Inc. was \$21 million as of December 31, 1998.

#### EARNINGS OVERVIEW

Earnings per share (EPS) for 1998 of \$1.89 increased \$0.71 from 1997. Continued load growth and warmer than normal summer weather in 1998 compared to cooler than normal summer weather in 1997 contributed to the increase in EPS in 1998. An additional increase in EPS resulted from decreased

merger expenses from \$60 million (\$0.59 per share) in 1997 to \$15 million (\$0.20 per share) in 1998. Kansas rate reduction accruals decreased EPS \$0.14. Additionally, increases in depreciation expense decreased EPS for the year.

EPS for 1997 of \$1.18 decreased \$0.51 from 1996. EPS decreased because merger expenses increased from \$31 million (\$0.31 per share) in 1996 to \$60 million (\$0.59 per share) in 1997. The net effect of the rate reductions approved by the MPSC lowered EPS for 1997 by an estimated \$0.17. Additionally, increases in depreciation expense decreased EPS for 1997. Partially offsetting these decreases were continued load growth, lower deferred Wolf Creek amortization and increased subsidiary income.

#### MEGAWATT-HOUR (MWH) SALES AND ELECTRIC OPERATING REVENUES

Sales and revenue data:

	Increase (Decrease) from Prior Year			
	1998		1997	
	Mwh	Revenues	Mwh	Revenues
	(revenue change in millions)			
Retail:				
Residential	8 %	\$19	5 %	\$ 9
Commercial	5 %	13	4 %	(1)
Industrial	4 %	3	(4)%	(3)
Other	8 %	(4)	1 %	(3)
Total retail	6 %	31	3 %	2
Sales for resale:				
Bulk power sales	8 %	11	(22)%	(12)
Other	4 %	-	19 %	1
Total		42		(9)
Other revenues		1		1
Total electric operating revenues		\$43		\$(8)

The 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, for refund to customers, \$14.2 million during 1998. The new rate design was approved in December 1998 and directed KCPL to refund, starting March 1, 1999, the \$14.2 million we accrued plus the amount that we accrue for January and February 1999. The accrual for the rate refund is recorded in Other in Current Liabilities on the Consolidated Balance Sheet.

During 1996 the MPSC approved a stipulation and agreement authorizing a \$20 million revenue reduction in two phases and increasing depreciation and amortization expense by \$9 million per year. In July 1996 we implemented phase one and reduced revenues from commercial and industrial customers by an estimated \$9 million per year. The second phase of this stipulation, implemented January 1, 1997, further reduced Missouri residential, commercial and industrial revenues by an estimated \$11 million per year.

On January 26, 1999, a stipulation and agreement among KCPL, the MPSC staff and public counsel was filed with the MPSC subject to approval by the MPSC. The essential components of the stipulation are as follows:

- - Commencing with electric service provided on or after March 1, 1999, KCPL will reduce its annual Missouri electric revenues by 3.2 percent, or about \$15 million.
- - The parties will not file a request for an increase or decrease in KCPL's rates, or a refund of those rates, before the earlier of September 1, 2001, or the closing of the KCPL/Western Resources merger; such rates would not be effective before the earlier of March 1, 2002, or one year following closing of the merger.
- - In the merger case, staff and public counsel reserve the right to recommend a rate reduction, upon closing of the merger, as a condition of Commission approval of an alternative regulatory plan. They also reserve the right to recommend rate reductions that would be effective no sooner than one year following closing of the merger.

Warmer than normal summer weather and continued load growth increased retail mwh sales in 1998 compared with 1997. Load growth consists of higher usage per customer as well as new customer additions. As a result of the warmer weather KCPL set a new summer peak demand for the consumption of energy of 3,175 megawatts. 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. The new rate is for electricity only while the old rate was for electricity and equipment charges. The City entered into a separate maintenance agreement with KCPL when it purchased the streetlight system.

Retail mwh sales for 1997 increased 3% over 1996 while retail revenues remained relatively flat due largely to the Missouri revenue reductions discussed above. Industrial sales and revenues declined primarily due to reduced sales to a major industrial customer as a result of a strike by its employees. Summer temperatures in 1997 and 1996 were below normal. Despite this mild weather, retail mwh sales increased due to load growth.

Bulk power sales vary with system requirements, generating unit and purchased power availability, fuel costs and requirements of other electric systems. The price per mwh and quantity of bulk power sales increased in 1998 compared to 1997 increasing bulk power revenues. Partially offsetting this increase are decreased bulk power revenues due to an outage at the Hawthorn 5 generating unit in 1998. Outages at the LaCygne 1 and 2 generating units in the second quarter of 1997 contributed to lower bulk power mwh sales in 1997.

Future mwh sales and revenues per mwh may be affected by national and local economies, weather and customer conservation efforts. 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 1998 increased 7% from 1997 while total mwh sales (total of retail and sales for resale) increased by 6%. The price per unit of purchased power increased in 1998 compared to 1997 due to decreased purchased power availability and the widespread use of market-based rates in the competitive wholesale market. Even with the increase in the price per unit of purchased power, KCPL's price per unit of total generation and purchased power in 1998 remained consistent with 1997. Purchased power expenses include capacity purchases that provide a cost-effective alternative to constructing new capacity. Purchased power expenses also increased in 1998 due to replacement power expenses incurred during the Hawthorn 5 and LaCygne 1 generating units outages.

Combined fuel and purchased power expenses for 1997 remained consistent with 1996 levels while total mwh sales decreased by 3%. Purchased power expenses increased by about \$7 million in 1997 over 1996 as KCPL incurred additional replacement power expenses during outages at the LaCygne generating units in 1997. The cost per kwh for purchased power was significantly higher than the cost per kwh of generation.

Nuclear fuel costs per MMBTU remained substantially less than the MMBTU price of coal. Nuclear fuel costs per MMBTU decreased 6% during 1998 and increased 1% during 1997. Nuclear fuel costs per MMBTU averaged about 60% of the MMBTU price of coal for the last three years. We expect the price of nuclear fuel to remain fairly constant through the year 2001. During 1998 fossil plants represented about 70% of total generation and the nuclear plant about 30%. During 1997 fossil plants represented about 74% of total generation and the nuclear plant about 26%.

The cost of coal burned declined 5% in 1998 compared to 1997 and declined slightly in 1997 compared to 1996. KCPL's coal procurement strategies continue to provide coal costs below the regional average. We expect coal costs to remain fairly consistent with 1998 levels through 2001.

#### OTHER OPERATION AND MAINTENANCE EXPENSES

Combined other operation and maintenance expenses for 1998 declined slightly from 1997 due to lower non-fuel production operations and lower administrative and general expenses, partially offset by increased advertising expenses. Combined other operation and maintenance expenses for 1997 increased from 1996 due largely to increases in system dispatch, customer accounts expenses and Wolf Creek non-fuel outage-related operations.

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. Through the use of cellular technology more than 90% of KCPL's customer meters are read automatically.

#### DEPRECIATION AND AMORTIZATION

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.

The increase in depreciation expense in 1997 compared to 1996 reflected the implementation of the 1996 MPSC stipulation and agreement as well as normal increases in depreciation from capital additions. The stipulation and agreement, effective July 1, 1996, authorized a \$9 million annual increase in depreciation expense at about the same time the Missouri portion of Deferred Wolf Creek costs became fully amortized in December 1996. This amortization totaled about \$9 million per year.

## TAXES

Operating income taxes decreased \$9 million in 1996 compared to 1995. The decrease was primarily due to adjustments reflecting the filing of the 1995 tax returns and the settlement with the Internal Revenue Service (IRS) regarding tax issues included in the 1985 through 1990 tax returns. Operating income taxes increased by \$3 million in 1997 from this lower than normal 1996 level. Operating income taxes increased \$8 million in 1998 compared to 1997 reflecting higher taxable operating income.

Components of general taxes:

	1998	1997	1996
		(thousands)	
Property	\$ 41,398	\$ 43,529	\$ 45,519
Gross receipts	42,140	40,848	42,554
Other	10,048	8,920	9,175
Total	\$ 93,586	\$ 93,297	\$ 97,248

Property taxes decreased in 1998 compared to 1997 reflecting changes in Kansas tax law which reduced the mill levy rates and lower Missouri and Kansas property tax assessed valuations in 1998. Property taxes decreased in 1997 compared to 1996 reflecting changes in Kansas tax law which reduced the mill levy rates. Gross receipts taxes increased in 1998 compared to 1997 reflecting higher billed Missouri revenues.

## OTHER INCOME AND (DEDUCTIONS)

Miscellaneous income and (deductions) - net includes the following significant items:

	1998	1997	1996
		(millions)	
Merger-related expenses	\$ (15)	\$ (60)	\$ (31)
KLT *	(22)	(16)	(10)
Other	(5)	(3)	(9)
Total Miscellaneous income and (deductions) - net	\$ (42)	\$ (79)	\$ (50)

\* KLT's net income or (loss) after considering income taxes and interest charges was about \$5 million in 1998, \$6 million in 1997 and (\$1) million in 1996.

Merger-related expenses in 1998 included costs associated with the new and abandoned Western Resources merger structures. Merger-related expenses were higher in 1997 due primarily to the \$53 million payment to UtiliCorp United Inc. (UtiliCorp) in February 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. Merger-related expenses in 1997 also included \$7 million of costs associated with the abandoned Western Resources merger structure.

KLT's 1998 operations were affected by the following significant factors:

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

Miscellaneous (deductions) from KLT increased \$6 million in 1997 compared to 1996 primarily due to increased costs due to increased oil and gas development and production.

Other Income and (Deductions) - Income taxes reflect the tax impact on total miscellaneous income and (deductions) - net. Additionally, we accrued tax credits of \$25 million in 1998 and \$23 million in 1997 related to KLT's investments in affordable housing limited partnerships and oil and gas investments. In 1996 we accrued tax credits of \$12 million related primarily to KLT's investments in affordable housing limited partnerships. Tax credits in 1997 increased reflecting an \$8 million increase in tax credits related to oil and gas investments. This increase in tax credits and reduced net income resulted in a significant impact on the effective income tax rate in 1997. Accrued taxes on the balance sheet at December 31, 1997, were lower than normal because \$9 million of these tax credits did not reduce estimated tax payments since these amounts could only be refunded by the IRS after the 1997 tax return was filed in 1998. Non-taxable increases in the cash surrender value of corporate-owned life insurance contracts also affected the relationship between miscellaneous income and (deductions) - net and income taxes.

#### INTEREST CHARGES

Long-term debt interest expense decreased in 1998 compared to 1997 reflecting lower average levels of long-term debt outstanding. The lower average levels of debt reflected \$61 million in scheduled debt repayments made by KCPL in 1998.

Long-term debt interest expense increased in 1997 compared to 1996 reflecting higher average levels of long-term debt outstanding. The higher average levels of debt resulted mainly from financing by KLT to support expanding subsidiary operations and funding of other corporate capital requirements.

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.

Mandatorily redeemable Preferred Securities interest expense reflects interest charges incurred on the \$150 million of 8.3% preferred securities issued in April 1997.

#### WOLF CREEK

Wolf Creek is one of KCPL's principal generating units representing about 16% of its accredited generating capacity. The plant's operating performance has remained strong, contributing about 26% of the annual mwh generation while operating at an average capacity of 88% over the last three years. 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 previous year.

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 tenth refueling and maintenance outage is scheduled for the spring of 1999 and is estimated to be a 40-day outage.

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). The extended length of the ninth outage was caused by several equipment problems. Wolf Creek's eighth refueling and maintenance outage, budgeted for 45 days, began in early February 1996 and was completed in April 1996 (64 days). The eighth outage started one month early when the plant was shut down after water flow from the cooling lake was restricted by ice buildup on an intake screen. Actual costs of the 1997 and 1996 outages were \$6 million and \$2 million in excess of the costs estimated and accrued for the outages.

Wolf Creek's assets represent about 41% 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, an unscheduled plant shut-down could be caused by actions of the Nuclear Regulatory Commission 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 since the time of contamination.

We continually conduct environmental audits designed to detect contamination and ensure compliance with governmental regulations. However, compliance programs needed to meet new and future environmental laws and 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, could require substantial changes to operations or facilities (see Note 4 to the Consolidated Financial Statements).

#### IMPACT OF THE YEAR 2000 ISSUE

The Year 2000 Issue has resulted from the use of computer systems and applications that use two digits instead of four to define the year. Computer programs with date-sensitive software could recognize the date of "00" as the Year 1900 rather than the Year 2000. Unless corrected some computer systems and applications could incorrectly process information resulting in miscalculations or system disruptions.

We have assessed the potential of the Year 2000 Issue on KCPL's Information Technology (IT) and non-IT processes and operations. Beginning in 1997, we established a Year 2000 team responsible for evaluating, identifying and correcting problems in all critical computer software, hardware and

embedded systems. We utilized both internal and external resources in this process. Because we have invested approximately \$56 million in new Year 2000 ready technologies over the past several years, we identified fewer issues than some companies.

The assessment of all of KCPL's major systems impacted by the Year 2000 Issue has been completed and remediation efforts are well underway. We are substantially complete with readiness efforts for KCPL's major processes with the exception of the new customer information system. We expect the implementation of the new customer information system and testing to be completed by mid-1999; however, as a contingency measure, the current customer billing system is being modified to be Year 2000 ready in case installation of the new system is delayed.

On an ongoing basis, we are sharing information with other electric industry organizations such as the Electric Power Research Institute in order to adequately anticipate and plan for potential problems. We will participate in two scheduled industry-wide drills in April and September 1999. The monitoring phase of KCPL's Year 2000 project will continue through at least the first quarter of 2000. We believe the total costs of the assessment, remediation, testing and monitoring efforts will be approximately \$7 million. These costs will be expensed as incurred.

Regarding the Wolf Creek Nuclear Generating Station, we believe we are in compliance with the Nuclear Regulatory Commission's Year 2000 regulations and will file the required status response with the Commission before July 1, 1999. The Commission performed an on-site audit of Wolf Creek's Year 2000 project plans in November 1998, and no areas of concern were identified. Control systems at Wolf Creek utilize analog components that are not date-sensitive which mitigates Year 2000 concerns relative to critical operations of the plant. All assessments of affected systems are expected to be completed by the end of the second quarter in 1999 with remediation being completed by the end of the third quarter. The Commission guidelines are being followed in the development of contingency plans.

We initiated communications with all large suppliers and customers to evaluate KCPL's vulnerability to failure of others to remediate their Year 2000 Issues. While no major issues have been discovered, we cannot be certain their systems will not impact KCPL's operations. Thus, we have developed a number of contingency plans to mitigate potential problems with third party failures.

The most reasonable likely worse case scenario would be the loss or partial interruption of KCPL's electrical system which is connected to other utilities throughout the United States and Canada, east of the Rocky Mountains. This interconnection is essential to the reliability, stability and operational integrity of each connected electric utility. KCPL could encounter difficulties supplying electric service if other interconnected utilities fail to achieve Year 2000 compliance and create an unstable condition on the grid.

We are addressing this and other potential Year 2000 risks by implementing a number of action plans including:

- Preparing for the possibility of isolating a portion of KCPL electric systems from disruption.
- Participating in operating contingency plans and drills developed by the Southwest Power Pool and the North American Electric Reliability Council.
- Implementing and testing radio communication for personnel manning critical operation points.
- Testing and ensuring functional emergency radio systems are operational for generating stations.
- Working with local authorities to establish a means of communicating if telephones are not available.
- Ensuring readiness to execute the generation and systems black start procedures.



## PROJECTED CONSTRUCTION EXPENDITURES

Total utility capital expenditures, excluding allowance for funds used during construction, were \$120 million in 1998. The utility construction expenditures are projected for the next five years as follows:

	Construction Expenditures					Total
	1999	2000	2001	2002	2003	
			(millions)			
Generating facilities	\$ 74	\$ 49	\$ 49	\$ 39	\$ 27	\$238
Nuclear fuel	4	19	13	12	25	73
Transmission facilities	4	6	7	10	17	44
Distribution and general facilities	70	53	51	48	45	267
Total	\$152	\$127	\$120	\$109	\$114	\$622

This construction expenditure plan is subject to continual review and change. Operating leases may be used to replace some of the above expenditures.

## CAPITAL REQUIREMENTS AND LIQUIDITY

KCPL's liquid resources at December 31, 1998, included cash flows from operations; \$300 million of registered but unissued, unsecured medium-term notes; \$150 million of registered but unissued, preferred securities and \$281 million of unused bank lines of credit. The unused lines include KCPL's short-term bank lines of credit of \$210 million and KLT's bank credit agreement of \$71 million.

KCPL continues to generate positive cash flows from operating activities. Individual components of working capital will vary with normal business cycles and operations such as the income tax refunds applicable to 1997 received during 1998. Cash from operating activities also increased in 1998 compared to 1997 due to increases in net income and non-cash expenses. The majority of the increases in non-cash expenses were due to the Kansas rate refunds accrued but not refundable until March 1999; losses from KLT's equity investment in Digital Teleport, Inc., a company developing a midwest regional fiber optic network; and the refueling outage accrual. The timing of Wolf Creek outages also affects the refueling outage accrual, deferred income taxes and amortization of nuclear fuel.

Fuel inventories increased from December 31, 1997, to December 31, 1998, because coal inventory levels were only at 75% of targeted levels at December 31, 1997, compared to 106% of targeted levels at December 31, 1998. Construction work in progress increased \$17 million from December 31, 1997, to December 31, 1998, because of continued construction on production projects and system software upgrades. Current maturities of long-term debt increased because KLT's bank credit agreement expires in October 1999.

Cash used for investing activities varies with the timing of utility capital expenditures and purchases of investments and nonutility properties. Cash used for investing activities decreased in 1998 compared to 1997 partly due to KLT receiving \$53 million of proceeds from the sale of the common stock of KLT Power Inc. Additionally, KLT made several large investments during 1997. Partially offsetting these activities, KCPL received \$21.5 million of proceeds in 1997 from the sale of streetlights to the City of Kansas City, Missouri at a minimal gain.

Cash used for financing activities increased in 1998, compared to 1997, due primarily to \$103 million of debt repayments. KLT used most of the proceeds from the sale of KLT Power Inc. to make payments on its bank credit agreement. KCPL made \$61 million in scheduled repayments of long-term debt in 1998. Cash from financing activities increased in 1997 due to proceeds from the issuance of \$150 million of preferred securities and borrowings by KLT on its bank credit agreement. The majority of cash from financing activities in 1997 was used to pay merger expenses and finance additional purchases of investments and nonutility properties by KLT.

KCPL's common dividend payout ratio was 87% in 1998, 137% in 1997 and 94% in 1996. The 1997 payout ratio is higher due mainly to \$60 million in merger-related expenses in 1997.

We expect to meet day-to-day operations, utility construction requirements and dividends with internally-generated funds. 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 environmental regulations and the availability of generating units (see the paragraph below). The funds needed to retire \$392 million of debt that matures in the next five years will be provided from operations, refinancings or short-term debt. KCPL may issue additional debt and/or additional equity to finance growth or take advantage of new opportunities.

On February 17, 1999, an explosion occurred at KCPL's Hawthorn Generating Station's 476-megawatt Unit No. 5. We estimate a net increase in expense of between \$6.5 million and \$11.5 million (before tax) for the year 1999, as a result of the explosion. These expenses assume normal weather and operating conditions and include the effect of increased net replacement power costs, reduced bulk power sales and reduction of certain operating and maintenance expenses. We will continue to evaluate any impact on future years. We do not anticipate rate increases as a result of the Hawthorn explosion. We are evaluating several alternatives regarding the replacement of the power generated by Unit No. 5 and are confident that we can secure sufficient power to meet KCPL's customers' energy needs during this summer and beyond. Even prior to the explosion, we were finalizing contracts to bring on line an additional 294-megawatts of capacity by the summer of 2000 in addition to Hawthorn No. 6, a 141-megawatt gas-fired combustion turbine, projected to be placed into commercial operation during the spring of 1999. We also plan to permanently replace the lost capacity at Hawthorn and are exploring size, fuel source and technology alternatives (see Note 14 to the Consolidated Financial Statements).

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS

KANSAS CITY POWER & LIGHT COMPANY  
CONSOLIDATED STATEMENTS OF INCOME

Year Ended December 31	1998	1997 (thousands)	1996
ELECTRIC OPERATING REVENUES	\$938,941	\$895,943	\$903,919
OPERATING EXPENSES			
Operation			
Fuel	143,349	134,509	140,505
Purchased power	63,618	59,247	52,455
Other	188,991	191,897	180,719
Maintenance	70,998	70,892	71,495
Depreciation	115,452	110,898	103,912
Income taxes	78,782	71,113	68,155
General taxes	93,586	93,297	97,248
Deferred Wolf Creek costs amortization	0	1,368	11,617
Total	754,776	733,221	726,106
OPERATING INCOME	184,165	162,722	177,813
OTHER INCOME AND (DEDUCTIONS)			
Allowance for equity funds used during construction	3,816	2,407	2,368
Miscellaneous income and (deductions) - net	(41,501)	(79,421)	(50,329)
Income taxes	45,982	63,034	36,402
Total	8,297	(13,980)	(11,559)
INCOME BEFORE INTEREST CHARGES	192,462	148,742	166,254
INTEREST CHARGES			
Long-term debt	57,012	60,298	53,939
Short-term debt	295	1,382	1,251
Mandatorily redeemable Preferred Securities	12,450	8,853	0
Miscellaneous	4,457	3,990	4,840
Allowance for borrowed funds used during construction	(2,474)	(2,341)	(1,947)
Total	71,740	72,182	58,083
Net Income	120,722	76,560	108,171
Preferred Stock			
Dividend Requirements	3,884	3,789	3,790
Earnings Available for Common Stock	\$116,838	\$72,771	\$104,381
Average Number of Common Shares Outstanding	61,884	61,895	61,902
Basic and Diluted earnings per Common Share	\$1.89	\$1.18	\$1.69
Cash Dividends per Common Share	\$1.64	\$1.62	\$1.59

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

Year Ended December 31	1998	1997 (thousands)	1996
Beginning Balance	\$428,452	\$455,934	\$449,966
Net Income	120,722	76,560	108,171
	549,174	532,494	558,137
Dividends Declared			
Preferred stock - at required rates	3,980	3,773	3,782
Common stock	101,495	100,269	98,421
Ending Balance	\$443,699	\$428,452	\$455,934

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



KANSAS CITY POWER & LIGHT COMPANY  
CONSOLIDATED BALANCE SHEETS

	December 31 1998	December 31 1997
	(thousands)	
<b>ASSETS</b>		
UTILITY PLANT, at original cost		
Electric	\$3,576,490	\$3,502,796
Less-accumulated depreciation	1,410,773	1,314,154
Net utility plant in service	2,165,717	2,188,642
Construction work in progress	110,528	93,264
Nuclear fuel, net of amortization of \$105,661 and \$86,516	40,203	41,649
Total	2,316,448	2,323,555
REGULATORY ASSET - RECOVERABLE TAXES	109,000	123,000
INVESTMENTS AND NONUTILITY PROPERTY	343,247	345,126
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	43,213	74,098
Electric customer accounts receivable, net of allowance for doubtful accounts of \$1,886 and \$1,941	31,150	28,741
Other receivables	38,981	33,492
Fuel inventories, at average cost	18,749	13,824
Materials and supplies, at average cost	45,363	46,579
Deferred income taxes	4,799	648
Other	5,926	7,155
Total	188,181	204,537
<b>DEFERRED CHARGES</b>		
Regulatory assets	26,229	30,017
Other deferred charges	29,259	31,798
Total	55,488	61,815
Total	\$3,012,364	\$3,058,033
<b>CAPITALIZATION AND LIABILITIES</b>		
CAPITALIZATION (see statements)	\$1,880,147	\$2,051,489
<b>CURRENT LIABILITIES</b>		
Notes payable to banks	10,000	1,243
Commercial paper	0	0
Current maturities of long-term debt	163,630	74,180
Accounts payable	61,764	57,568
Accrued taxes	15,625	1,672
Accrued interest	23,380	22,360
Accrued payroll and vacations	21,684	23,409
Accrued refueling outage costs	12,315	1,664
Other	28,874	15,068
Total	337,272	197,164
<b>DEFERRED CREDITS AND OTHER LIABILITIES</b>		
Deferred income taxes	625,426	638,679
Deferred investment tax credits	58,786	63,257
Other	110,733	107,444
Total	794,945	809,380
<b>COMMITMENTS AND CONTINGENCIES (Note 4)</b>		
Total	\$3,012,364	\$3,058,033

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

KANSAS CITY POWER & LIGHT COMPANY  
CONSOLIDATED STATEMENTS OF CAPITALIZATION

	December 31 1998	December 31 1997
	(thousands)	
<b>COMMON STOCK EQUITY</b>		
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)	443,699	428,452
Accumulated other comprehensive income		
Unrealized gain on securities available for sale	74	1,935
Capital stock premium and expense	(1,668)	(1,664)
Total	891,802	878,420
<b>CUMULATIVE PREFERRED STOCK</b>		
<b>\$100 Par Value</b>		
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
<b>No Par Value</b>		
4.27%* - 500,000 shares issued	50,000	50,000
<b>\$100 Par Value - Redeemable</b>		
4.00%	62	62
Total	89,062	89,062
<b>COMPANY-OBLIGATED MANDATORILY REDEEMABLE PREFERRED SECURITIES OF SUBSIDIARY TRUST HOLDING SOLELY KCPL SUBORDINATED DEBENTURES</b>	150,000	150,000
<b>LONG-TERM DEBT (excluding current maturities)</b>		
<b>General Mortgage Bonds</b>		
Medium-Term Notes due 1998-2008, 6.95% and 6.92% weighted-average rate	338,500	407,500
4.23%* Environmental Improvement Revenue Refunding Bonds due 2012-23	158,768	158,768
<b>Guaranty of Pollution Control Bonds</b>		
4.31% as of December 31, 1997, due 2015-17	0	196,500
<b>Environmental Improvement Revenue Refunding Bonds</b>		
4.28%* Series A & B due 2015	106,500	0
4.50% Series C due 2017	50,000	0
4.35% Series D due 2017	40,000	0
<b>Subsidiary Obligations</b>		
Affordable Housing Notes due 2000-06, 8.42% and 8.48% weighted-average rate	54,775	61,207
Bank Credit Agreement due October 31, 1999, 6.67% weighted-average rate as of December 31, 1997	0	107,500
Other Long-Term Notes	740	2,532
Total	749,283	934,007
Total	\$1,880,147	\$2,051,489

\* 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.

KANSAS CITY POWER & LIGHT COMPANY  
CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended December 31	1998	1997 (thousands)	1996
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income	\$120,722	\$76,560	\$108,171
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation	115,452	110,898	103,912
Amortization of:			
Nuclear fuel	19,146	16,836	16,094
Deferred Wolf Creek costs	0	1,368	11,617
Other	9,071	8,223	5,507
Deferred income taxes (net)	(2,468)	4,780	(8,662)
Investment tax credit amortization	(4,471)	(3,850)	(4,163)
Losses from equity investments	11,683	2,748	3,268
Deferred storm costs	0	0	(8,885)
Kansas rate refund accrual	14,200	0	0
Allowance for equity funds used during construction	(3,816)	(2,407)	(2,368)
Other operating activities (Note 1)	23,144	(6,672)	(7,582)
Net cash from operating activities	302,663	208,484	216,909
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Utility capital expenditures	(119,540)	(124,734)	(100,947)
Allowance for borrowed funds used during construction	(2,474)	(2,341)	(1,947)
Purchases of investments	(55,154)	(107,603)	(35,362)
Purchases of nonutility property	(22,611)	(15,733)	(20,395)
Sale of KLT Power	53,033	0	0
Sale of streetlights	0	21,500	0
Other investing activities	8,008	(8,902)	(931)
Net cash from investing activities	(138,738)	(237,813)	(159,582)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Issuance of mandatorily redeemable Preferred Securities	0	150,000	0
Issuance of long-term debt	7,406	66,292	135,441
Repayment of long-term debt	(102,680)	(28,832)	(74,230)
Net change in short-term borrowings	8,757	1,243	(19,000)
Dividends paid	(105,475)	(104,042)	(102,203)
Other financing activities	(2,818)	(4,805)	(2,154)
Net cash from financing activities	(194,810)	79,856	(62,146)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(30,885)</b>	<b>50,527</b>	<b>(4,819)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>74,098</b>	<b>23,571</b>	<b>28,390</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$43,213</b>	<b>\$74,098</b>	<b>\$23,571</b>
<b>CASH PAID DURING THE YEAR FOR:</b>			
Interest (net of amount capitalized)	\$71,696	\$71,272	\$52,457
Income taxes	\$24,788	\$22,385	\$58,344

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

KANSAS CITY POWER & LIGHT COMPANY  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	1998	1997 (thousands)	1996
Net income	\$120,722	\$76,560	\$108,171
Other comprehensive income (loss):			
Unrealized gain (loss) on securities available for sale	(2,915)	(7,138)	10,171
Income tax benefit (expense)	1,054	2,589	(3,687)
Net unrealized gain (loss) on securities available for sale	(1,861)	(4,549)	6,484
Comprehensive Income	\$118,861	\$72,011	\$114,655

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 451,000 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 formed Worry Free Service, Inc. and acquired the Worry Free assets from KCPL. Worry Free provides 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 about 96% of net income. 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 stated values of financial instruments as of December 31, 1998 and 1997, approximated fair market values. KCPL's incremental borrowing rate for similar debt was used to determine fair value if quoted market prices were not available.

### Securities Available for Sale

Certain investments in equity securities are 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 securities available for sale held by KLT was \$4.8 million as of December 31, 1998, and \$5.1 million as of December 31, 1997. Net unrealized gains were \$0.1 million at December 31, 1998, and \$1.9 million at December 31, 1997.

#### Investments in Affordable Housing Limited Partnerships

Through December 31, 1998, KLT had invested \$104 million in affordable housing limited partnerships. About \$73 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, \$69 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.

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 9.3% for 1998, 8.6% for 1997 and 8.5% for 1996.

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 1998 and the KCC in 1997. 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	\$1.3 billion	\$1.8 billion
47% share	\$624 million	\$832 million
Current cost of decommissioning in 1996 dollars):		
Total Station	\$409 million	\$409 million
47% share	\$192 million	\$192 million
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 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 \$47 million at December 31, 1998, and \$40 million at December 31, 1997. 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 1999.

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 affect 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 this 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 started plans 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 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 \$135.2 million of KCPL's regulatory assets, net of the related tax benefit, would be written off.

	December 31, 1998 (millions)	Amortization Ending period
Deferred Charges		
Coal contract termination costs	\$ 6.5	2002
1996 snowstorm costs	5.3	2001
Decommission and decontaminate federal uranium enrichment facilities	5.5	2007
Premium on redeemed debt	7.2	2023
Other	1.7	2006
Total	26.2	
Recoverable Taxes	109.0	
Total Regulatory Assets	\$ 135.2	

## 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 and cap 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. Interest rate caps limit the interest rate on a portion of KCPL's variable-rate debt by setting a maximum rate. 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.

## 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

	1998	1997	1996
	(millions)		
Net Income	\$ 120.7	\$ 76.6	\$ 108.2
Less: Preferred stock dividend requirements	\$ 3.9	\$ 3.8	\$ 3.8
Earnings available for common stock	\$ 116.8	\$ 72.8	\$ 104.4
Divided by: Average number of common shares outstanding	61.9	61.9	61.9
Basic and diluted earnings per common share	\$ 1.89	\$ 1.18	\$ 1.69

## Consolidated Statements of Cash Flows - Other Operating Activities

	1998	1997	1996
	(thousands)		
Cash flows affected by changes in:			
Receivables	\$ (7,898)	\$ 973	\$ 1,462
Fuel inventories	(4,925)	5,253	3,026
Materials and supplies	1,216	755	(159)
Accounts payable	4,196	1,950	3,112
Accrued taxes	13,953	(16,771)	(21,283)
Accrued interest	1,020	1,306	4,148
Wolf Creek refueling outage accrual	10,651	(5,517)	(6,382)
Other	4,931	5,379	8,494
Total	\$ 23,144	\$ (6,672)	\$ (7,582)

## 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 for 1998, net income increased approximately \$3.2 million (\$0.05 per share). 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	
	1998	1997	1998	1997
	(thousands)			
Change in benefit obligation				
Benefit obligation at beginning of year	\$334,017	\$307,050	\$33,198	\$ 32,190
Service cost	9,661	8,427	532	514
Interest cost	24,892	24,258	2,429	2,518
Contribution by participants			169	159
Actuarial loss	39,214	17,307	2,980	929
Benefits paid	(22,875)	(22,707)	(2,832)	(2,763)
Benefits paid by KCPL	(321)	(318)	(254)	(349)
Benefit obligation at end of year (a)	\$384,588	\$334,017	\$36,222	\$ 33,198

Change in plan assets				
Fair value of plan assets at beginning of year	\$423,331	\$363,285	\$ 4,970	\$ 3,620
Actual return on plan assets	5,131	75,436	380	241
Contributions by employer and participants	2,242	7,317	3,846	3,872
Benefits paid	(22,875)	(22,707)	(2,832)	(2,763)
Fair value of plan assets at end of year	\$407,829	\$423,331	\$ 6,364	\$ 4,970
Funded status	\$ 23,241	\$ 89,314	\$(29,858)	\$(28,228)
Unrecognized actuarial (gain) loss	(31,907)	(96,662)	370	(2,424)
Unrecognized prior service cost	3,921	4,468	555	632
Unrecognized transition obligation	(6,397)	(8,469)	16,442	17,616
Accrued benefit cost	\$(11,142)	\$(11,349)	\$(12,491)	\$(12,404)

(a) Based on weighted-average discount rates of 6.75% in 1998 and 7.5% in 1997; and increases in future salary levels of 4% to 5% in 1998 and 1997.

	Pension Benefits			Other Benefits		
	1998	1997	1996	1998	1997	1996
	(thousands)					
Components of net periodic Benefit cost						
Service cost	\$9,661	\$8,427	\$8,164	\$532	\$514	\$574
Interest cost	24,892	24,258	23,379	2,429	2,518	2,520
Expected return on plan assets	(29,806)	(25,142)	(24,334)	(203)	(118)	(97)
Amortization of prior service cost	547	491	491	77	77	77
Recognized net actuarial loss (gain)	(910)	(622)	431	8	(25)	26
Transition obligation	(2,072)	(2,072)	(2,072)	1,174	1,174	1,174
Net periodic benefit cost	\$2,312	\$5,340	\$6,059	\$4,017	\$4,140	\$4,274

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 1999 of 8%, decreasing gradually over a two-year period to its ultimate level of 6%. 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, 1998, by about \$600,000 and the combined service and interest costs of the net periodic postretirement benefit cost for 1998 by about \$60,000.

#### 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. Unexercised options expire ten years after the grant date.

We follow Accounting Principles Board Opinion 25 - Accounting for Stock Issued to Employees and related interpretations in accounting for this plan. Because of the dividend equivalents provision, we expensed \$0.1 million in 1998, \$1.2 million in 1997 and \$1.4 million in 1996. The expense includes accumulated and reinvested dividends plus the appreciation in stock price since the grant date. If the stock price decreases below the exercise price, we would reverse the cumulative expense related to those options.

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, 1998, grant prices range from \$20.625 to \$26.188 and the weighted-average remaining contractual life is 5.8 years.

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

	1998		1997		1996	
	shares	price*	shares	price*	shares	price*
Outstanding at January 1	265,250	\$23.12	298,875	\$22.96	266,125	\$22.14
Granted	---	--	---	--	59,000	26.19
Exercised	(143,875)	22.68	(33,625)	21.75	(26,250)	22.27
Canceled	(23,500)	24.54	---	--	---	--
Outstanding at December 31	97,875	\$23.41	265,250	\$23.12	298,875	\$22.96
Exercisable as of						
December 31	97,875	\$23.41	235,750	\$22.73	206,500	\$22.02

\*weighted-average price

### 3. INCOME TAXES

Income tax expense consisted of the following:

	1998	1997	1996
	(thousands)		
Current income taxes:			
Federal	\$ 32,621	\$ 2,801	\$ 35,816
State	7,118	4,348	8,762
Total	39,739	7,149	44,578
Deferred income taxes, net:			
Federal	(2,225)	4,108	(7,441)
State	(243)	672	(1,221)
Total	(2,468)	4,780	(8,662)
Investment tax credit amortization and reversals	(4,471)	(3,850)	(4,163)
Total income tax expense	\$ 32,800	\$ 8,079	\$ 31,753

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

	1998	1997	1996
Federal statutory income tax rate	35.0%	35.0%	35.0%
Differences between book and tax depreciation not normalized	2.1	3.7	(0.4)
Amortization of investment tax credits	(2.9)	(4.5)	(3.0)
Federal income tax credits	(14.6)	(26.0)	(9.1)
State income taxes	2.9	3.9	3.5
Other	(1.1)	(2.6)	(3.3)
Effective income tax rate	21.4%	9.5%	22.7%

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

December 31	1998	1997
	(thousands)	
Plant related	\$ 547,223	\$ 558,629
Recoverable taxes	42,000	48,000
Other	31,404	31,402
Net deferred income tax liability	\$ 620,627	\$ 638,031

The net deferred income tax liability consisted of the following:

December 31	1998	1997
	(thousands)	
Gross deferred income tax assets	\$ (64,564)	\$ (61,358)
Gross deferred income tax liabilities	685,191	699,389
Net deferred income tax liability	\$ 620,627	\$ 638,031



#### 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 \$9.7 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, provides insurance for the \$9.5 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 site decontamination. KCPL's share of any remaining proceeds can be used for 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 \$7 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 and results of operations.

## 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. WCNOG and the owners of the other five nuclear units in the compact provide most of the pre-construction financing for this project. As of December 31, 1998, KCPL's net investment on its books was \$7.3 million for this project.

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. On January 15, 1999, a request for a contested case hearing on the denial of the license was filed. The contested case hearing must be granted. There is a reasonable possibility that the contested case hearing will be stayed for a significant period of time. If such a stay occurs, a greater possibility of reversing the license denial will exist when the contested case hearing ultimately is conducted.

## Nuclear Fuel Commitments

As of December 31, 1998, KCPL's portion of Wolf Creek nuclear fuel commitments included \$25 million for enrichment through 2003, \$60 million for fabrication through 2025 and \$6 million for uranium and conversion through 2001.

## 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 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 real 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 (NOx) emissions. The EPA announced in 1998 final regulations implementing reductions in NOx emissions. These regulations require 22 states, including Missouri, to submit plans for controlling NOx emissions by September 1999. The regulations require a significant reduction in NOx emissions from 1990 levels at KCPL's Missouri coal-fired plants by the year 2003.

To achieve these reductions, KCPL would need to incur significantly higher capital costs or purchase power or NOx 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 \$90 to \$150 million over the period from 1999 to 2002. Operations and maintenance expenses could also increase by more than \$10 million per year, beginning in 2003.

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

KCPL and several other western Missouri utilities filed suit against the EPA over the inclusion of western Missouri in the NOx reduction program. This matter is in the early stage of litigation and the outcome cannot be predicted at this time.

## 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 (CO2) emissions below 1990 levels. President Clinton stated that this change in the treaty would not be submitted to the U.S. Senate at this time where ratification is uncertain. If future reductions of electric utility CO2 emissions are eventually required, the financial impact upon KCPL could be substantial.

## Coal Contracts

KCPL's share of coal purchased under existing contracts was \$37 million in 1998, \$38 million in 1997 and \$36 million in 1996. Under these coal contracts, KCPL's remaining share of purchase commitments totals \$80 million. Obligations for the years 1999 through 2003 total \$35, \$17, \$9, \$9 and \$10 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 seven years of approximately \$15 to \$20 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, we can cancel the lease if we are able to

secure an alternative transmission path. Commitments under this lease total \$2 million per year and \$51 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 \$20 to \$23 million per year during the last three years. The remaining rental commitments under these leases total \$170 million. Obligations for the years 1999 through 2003 average \$14 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 (\$32 million total) will be reimbursed by the other owners.

KCPL has a lease agreement that expires in 2000 for a combustion turbine. This lease commitment was not included in the above commitment because the turbine has not been accepted by KCPL. The operating lease commitment could be as much as \$50 million.

#### 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, 1998, contracts to purchase capacity totaled \$222 million through 2016. KCPL purchased capacity of about \$26 million during each of the last three years. For the years 1999 through 2003, these commitments average \$20 million per year. For the next five years, net capacity purchases average about 7% of KCPL's 1998 total available capacity.

#### 5. SEGMENT AND RELATED INFORMATION

We adopted SFAS No. 131 - Disclosures About Segments of an Enterprise 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 is a holding company for various nonregulated business ventures. The Other column represents the operations of HSS.

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 table below reflects summarized financial information concerning KCPL's reportable segments.

	Electric Operations	KLT Inc.	Other (thousands)	Intersegment Eliminations	Consolidated Totals
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	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
1996					
Electric Operating Income (a)	\$ 177,813				\$ 177,813
Miscellaneous Income (b)	1,978	\$ 1,453		\$ 1,412	4,843
Miscellaneous Deductions(c)	(43,408)	(11,764)		-	(55,172)
Income taxes on Other Income and (Deductions)	18,188	18,214		-	36,402
Interest Charges	(48,769)	(9,314)		-	(58,083)
Net Income(Loss)	108,171	(1,412)		1,412	108,171
Assets	2,749,828	224,308		(59,624)	2,914,512

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

## 6. INTANGIBLE ASSETS

The application of purchase accounting for certain investments resulted in about \$17 million in goodwill at December 31, 1998. These amounts are included in Other deferred charges and Investments and Nonutility Property on the consolidated balance sheets and amortized over 10 to 40 years.

## 7. SALE OF ACCOUNTS RECEIVABLE

As of December 31, 1998 and 1997, we sold with limited recourse \$60 million of customer accounts receivable. Related costs of approximately \$3.5 million for each of the last three years were included in Other Income and (Deductions) - Miscellaneous income and (deductions) - net.

## 8. SHORT-TERM BANK LINES OF CREDIT

Under minimal fee arrangements, unused short-term bank lines of credit totaled \$210 million as of December 31, 1998 and \$300 million as of December 31, 1997.

## 9. 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 common shareholders, directors and employees to purchase shares of the common stock by reinvesting dividends or making optional cash payments. We currently purchase shares for the Plan on the open market.

KCPL held 10,706 shares as of December 31, 1998 and 35,811 shares as of December 31, 1997 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 9,557 as of December 31, 1998 and 11,157 as of December 31, 1997. Shares held by KCPL to meet future sinking fund requirements totaled 8,934 as of December 31, 1998 and 10,534 as of December 31, 1997. The cost of the shares held is reflected as a reduction of the capital account.

As of December 31, 1998, 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 \$89 million of issued Cumulative Preferred Stock at prices approximating par or stated value.

### Mandatorily Redeemable Preferred Securities

In April 1997 KCPL Financing I (Trust), a wholly-owned subsidiary of KCPL, 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, requiring an equal amount of preferred securities to be redeemed 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.

## 10. 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, 1998, \$566 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.

### Interest Rate Swap and Cap Agreements

As of December 31, 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 matures in 1999 and effectively fixes the interest rate to a weighted-average rate of 5.77%.

These swap and cap agreements are with several 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.

### Subsidiary Obligations

KLT has a bank credit agreement for \$150 million collateralized by the capital stock of KLT's direct subsidiaries. Under this revolving credit agreement, KLT had borrowings at December 31, 1998, of \$79 million. This debt is classified as current maturities since the agreement expires in October 1999. The affordable housing notes are collateralized by the affordable housing investments.

### Scheduled Maturities

Long-term debt maturities for the years 1999 through 2003 are \$164, \$67, \$93, \$39 and \$29 million, respectively.

## 11. JOINTLY-OWNED ELECTRIC UTILITY PLANTS

KCPL's share of jointly-owned electric utility plants as of December 31, 1998, is as follows (in millions of dollars):

	Wolf Creek Unit	LaCygne Units	Iatan Unit
KCPL's share	47%	50%	70%
Utility plant in service	\$ 1,347	\$ 300	\$ 245
Estimated accumulated depreciation (production plant only)	\$ 427	\$ 187	\$ 145
Nuclear fuel, net	\$ 40	\$ -	\$ -
KCPL's accredited capacity-megawatts	547	677	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. Western Resources, Inc. (Western Resources) also owns a 47% share of the Wolf Creek unit and a 50% share of the LaCygne units (see Note 12).

## 12. AMENDED AND RESTATED PLAN OF MERGER WITH WESTERN RESOURCES

KCPL began discussing a merger with Western Resources in 1996. A merger agreement was entered into on February 7, 1997. In December 1997 KCPL canceled its previously scheduled special meeting of shareholders to vote on the transaction because Western Resources advised KCPL that its investment bankers, Salomon Smith Barney, had indicated that it was unlikely that Salomon would be in a position to issue a fairness opinion. During 1997 KCPL incurred and deferred \$7 million of merger-related costs that were expensed in December 1997.

On March 18, 1998, KCPL and Western Resources entered into an Amended and Restated Agreement and Plan of Merger (Amended Agreement). This Amended Agreement provides for the combination of the regulated electric utilities of KCPL and Western Resources into Westar Energy, a new company, using purchase accounting. Westar Energy would be owned approximately 80.1% by Western Resources and approximately 19.9% by KCPL shareholders. KCPL shareholders would receive for each share of KCPL's stock one share of Westar Energy common stock and a fraction of a share of Western Resources common stock. The value of the transaction to KCPL shareholders cannot be determined until closing. If Western Resources average stock price for a twenty day period just prior to closing is less than or equal to \$29.78 either party can terminate this Amended Agreement.

The Amended Agreement allows the KCPL Board discretion to make changes (including increases) in the KCPL Common Stock dividend consistent with past practice exercising good business judgment, but requires KCPL to redeem all outstanding shares of cumulative preferred stock before consummation of the proposed transactions.

If the Amended Agreement is terminated under certain circumstances and KCPL, within two and one-half years following termination, agrees to consummate a business combination with a third party that made a proposal to combine before termination, a payment of \$50 million will be due Western Resources. Under certain circumstances, if KCPL determines not to consummate its merger into Westar Energy due to its inability to receive a favorable tax opinion from its legal counsel, it must pay Western Resources \$5 million. Western Resources will pay KCPL \$5 million to \$35 million if the Amended Agreement is terminated and all closing conditions are satisfied other than conditions relating



to Western Resources receiving a favorable tax opinion from its legal counsel, favorable statutory approvals or an exemption from the Public Utility Holding Company Act of 1935.

On July 30, 1998, KCPL's and Western Resources' shareholders approved the Amended Agreement at special meetings of shareholders. However, the transaction is still subject to several other closing conditions, including:

- - approval by a number of regulatory and governmental agencies (applications for approval filed during 1998),
- - receipt of the final orders from the various federal and state regulators on terms and conditions which would not have a material adverse effect on the benefits anticipated by Western Resources in the merger,
- - reasonable satisfaction by Western Resources that it will be exempt from all of the provisions of the Public Utility Holding Company Act of 1935 other than Section 9(a)(2) thereof.

We cannot predict when or if the closing conditions will be met. If the merger has not closed by December 31, 1999, either party may terminate the Amended Agreement.

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(UNAUDITED)

KCPL issued a joint proxy statement on June 9, 1998 that included unaudited pro forma combined historical financial information as of March 31, 1998 and for the year ended 1997. The following excerpts are from that information:

Western Resources (after combining with KCPL)

- - Assets as of March 31, 1998...\$11 billion
- - Basic earnings per common share for the year ended 1997...\$4.99 based on 103 million of average common shares outstanding. In 1997, Western Resources recorded an approximate \$519 million net of tax gain on the sale of its investment in Tyco International Ltd.

Westar Energy

- - Assets as of March 31, 1998...\$8 billion
- - Basic earnings per common share for the year ended 1997...\$0.35 based on 311 million of average common shares outstanding.

Based on public information available, pro forma combined historical financial information as of December 31, 1998 and for the year then ended would reflect minor changes in total assets and improvements in basic earnings per common share from the above pro forma combined historical financial information if the gain on the sale of the Tyco International Ltd. investment was excluded.

### 13. QUARTERLY OPERATING RESULTS (UNAUDITED)

	1st	Quarter		4th
		2nd	3rd	
	(millions)			
1998				
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

	1st	Quarter		4th
		2nd	3rd	
	(millions)			
1997				
Operating revenues	\$ 195	\$ 215	\$ 290	\$ 196
Operating income	28	37	73	25
Net income	(15)	24	58	10
Basic and diluted earnings per common share	\$(0.26)	\$ 0.37	\$ 0.92	\$ 0.14

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

In February 1997 KCPL paid UtiliCorp United Inc. (UtiliCorp) \$53 million for agreeing to combine with Western Resources within two and one-half years from the termination of KCPL's agreement to merge with UtiliCorp. This agreement was terminated due to failure of KCPL shareholders to approve the transaction with UtiliCorp. Additionally, \$7 million of merger-related costs were expensed in December 1997 (see Note 12).

### 14. SUBSEQUENT EVENTS

On January 26, 1999, a stipulation and agreement among KCPL, the MPSC staff and public counsel was filed with the MPSC. Subject to MPSC approval, the stipulation and agreement would reduce annual revenues from Missouri customers by about \$15 million.

On February 17, 1999, an explosion occurred at KCPL's Hawthorn Generating Station's 476-megawatt Unit No. 5. The boiler was not operating at the time, and there were no injuries. Though investigation of the cause of the explosion is still under way, preliminary indications are that the damage was caused by an explosion of accumulated gas in the boiler's firebox. KCPL has insurance coverage for this type of event, with limits of \$300 million. Work has begun to dismantle the damaged boiler. We are evaluating several alternatives regarding the replacement of the power generated by Hawthorn Unit No. 5.

REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the consolidated financial statements of Kansas City Power & Light Company and Subsidiaries listed in the index on page 49 of this Form 10-K. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Kansas City Power & Light Company and Subsidiaries as of December 31, 1998 and 1997, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

/s/PricewaterhouseCoopers LLP  
PricewaterhouseCoopers LLP

Kansas City, Missouri  
January 29, 1999, except with respect to the second  
paragraph of Note 14, as to which the date is February 17, 1999

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Directors

See General Note to Part III.

Executive Officers

See Part I, page 7, entitled "Officers of the Registrant."

ITEM 11. EXECUTIVE COMPENSATION

See General Note to Part III.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

See General Note to Part III.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None.

General Note To Part III

Pursuant to General Instruction G to Form 10-K, the other information required by Part III (Items 10, 11, and 12) of Form 10-K is incorporated by reference to the Definitive Proxy Statement filed with the Securities and Exchange Commission on March 10, 1999, for KCPL's 1999 Annual Meeting of Shareholders to be held on May 4, 1999.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

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c. Consolidated Statements of Capitalization - December 31, 1998 and 1997	26
d. Consolidated Statements of Cash Flows for the years ended December 31, 1998, 1997 and 1996	27
e. Consolidated Statements of Comprehensive Income for the years ended December 31, 1998, 1997 and 1996	28
f. Notes to Consolidated Financial Statements	29
g. Report of Independent Accountants	47

Exhibits

Exhibit Number	Description of Document
- - - - -	- - - - -
2	*Amended and Restated Agreement and Plan of Merger (Exhibit 2 to Form 8-K dated March 23, 1998).
3-a	*Restated Articles of Consolidation of KCPL dated as of May 5, 1992 (Exhibit 4 to Registration Statement, Registration No. 33-54196).
3-b	By-laws of KCPL, as amended and in effect on February 2, 1999.
4-a	*General Mortgage and Deed of Trust dated as of December 1, 1986, between KCPL and UMB Bank, n.a. (formerly United Missouri Bank) of Kansas City, N.A., Trustee (Exhibit 4-bb to Form 10-K for the year ended December 31, 1986).
4-b	*Third Supplemental Indenture dated as of April 1, 1991, to Indenture dated as of December 1, 1986 (Exhibit 4-aq to Registration Statement, Registration No. 33-42187).
4-c	*Fourth Supplemental Indenture dated as of February 15, 1992, to Indenture dated as of December 1, 1986 (Exhibit 4-y to Form 10-K for year ended December 31, 1991).
4-d	*Fifth Supplemental Indenture dated as of September 15, 1992, to Indenture dated as of December 1, 1986 (Exhibit 4-a to Form 10-Q dated September 30, 1992).
4-e	*Sixth Supplemental Indenture dated as of November 1, 1992, to Indenture dated as of December 1, 1986 (Exhibit 4-z to Registration Statement, Registration No. 33-54196).

- 4-f \*Seventh Supplemental Indenture dated as of October 1, 1993, to Indenture dated as of December 1, 1986 (Exhibit 4-a to Form 10-Q dated September 30, 1993).
- 4-g \*Eighth Supplemental Indenture dated as of December 1, 1993, to Indenture dated as of December 1, 1986 (Exhibit 4 to Registration Statement, Registration No. 33-51799).
- 4-h \*Ninth Supplemental Indenture dated as of February 1, 1994, to Indenture dated as of December 1, 1986 (Exhibit 4-h to Form 10-K for year ended December 31, 1993).
- 4-i \*Tenth Supplemental Indenture dated as of November 1, 1994, to Indenture dated as of December 1, 1986 (Exhibit 4-I to Form 10-K for year ended December 31, 1994).
- 4-j \*Resolution of Board of Directors Establishing 3.80% Cumulative Preferred Stock (Exhibit 2-R to Registration Statement, Registration No. 2-40239).
- 4-k \*Resolution of Board of Directors Establishing 4% Cumulative Preferred Stock (Exhibit 2-S to Registration Statement, Registration No. 2-40239).
- 4-l \*Resolution of Board of Directors Establishing 4.50% Cumulative Preferred Stock (Exhibit 2-T to Registration Statement, Registration No. 2-40239).
- 4-m \*Resolution of Board of Directors Establishing 4.20% Cumulative Preferred Stock (Exhibit 2-U to Registration Statement, Registration No. 2-40239).
- 4-n \*Resolution of Board of Directors Establishing 4.35% Cumulative Preferred Stock (Exhibit 2-V to Registration Statement, Registration No. 2-40239).
- 4-o \*Certificate of Designation of Board of Directors Establishing the \$50,000,000 Cumulative No Par Preferred Stock, Auction Series A (Exhibit 4-a to Form 10-Q dated March 31, 1992).
- 4-p \*Indenture for Medium-Term Note Program dated as of April 1, 1991, between KCPL and The Bank of New York (Exhibit 4-bb to Registration Statement, Registration No. 33-42187).
- 4-q \*Indenture for Medium-Term Note Program dated as of February 15, 1992, between KCPL and The Bank of New York (Exhibit 4-bb to Registration Statement, Registration No. 33-45736).
- 4-r \*Indenture for Medium-Term Note Program dated as of November 15, 1992, between KCPL and The Bank of New York (Exhibit 4-aa to Registration Statement, Registration No. 33-54196).
- 4-s \*Indenture for Medium-Term Note Program dated as of November 17, 1994, between KCPL and Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Smith Barney Inc. (Exhibit 4-s to Form 10-K for year ended December 31, 1994).
- 4-t \*Indenture for Medium-Term Note Program dated as of December 1, 1996, between KCPL and The Bank of New York (Exhibit 4 to Registration Statement, Registration No. 333-17285).
- 4-u \*Amended and Restated Declaration of Trust of KCPL Financing I dated April 15, 1997 (Exhibit 4-a to Form 10-Q for quarter ended March 31, 1997).
- 4-v \*Indenture dated as of April 1, 1997 between the Company and The First National Bank of Chicago, Trustee (Exhibit 4-b to Form 10-Q for quarter ended March 31, 1997).
- 4-w \*First Supplemental Indenture dated as of April 1, 1997 to the Indenture dated as of April 1, 1997 between the Company and The First National Bank of Chicago, Trustee (Exhibit 4-c to Form 10-Q for quarter ended March 31, 1997).
- 4-x \*Preferred Securities Guarantee Agreement dated April 15, 1997 (Exhibit 4-d to Form 10-Q for quarter ended March 31, 1997).
- 10-a \*Copy of Wolf Creek Generating Station Ownership Agreement between Kansas City Power & Light Company, Kansas Gas and Electric Company

- and Kansas Electric Power Cooperative, Inc. (Exhibit 10-d to Form 10-K for the year ended December 31, 1981).
- 10-b \*Copy of Receivables Purchase Agreement dated as of September 27, 1989, between KCPL, Commercial Industrial Trade-Receivables Investment Company and Citicorp North America, Inc. (Exhibit 10-p to Form 10-K for year ended December 31, 1989).
- 10-c \*Copy of Amendment to Receivables Purchase Agreement dated as of August 8, 1991, between KCPL, Commercial Industrial Trade-Receivables Investment Company and Citicorp North America, Inc. (Exhibit 10-m to Form 10-K for year ended December 31, 1991).
- 10-d \*Long-Term Incentive Plan (Exhibit 28 to Registration Statement, Registration 33-42187).
- 10-e \*Long- and Short-Term Incentive Compensation Plan, dated January 1, 1997 (Exhibit 10-e to Form 10-K for year ended December 31, 1996).
- 10-f \*Copy of Indemnification Agreement entered into by KCPL with each of its officers and directors (Exhibit 10-f to Form 10-K for year ended December 31, 1995).
- 10-g \*Copy of Severance Agreement entered into by KCPL with certain of its executive officers (Exhibit 10 to Form 10-Q dated June 30, 1993).
- 10-h \*Copy of Amendment to Severance Agreement dated January 15, 1996, entered into by KCPL with certain of its executive officers (Exhibit 10-h to Form 10-K dated December 31, 1995).
- 10-i \*Copy of Amendment to Severance Agreement dated January 1997 entered into by KCPL with certain of its executive officers (Exhibit 10-I to Form 10-K for year ended December 31, 1996).
- 10-j \*Copy of Supplemental Executive Retirement and Deferred Compensation Plan (Exhibit 10-h to Form 10-K for year ended December 31, 1993).
- 10-k \*Copy of Railcar Lease dated as of April 15, 1994, between Shawmut Bank Connecticut, National Association, and KCPL (Exhibit 10 to Form 10-Q for period ended June 30, 1994).
- 10-l \*Copy of Amendment No. 2 to Receivables Purchase Agreement between KCPL and Ciesco L.P. and Citicorp North America, Inc. (Exhibit 10 to Form 10-Q for period ended September 30, 1994).
- 10-m \*Copy of Railcar Lease dated as of January 31, 1995, between First Security Bank of Utah, National Association, and KCPL (Exhibit 10-o to Form 10-K for year ended December 31, 1994).
- 10-n \*Copy of Lease Agreement dated as of October 18, 1995, between First Security Bank of Utah, N.A., and KCPL (Exhibit 10 to Form 10-Q for period ended September 30, 1995).
- 10-o \*Credit Agreement dated as of August 11, 1998, among Kansas City Power & Light Company, Certain Lenders, The First National Bank of Chicago and NationsBank, N.A. (Exhibit 10(a) to Form 10-Q for period ended September 30, 1998).
- 10-p \*Railcar Lease dated as of September 8, 1998, with CCG Trust Corporation (Exhibit 10(b) to Form 10-Q for period ended September 30, 1998).
- 12 Computation of Ratios of Earnings to Fixed Charges.
- 23-a Consent of Counsel.
- 23-b Consent of Independent Accountants-PricewaterhouseCoopers LLP.
- 24 Powers of Attorney.
- 27 Financial Data Schedules (filed electronically).

\* Filed with the Securities and Exchange Commission as exhibits to prior registration statements (except as otherwise noted) and are incorporated herein by reference and made a part hereof. The exhibit number and file number of the documents so filed, and

incorporated herein by reference, are stated in parenthesis in the description of such exhibit.

Copies of any of the exhibits filed with the Securities and Exchange Commission in connection with this document may be obtained from KCPL upon written request.

#### Reports on Form 8-K

No report on Form 8-K was filed during the fourth quarter 1998.

A report on Form 8-K was filed with the Securities and Exchange Commission on January 27, 1999, with attached Stipulation and Agreement entered into January 26, 1999, by and among Kansas City Power & Light Company, Staff of the Missouri Public Service Commission and Office of Public Counsel.

A report on Form 8-K was filed the Securities and Exchange Commission on February 19, 1999, with attached press release reporting on an explosion that occurred at the Company's Hawthorn Generating Station.

A report on Form 8-K was filed the Securities and Exchange Commission on March 2, 1999, with attached press release concerning the Company's Hawthorn Generating Station.



SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Kansas City, and State of Missouri on the 16th day of March, 1999.

KANSAS CITY POWER & LIGHT COMPANY

By /s/Drue Jennings  
 Chairman of the Board and  
 Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Drue Jennings (Drue Jennings)	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	)
/s/ Marcus Jackson (Marcus Jackson)	Executive Vice President-Chief Financial Officer (Principal Financial Officer)	)
/s/ Neil A. Roadman (Neil A. Roadman)	Controller (Principal Accounting Officer)	)
Bernard J. Beaudoin*	President and Director	)
David L. Bodde*	Director	)
William H. Clark*	Director	) March 16, 1999
Robert J. Dineen*	Director	)
Arthur J. Doyle*	Director	)
W. Thomas Grant II*	Director	)
George E. Nettels, Jr.*	Director	)
Linda Hood Talbott*	Director	)
Robert H. West*	Director	)

\*By /s/ Drue Jennings  
 (Drue Jennings)  
 Attorney-in-Fact\*

KANSAS CITY POWER & LIGHT COMPANY

BY-LAWS

AS AMENDED FEBRUARY 2, 1999

KANSAS CITY POWER & LIGHT COMPANY

BY-LAWS

ARTICLE I

Offices

Section 1. The registered office of the Company in the State of Missouri shall be at 1201 Walnut, in Kansas City, Jackson County, Missouri.

Section 2. The Company also may have offices at such other places either within or without the State of Missouri as the Board of Directors may from time to time determine or the business of the Company may require.

ARTICLE II

Shareholders

Section 1. All meetings of the shareholders shall be held at such place within or without the State of Missouri as may be selected by the Board of Directors or Executive Committee, but if the Board of Directors or Executive Committee shall fail to designate a place for said meeting to be held, then the same shall be held at the principal place of business of the Company.

Section 2. An annual meeting of the shareholders shall be held on the first Tuesday of May in each year, if not a legal holiday, and if a legal holiday, then on the first succeeding day which is not a legal holiday, at ten o'clock in the forenoon, for the purpose of electing directors of the Company and transacting such other business as may properly be brought before the meeting.

Section 3. Unless otherwise expressly provided in the Restated Articles of Consolidation of the Company with respect to the Cumulative Preferred Stock, Cumulative No Par Preferred Stock or Preference Stock, special meetings of the shareholders may only be called by the Chairman of the Board, by the President or at the request in writing of a majority of the Board of Directors. Special meetings of shareholders of the Company may not be called by any other person or persons.

Section 4. Written or printed notice of each meeting of the shareholders, annual or special, shall be given in the manner provided in the corporation laws of the State of Missouri. In case of a call for any special meeting, the notice shall state the time, place and purpose of such meeting.

Any notice of a shareholders' meeting sent by mail shall be deemed to be delivered when deposited in the United States mail with postage thereon prepaid addressed to the shareholder at his address as it appears on the records of the Company.

In addition to the written or printed notice provided for in the first paragraph of this Section, published notice of each meeting of shareholders shall be given in such manner and for such period of time as may be required by the laws of the State of Missouri at the time such notice is required to be given.

Section 5. Attendance of a shareholder at any meeting shall constitute a waiver of notice of such meeting except where a shareholder attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

Section 6. At least ten days before each meeting of the shareholders, a complete list of the shareholders entitled to vote at such meeting, arranged in alphabetical order with the address of and the number of shares held by each, shall be prepared by the officer having charge of the transfer book for shares of the Company. Such list, for a period of ten days prior to such meeting, shall be kept on file at the registered office of the Company and shall be subject to inspection by any shareholder at any time during usual business hours. Such list shall also be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any shareholder during the whole time of the meeting. The original share ledger or transfer book, or a duplicate thereof kept in the State of Missouri, shall be prima facie evidence as to who are the shareholders entitled to examine such list or share ledger or transfer book or to vote at any meeting of shareholders.

Failure to comply with the requirements of this Section shall not affect the validity of any action taken at any such meeting.

Section 7. Each outstanding share entitled to vote under the provisions of the articles of consolidation of the Company shall be entitled to one vote on each matter submitted at a meeting of the shareholders. A shareholder may vote either in person or by proxy executed in writing by the shareholder or by his duly authorized attorney-in-fact. No proxy shall be valid after eleven months from the date of its execution, unless otherwise provided in the proxy.

At any election of directors of the Company, each holder of outstanding shares of any class entitled to vote thereat shall have the right to cast as many votes in the aggregate as shall equal the number of shares of such class held, multiplied by the number of directors to be elected by holders of shares of such class, and may cast the whole number of votes, either in person or by proxy, for one candidate, or distribute them among two or more candidates as such holder shall elect.

Section 8. At any meeting of shareholders, a majority of the outstanding shares entitled to vote represented in person or by proxy shall constitute a quorum for the transaction of business, except as otherwise provided by statute or by the articles of consolidation or by these By-laws. The holders of a majority of the shares represented in person or by proxy and entitled to vote at any meeting of the shareholders shall have the right successively to adjourn the meeting to a specified date not longer than ninety days after any such adjournment, whether or not a quorum be present. The time and place to which any such adjournment is taken shall be publicly announced at the meeting, and no notice need be given of any such adjournment to shareholders not present at the meeting. At any such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally called.

Section 9. The vote for directors and the vote on any other question that has been properly brought before the meeting in accordance with these By-laws shall be by ballot. Each ballot cast by a shareholder must state the name of the shareholder voting and the number of shares voted by him and if such ballot be cast by a proxy, it must also state the name of such proxy. All elections and all other questions shall be decided by plurality vote, unless the question is one on which by express provision of the statutes or of the articles of consolidation or of these By-laws a different vote is required, in which case such express provision shall govern and control the decision of such question.

Section 10. The Chairman of the Board, or in his absence the President of the Company, shall convene all meetings of the shareholders and shall act as chairman thereof. The Board of Directors may appoint any shareholder to act as chairman of any meeting of the shareholders in the absence of the Chairman of the Board and the President, and in the case of the failure of the Board so to appoint a chairman, the shareholders present at the meeting shall elect a chairman who shall be either a shareholder or a proxy of a shareholder.

The Secretary of the Company shall act as secretary of all meetings of shareholders. In the absence of the Secretary at any meeting of shareholders, the presiding officer may appoint any person to act as secretary of the meeting.

Section 11. At any meeting of shareholders where a vote by ballot is taken for the election of directors or on any proposition, the person presiding at such meeting shall appoint not less than two persons, who are not directors, as inspectors to receive and canvass the votes given at such meeting and certify the result to him. Subject to any statutory requirements which may be applicable, all questions touching upon the qualification of voters, the validity of proxies, and the acceptance or rejection of votes shall be decided by the inspectors. In case of a tie vote by the inspectors on any question, the presiding officer shall decide the issue.

Section 12. Unless otherwise provided by statute or by the articles of consolidation, any action required to be taken by shareholders may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the shareholders entitled to vote with respect to the subject matter thereof.

Section 13. No business may be transacted at an annual meeting of shareholders, other than business that is either (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors (or any duly authorized committee thereof), (b) otherwise properly brought before the annual meeting by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (c) otherwise properly brought before the annual meeting by any shareholder of the Company (i) who is a shareholder of record on the date of the giving of the notice provided for in this Section 13 and on the record date for the determination of shareholders entitled to vote at such annual meeting and (ii) who complies with the notice procedure set forth in this Section 13.

In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a shareholder, such shareholder must have given timely notice thereof in proper written form to the Secretary of the Company.

To be timely, a shareholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Company not less than sixty (60) days nor more than ninety (90) days prior to the date of the annual meeting of shareholders; provided, however, that in the event that less than seventy (70) days' notice or prior public disclosure of the date of the meeting is given to shareholders, notice by the shareholder to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure of the date of the annual meeting was made, whichever first occurs.

To be in proper written form, a shareholder's notice to the Secretary must set forth as to each matter such shareholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and record address of such shareholder, (iii) the class or series and number of shares of capital stock of the Company that are owned beneficially or of record by such shareholder, (iv) a description of all arrangements or understandings between such shareholder and any other person or persons (including their names) in connection with the proposal of such business by such shareholder and any material interest of such shareholder in such business and (v) a representation that such shareholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting.

No business shall be conducted at the annual meeting of shareholders except business brought before the annual meeting in accordance with the procedures set forth in this Section 13, provided, however, that, once business has been properly brought

before the annual meeting in accordance with such procedures, nothing in this Section 13 shall be deemed to preclude discussion by any shareholder of any such business. If the Chairman of an annual meeting determines that business was not properly brought before the annual meeting in accordance with the foregoing procedures, the Chairman shall declare to the meeting that the business was not properly brought before the meeting and such business shall not be transacted.

### ARTICLE III

#### Board of Directors

Section 1. The property, business and affairs of the Company shall be managed and controlled by a Board of Directors which may exercise all such powers of the Company and do all such lawful acts and things as are not by statute or by the articles of consolidation or by these By-laws directed or required to be exercised or done by the shareholders.

Section 2. The Board of Directors shall consist of ten directors who shall be elected at the annual meeting of the shareholders. Each director shall be elected to serve until the next annual meeting of the shareholders and until his successor shall be elected and qualified. Directors need not be shareholders.

Section 3. In case of the death or resignation of one or more of the directors of the Company, a majority of the remaining directors, though less than a quorum, may fill the vacancy or vacancies until the successor or successors are elected at a meeting of the shareholders. A director may resign at any time and the acceptance of his resignation shall not be required in order to make it effective.

Section 4. The Board of Directors may hold its meetings either within or without the State of Missouri at such place as shall be specified in the notice of such meeting.

Section 5. Regular meetings of the Board of Directors shall be held as the Board of Directors by resolution shall from time to time determine. The Secretary or an Assistant Secretary shall give at least five days' notice of the time and place of each such meeting to each director in the manner provided in Section 9 of this Article III. The notice need not specify the business to be transacted.

Section 6. Special meetings of the Board of Directors shall be held whenever called by the Chairman of the Board, the President or three members of the Board and shall be held at such place as shall be specified in the notice of such meeting. Notice of such special meeting stating the place, date and hour of the meeting shall be given to each director either by mail not less than forty-eight (48) hours before the date of the meeting, or personally or by telephone, telecopy, telegram, telex or similar means of communication on twenty-four (24) hours' notice, or on such shorter notice as the person

or persons calling such meeting may deem necessary or appropriate in the circumstances.

Section 7. A majority of the full Board of Directors as prescribed in these By-laws shall constitute a quorum for the transaction of business. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors. If a quorum shall not be present at any meeting of the directors, the directors present may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present. Members of the Board of Directors or of any committee designated by the Board of Directors may participate in a meeting of the Board or committee by means of conference telephone or similar communications equipment whereby all persons participating in the meeting can hear each other, and participation in a meeting in this manner shall constitute presence in person at the meeting.

Section 8. The Board of Directors, by the affirmative vote of a majority of the directors then in office, and irrespective of any personal interest of any of its members, shall have authority to establish reasonable compensation for directors. Compensation for nonemployee directors may include both a stated annual retainer and a fixed fee for attendance at each regular or special meeting of the Board. Nonemployee members of special or standing committees of the Board may be allowed a fixed fee for attending committee meetings. Any director may serve the Company in any other capacity and receive compensation therefor. Each director may be reimbursed for his expenses, if any, in attending regular and special meetings of the Board and committee meetings.

Section 9. Whenever under the provisions of the statutes or of the articles of consolidation or of these By-laws, notice is required to be given to any director, it shall not be construed to require personal notice, but such notice may be given by telephone, telecopy, telegram, telex or similar means of communication addressed to such director at such address as appears on the books of the Company, or by mail by depositing the same in a post office or letter box in a postpaid, sealed wrapper addressed to such director at such address as appears on the books of the Company. Such notice shall be deemed to be given at the time when the same shall be thus telephoned, telecopied, telegraphed or mailed.

Attendance of a director at any meeting shall constitute a waiver of notice of such meeting except where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

Section 10. The Board of Directors may by resolution provide for an Executive Committee of said Board, which shall serve at the pleasure of the Board of Directors and, during the intervals between the meetings of said Board, shall possess and may exercise any or all of the powers of the Board of Directors in the management of the business and affairs of the corporation, except with respect to any matters which, by resolution of the Board of Directors, may from time to time be reserved for action by said Board.



Section 11. The Executive Committee, if established by the Board, shall consist of the Chief Executive Officer of the Company and two or more additional directors, who shall be elected by the Board of Directors to serve at the pleasure of said Board until the first meeting of the Board of Directors following the next annual meeting of shareholders and until their successors shall have been elected. Vacancies in the Committee shall be filled by the Board of Directors.

Section 12. Meetings of the Executive Committee shall be held whenever called by the chairman or by a majority of the members of the committee, and shall be held at such time and place as shall be specified in the notice of such meeting. The Secretary or an Assistant Secretary shall give at least one day's notice of the time, place and purpose of each such meeting to each committee member in the manner provided in Section 9 of this Article III, provided, that if the meeting is to be held outside of Kansas City, Missouri, at least three days' notice thereof shall be given.

Section 13. At all meetings of the Executive Committee, a majority of the committee members shall constitute a quorum and the unanimous act of all the members of the committee present at a meeting where a quorum is present shall be the act of the Executive Committee. All action by the Executive Committee shall be reported to the Board of Directors at its meeting next succeeding such action.

Section 14. In addition to the Executive Committee provided for by these By-laws, the Board of Directors, by resolution adopted by a majority of the whole Board of Directors, (i) shall designate, as standing committees, an Audit Committee and a Nominating & Compensation Committee, each to consist of three or more nonemployee directors, and (ii) may designate one or more special committees, each consisting of two or more directors. Each standing or special committee shall have and may exercise so far as may be permitted by law and to the extent provided in such resolution or resolutions or in these By-laws, the responsibilities of the business and affairs of the corporation. The Board of Directors may, at its discretion, appoint qualified directors as alternate members of a standing or special committee to serve in the temporary absence or disability of any member of a committee. Except where the context requires otherwise, references in these By-laws to the Board of Directors shall be deemed to include the Executive Committee, a standing committee or a special committee of the Board of Directors duly authorized and empowered to act in the premises.

Section 15. Each standing or special committee shall record and keep a record of all its acts and proceedings and report the same from time to time to the Board of Directors.

Section 16. Regular meetings of any standing or special committee, of which no notice shall be necessary, shall be held at such times and in such places as shall be fixed by majority of the committee. Special meetings of a committee shall be held at the request of any member of the committee. Notice of each special meeting of a committee

shall be given not later than one day prior to the date on which the special meeting is to be held. Notice of any special meeting need not be given to any member of a committee, if waived by him in writing or by telegraph before or after the meeting; and any meeting of a committee shall be a legal meeting without notice thereof having been given, if all the members of the committee shall be present.

Section 17. A majority of any committee shall constitute a quorum for the transaction of business, and the act of a majority of those present, by telephone conference call or otherwise, at any meeting at which a quorum is present shall be the act of the committee. Members of any committee shall act only as a committee and the individual members shall have no power as such.

Section 18. The members or alternates of any standing or special committee shall serve at the pleasure of the Board of Directors.

Section 19. If all the directors severally or collectively shall consent in writing to any action which is required to be or may be taken by the directors, such consents shall have the same force and effect as a unanimous vote of the directors at a meeting duly held. The Secretary shall file such consents with the minutes of the meetings of the Board of Directors.

Section 20. Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Company, except as may be otherwise provided in the Restated Articles of Consolidation of the Company with respect to the right of holders of Preferred Stock to nominate and elect a specified number of directors in certain circumstances. Nominations of persons for election to the Board of Directors may be made at any annual meeting of shareholders (a) by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (b) by any shareholder of the Company (i) who is a shareholder of record on the date of the giving of the notice provided for in this Section 20 and on the record date for the determination of shareholders entitled to vote at such annual meeting and (ii) who complies with the notice procedures set forth in this Section 20.

In addition to any other applicable requirements, for a nomination to be made by a shareholder, such shareholder must have given timely notice thereof in proper written form to the Secretary of the Company.

To be timely, a shareholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Company not less than sixty (60) days nor more than ninety (90) days prior to the date of the annual meeting of shareholders; provided, however, that in the event that less than seventy (70) days' notice or prior public disclosure of the date of the meeting is given to shareholders, notice by the shareholder in order to be timely must be so received not later than the close of business on the tenth (10) day following the day on which such notice of the date of the annual

meeting was mailed or such public disclosure of the date of the annual meeting was made, whichever first occurs.

To be in proper written form, a shareholder's notice to the Secretary must set forth (a) as to each person whom the shareholder proposes to nominate for election as a director (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class or series and number of shares of capital stock of the Company that are owned beneficially or of record by the person and (iv) any other information relating to the person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations promulgated thereunder; and (b) as to the shareholder giving the notice (i) the name and record of such shareholder, (ii) the class or series and number of shares of capital stock of the Company that are owned beneficially or of record by such shareholder, (iii) a description of all arrangements or understandings between such shareholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination(s) are to be made by such shareholder, (iv) a representation that such shareholder intends to appear in person or by proxy at the meeting to nominate the persons named in the notice and (v) any other information relating to such shareholder that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder. Such notice must be accompanied by a written consent of each proposed nominee to being name as a nominee and to serve as a director if elected.

No person shall be eligible for election as a director of the Company unless nominated in accordance with the procedures set forth in this Section 20. If the Chairman of the annual meeting determines that a nomination was not made in accordance with the foregoing procedures, the Chairman shall declare to the meeting that the nomination was defective and such defective nomination shall be disregarded.

#### ARTICLE IV

##### Officers

Section 1. The officers of the Company shall include a Chairman of the Board, a President, one or more Vice Presidents, a Secretary, one or more Assistant Secretaries, a Treasurer and one or more Assistant Treasurers, all of whom shall be appointed by the Board of Directors. Any one person may hold two or more offices except that the offices of President and Secretary may not be held by the same person.

Section 2. The officers of the Company shall be appointed annually by the Board of Directors. The office of Chairman of the Board may or may not be filled, as may be deemed advisable by the Board of Directors.

Section 3. The Board of Directors may from time to time appoint such other officers as it shall deem necessary or expedient, who shall hold their offices for such terms and shall exercise such powers and perform such duties as the Board of Directors or the Chief Executive Officer may from time to time determine.

Section 4. The officers of the Company shall hold office until their successors shall be chosen and shall qualify. Any officer appointed by the Board of Directors may be removed at any time by the affirmative vote of a majority of the whole board. If the office of any officer becomes vacant for any reason, or if any new office shall be created, the vacancy may be filled by the Board of Directors.

Section 5. The salaries of all officers of the Company shall be fixed by the Board of Directors.

## ARTICLE V

### Powers and Duties of Officers

Section 1. The Board of Directors shall designate the Chief Executive Officer of the Company, who may be either the Chairman of the Board or the President. The Chief Executive Officer shall have general and active management of and exercise general supervision of the business and affairs of the Company, subject, however, to the right of the Board of Directors, or the Executive Committee acting in its stead, to delegate any specific power to any other officer or officers of the Company, and the Chief Executive Officer shall see that all orders and resolutions of the Board of Directors and the Executive Committee are carried into effect. During such times when neither the Board of Directors nor the Executive Committee is in session, the Chief Executive Officer of the Company shall have and exercise full corporate authority and power to manage the business and affairs of the Company (except for matters required by law, the By-laws or the articles of consolidation to be exercised by the shareholders or Board itself or as may otherwise be specified by orders or resolutions of the Board) and the Chief Executive Officer shall take such actions, including executing contracts or other documents, as he deems necessary or appropriate in the ordinary course of the business and affairs of the Company. The Vice Presidents and other authorized persons are authorized to take actions which are (i) routinely required in the conduct of the Company's business or affairs, including execution of contracts and other documents incidental thereto, which are within their respective areas of assigned responsibility, and (ii) within the ordinary course of the Company's business or affairs as may be delegated to them respectively by the Chief Executive Officer.

Section 2. The Chairman of the Board shall preside at all meetings of the shareholders and at all meetings of the Board of Directors, and shall perform such other duties as the Board of Directors shall from time to time prescribe, including, if so designated by the Board of Directors, the duties of Chief Executive Officer.

Section 3. The President, if not designated Chief Executive Officer, shall perform such duties and exercise such powers as shall be assigned to him from time to time by the Board of Directors or the Chief Executive Officer. In the absence of the Chairman of the Board, or if the position of Chairman of the Board be vacant, the President shall preside at all meetings of the shareholders and at all meetings of the Board of Directors.

Section 4. The Vice Presidents shall perform such duties and exercise such powers as shall be assigned to them from time to time by the Board of Directors or the Chief Executive Officer.

Section 5. The Secretary shall attend all meetings of the shareholders, the Board of Directors and the Executive Committee, and shall keep the minutes of such meetings. He shall give, or cause to be given, notice of all meetings of the shareholders, the Board of Directors and the Executive Committee, and shall perform such other duties as may be prescribed by the Board of Directors or the Chief Executive Officer. He shall be the custodian of the seal of the Company and shall affix the same to any instrument requiring it and, when so affixed, shall attest it by his signature. He shall, in general, perform all duties incident to the office of secretary.

Section 6. The Assistant Secretaries shall perform such of the duties and exercise such of the powers of the Secretary as shall be assigned to them from time to time by the Board of Directors or the Chief Executive Officer or the Secretary, and shall perform such other duties as the Board of Directors or the Chief Executive Officer shall from time to time prescribe.

Section 7. The Treasurer shall have the custody of all moneys and securities of the Company. He is authorized to collect and receive all moneys due the Company and to receipt therefor, and to endorse in the name of the Company and on its behalf when necessary or proper all checks, drafts, vouchers or other instruments for the payment of money to the Company and to deposit the same to the credit of the Company in such depositories as may be designated by the Board of Directors. He is authorized to pay interest on obligations and dividends on stocks of the Company when due and payable. He shall, when necessary or proper, disburse the funds of the Company, taking proper vouchers for such disbursements. He shall render to the Board of Directors and the Chief Executive Officer, whenever they may require it, an account of all his transactions as Treasurer and of the financial condition of the Company. He shall perform such other duties as may be prescribed by the Board of Directors or the Chief Executive Officer. He shall, in general, perform all duties incident to the office of treasurer.

Section 8. The Assistant Treasurers shall perform such of the duties and exercise such of the powers of the Treasurer as shall be assigned to them from time to time by the Board of Directors or the Chief Executive Officer or the Treasurer, and shall perform such other duties as the Board of Directors or the Chief Executive Officer shall from time to time prescribe.

Section 9. The Board of Directors may, by resolution, require any officer to give the Company a bond (which shall be renewed every six years) in such sum and with such surety or sureties as shall be satisfactory to the Board for the faithful performance of the duties of his office and for the restoration to the Company, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control and belonging to the Company.

Section 10. In the case of absence or disability or refusal to act of any officer of the Company, other than the Chairman of the Board, the Chief Executive Officer may delegate the powers and duties of such officer to any other officer or other person unless otherwise ordered by the Board of Directors.

Section 11. The Chairman of the Board, the President, the Vice Presidents and any other person duly authorized by resolution of the Board of Directors shall severally have power to execute on behalf of the Company any deed, bond, indenture, certificate, note, contract or other instrument authorized or approved by the Board of Directors.

Section 12. Unless otherwise ordered by the Board of Directors, the Chairman of the Board, the President or any Vice President of the Company (a) shall have full power and authority to attend and to act and vote, in the name and on behalf of this Company, at any meeting of shareholders of any corporation in which this Company may hold stock, and at any such meeting shall possess and may exercise any and all of the rights and powers incident to the ownership of such stock, and (b) shall have full power and authority to execute, in the name and on behalf of this Company, proxies authorizing any suitable person or persons to act and to vote at any meeting of shareholders of any corporation in which this Company may hold stock, and at any such meeting the person or persons so designated shall possess and may exercise any and all of the rights and powers incident to the ownership of such stock.

## ARTICLE VI

### Certificates of Stock

Section 1. The Board of Directors shall provide for the issue, transfer and registration of the certificates representing the shares of capital stock of the Company, and shall appoint the necessary officers, transfer agents and registrars for that purpose.

Section 2. Until otherwise ordered by the Board of Directors, stock certificates shall be signed by the President or a Vice President and by the Secretary or an Assistant Secretary or the Treasurer or an Assistant Treasurer, and sealed with the seal of the Company. Such seal may be facsimile, engraved or printed. In case any officer or officers who shall have signed, or whose facsimile signature or signatures shall have been used on, any stock certificate or certificates shall cease to be such officer or officers of the Company, whether because of death, resignation or otherwise, before such certificate or certificates shall have been delivered by the Company, such certificate or certificates may nevertheless be issued by the Company with the same effect as if the person or persons who signed such certificate or certificates or whose facsimile signature or signatures shall have been used thereon had not ceased to be such officer or officers of the Company.

Section 3. Transfers of stock shall be made on the books of the Company only by the person in whose name such stock is registered or by his attorney lawfully constituted in writing, and unless otherwise authorized by the Board of Directors only on surrender and cancellation of the certificate transferred. No stock certificate shall be issued to a transferee until the transfer has been made on the books of the Company.

Section 4. The Company shall be entitled to treat the person in whose name any share of stock is registered as the owner thereof, for all purposes, and shall not be bound to recognize any equitable or other claim to or interest in such share on the part of any other person, whether or not it shall have notice thereof, except as otherwise expressly provided by the laws of Missouri.

Section 5. In case of the loss or destruction of any certificate for shares of the Company, a new certificate may be issued in lieu thereof under such regulations and conditions as the Board of Directors may from time to time prescribe.

## ARTICLE VII

### Closing of Transfer Books

The Board of Directors shall have power to close the stock transfer books of the Company for a period not exceeding seventy days preceding the date of any meeting of shareholders or the date for payment of any dividend or the date for the allotment of rights or the date when any change or conversion or exchange of shares shall go into effect; provided, however, that in lieu of closing the stock transfer books as aforesaid, the Board of Directors may fix in advance a date, not exceeding seventy days preceding the date of any meeting of shareholders, or the date for the payment of any dividend, or the date for the allotment of rights, or the date when any change or conversion or exchange of shares shall go into effect, as a record date for the determination of the shareholders entitled to notice of, and to vote at, any such meeting, and any adjournment thereof, or entitled to receive payment of any such dividend, or to any such allotment of rights, or to

exercise the rights in respect of any such change, conversion or exchange of shares, and in such case such shareholders and only such shareholders as shall be shareholders of record on the date of closing the transfer books or on the record date so fixed shall be entitled to notice of, and to vote at, such meeting and any adjournment thereof, or to receive payment of such dividend, or to receive such allotment of rights, or to exercise such rights, as the case may be, notwithstanding any transfer of any shares on the books of the Company after such date of closing of the transfer books or such record date fixed as aforesaid.

## ARTICLE VIII

### Inspection of Books

Section 1. A shareholder shall have the right to inspect books of the Company only to the extent such right may be conferred by law, by the articles of consolidation, by the By-laws or by resolution of the Board of Directors.

Section 2. Any shareholder desiring to examine books of the Company shall present a demand to that effect in writing to the President or the Secretary or the Treasurer of the Company. Such demand shall state:

- (a) the particular books which he desires to examine;
- (b) the purpose for which he desires to make the examination;
- (c) the date on which the examination is desired;
- (d) the probable duration of time the examination will require; and
- (e) the names of the persons who will be present at the examination.

Within three days after receipt of such demand, the President or the Secretary or the Treasurer shall, if the shareholder's purpose be lawful, notify the shareholder making the demand of the time and place the examination may be made.

Section 3. The right to inspect books of the Company may be exercised only at such times as the Company's registered office is normally open for business and may be limited to four hours on any one day.

Section 4. The Company shall not be liable for expenses incurred in connection with any inspection of its books.



ARTICLE IX

Corporate Seal

The corporate seal of the Company shall have inscribed thereon the name of the Company and the words "Corporate Seal", "Missouri" and "1922".

ARTICLE X

Fiscal Year

Section 1. The fiscal year of the Company shall be the calendar year.

Section 2. As soon as practicable after the close of each fiscal year, the Board of Directors shall cause a report of the business and affairs of the Company to be made to the shareholders.

ARTICLE XI

Waiver of Notice

Whenever by statute or by the articles of consolidation or by these By-laws any notice whatever is required to be given, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

ARTICLE XII

Indemnification by the Company

[Deleted].

## ARTICLE XIII

### Amendments

The Board of Directors may make, alter, amend or repeal By-laws of the Company by a majority vote of the whole Board of Directors at any regular meeting of the Board or at any special meeting of the Board if notice thereof has been given in the notice of such special meeting. Nothing in this Article shall be construed to limit the power of the shareholders to make, alter, amend or repeal By-laws of the Company at any annual or special meeting of shareholders by a majority vote of the shareholders present and entitled to vote at such meeting, provided a quorum is present.

## KANSAS CITY POWER &amp; LIGHT COMPANY

## COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES

	1998	1997	1996 (Thousands)	1995	1994
Net income	\$120,722	\$76,560	\$108,171	\$122,586	\$104,775
Add:					
Taxes on income	32,800	8,079	31,753	66,803	66,377
Kansas City earnings tax	864	392	558	958	524
Total taxes on income	33,664	8,471	32,311	67,761	66,901
Interest on value of leased property	8,482	8,309	8,301	8,269	6,732
Interest on long-term debt	57,012	60,298	53,939	52,184	43,962
Interest on short-term debt	295	1,382	1,251	1,189	1,170
Mandatorily redeemable Preferred Securities	12,450	8,853	0	0	0
Other interest expense and amortization	4,457	3,990	4,840	3,112	4,128
Total fixed charges	82,696	82,832	68,331	64,754	55,992
Earnings before taxes on income and fixed charges	\$237,082	\$167,863	\$208,813	\$255,101	\$227,668
Ratio of earnings to fixed charges	2.87	2.03	3.06	3.94	4.07

CONSENT OF COUNSEL

As Senior Vice President-Corporate Services, Corporate Secretary and Chief Legal Officer of Kansas City Power & Light Company, I have reviewed the statements as to matters of law and legal conclusions in the Annual Report on Form 10-K for the fiscal year ended December 31, 1998, and consent to the incorporation by reference of such statements in the Company's previously-filed Form S-3 Registration Statements (Registration No. 33-51799, Registration No. 333-17285, and Registration No. 333-18139) and Form S-8 Registration Statements (Registration No. 33-45618 and Registration No. 333-49353).

/s/Jeanie Sell Latz  
Jeanie Sell Latz

Kansas City, Missouri  
March 16, 1999

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the registration statement of Kansas City Power & Light Company on Form S-3 (File Nos. 33-51799, 333-17285 and 333-18139) and Form S-8 (File Nos. 33-45618 and 333-49353) of our report dated January 29, 1999, except with respect to the second paragraph of Note 14, as to which the date is February 17, 1999, on our audits of the consolidated financial statements of Kansas City Power & Light Company and Subsidiaries as of December 31, 1998 and 1997, and for the years ended December 31, 1998, 1997, and 1996, which report is included in this Annual Report on Form 10-K.

/s/PricewaterhouseCoopers LLP  
PricewaterhouseCoopers LLP

Kansas City, Missouri  
March 15, 1999

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned, a Director of Kansas City Power & Light Company, a Missouri corporation, does hereby constitute and appoint Drue Jennings or Jeanie Sell Latz, his true and lawful attorney and agent, with full power and authority to execute in the name and on behalf of the undersigned as such director an Annual Report on Form 10-K; hereby granting unto such attorney and agent full power of substitution and revocation in the premises; and hereby ratifying and confirming all that such attorney and agent may do or cause to be done by virtue of these presents.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 2nd day of February 1999.

/s/Bernard J. Beaudoin

STATE OF MISSOURI    )  
                              )    ss  
COUNTY OF JACKSON  )

On this 2nd day of February 1999, before me the undersigned, a Notary Public, personally appeared Bernard J. Beaudoin, to be known to be the person described in and who executed the foregoing instrument, and who, being by me first duly sworn, acknowledged that he executed the same as his free act and deed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal the day and year last above written.

/s/Jacquetta L. Hartman  
Notary Public

My Commission Expires:  
April 8, 2000

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned, a Director of Kansas City Power & Light Company, a Missouri corporation, does hereby constitute and appoint Drue Jennings or Jeanie Sell Latz, his true and lawful attorney and agent, with full power and authority to execute in the name and on behalf of the undersigned as such director an Annual Report on Form 10-K; hereby granting unto such attorney and agent full power of substitution and revocation in the premises; and hereby ratifying and confirming all that such attorney and agent may do or cause to be done by virtue of these presents.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 2nd day of February 1999.

/s/David L. Bodde

STATE OF MISSOURI     )  
                              )     ss  
COUNTY OF JACKSON    )

On this 2nd day of February 1999, before me the undersigned, a Notary Public, personally appeared David L. Bodde, to be known to be the person described in and who executed the foregoing instrument, and who, being by me first duly sworn, acknowledged that he executed the same as his free act and deed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal the day and year last above written.

/s/Jacquetta L. Hartman  
Notary Public

My Commission Expires:  
April 8, 2000

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned, a Director of Kansas City Power & Light Company, a Missouri corporation, does hereby constitute and appoint Drue Jennings or Jeanie Sell Latz, his true and lawful attorney and agent, with full power and authority to execute in the name and on behalf of the undersigned as such director an Annual Report on Form 10-K; hereby granting unto such attorney and agent full power of substitution and revocation in the premises; and hereby ratifying and confirming all that such attorney and agent may do or cause to be done by virtue of these presents.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 2nd day of February 1999.

/s/William H. Clark

STATE OF MISSOURI    )  
                          )    ss  
COUNTY OF JACKSON    )

On this 2nd day of February 1999, before me the undersigned, a Notary Public, personally appeared William H. Clark, to be known to be the person described in and who executed the foregoing instrument, and who, being by me first duly sworn, acknowledged that he executed the same as his free act and deed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal the day and year last above written.

/s/Jacquetta L. Hartman  
Notary Public

My Commission Expires:

April 8, 2000



POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned, a Director of Kansas City Power & Light Company, a Missouri corporation, does hereby constitute and appoint Drue Jennings or Jeanie Sell Latz, his true and lawful attorney and agent, with full power and authority to execute in the name and on behalf of the undersigned as such director an Annual Report on Form 10-K; hereby granting unto such attorney and agent full power of substitution and revocation in the premises; and hereby ratifying and confirming all that such attorney and agent may do or cause to be done by virtue of these presents.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 2nd day of February 1999.

/s/Robert J. Dineen

STATE OF MISSOURI     )  
                                  )     ss  
COUNTY OF JACKSON    )

On this 2nd day of February 1999, before me the undersigned, a Notary Public, personally appeared Robert J. Dineen, to be known to be the person described in and who executed the foregoing instrument, and who, being by me first duly sworn, acknowledged that he executed the same as his free act and deed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal the day and year last above written.

/s/Jacquetta L. Hartman  
Notary Public

My Commission Expires:

April 8, 2000

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned, a Director of Kansas City Power & Light Company, a Missouri corporation, does hereby constitute and appoint Drue Jennings or Jeanie Sell Latz, his true and lawful attorney and agent, with full power and authority to execute in the name and on behalf of the undersigned as such director an Annual Report on Form 10-K; hereby granting unto such attorney and agent full power of substitution and revocation in the premises; and hereby ratifying and confirming all that such attorney and agent may do or cause to be done by virtue of these presents.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 2nd day of February 1999.

/s/Arthur J. Doyle

STATE OF MISSOURI    )  
                          )    ss  
COUNTY OF JACKSON   )

On this 2nd day of February 1999, before me the undersigned, a Notary Public, personally appeared Arthur J. Doyle, to be known to be the person described in and who executed the foregoing instrument, and who, being by me first duly sworn, acknowledged that he executed the same as his free act and deed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal the day and year last above written.

/s/Jacquetta L. Hartman  
Notary Public

My Commission Expires:

April 8, 2000

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned, a Director of Kansas City Power & Light Company, a Missouri corporation, does hereby constitute and appoint Drue Jennings or Jeanie Sell Latz, his true and lawful attorney and agent, with full power and authority to execute in the name and on behalf of the undersigned as such director an Annual Report on Form 10-K; hereby granting unto such attorney and agent full power of substitution and revocation in the premises; and hereby ratifying and confirming all that such attorney and agent may do or cause to be done by virtue of these presents.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 2nd day of February 1999.

/s/W. Thomas Grant II

STATE OF MISSOURI     )  
                              )     ss  
COUNTY OF JACKSON    )

On this 2nd day of February 1999, before me the undersigned, a Notary Public, personally appeared W. Thomas Grant II, to be known to be the person described in and who executed the foregoing instrument, and who, being by me first duly sworn, acknowledged that he executed the same as his free act and deed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal the day and year last above written.

/s/Jacquetta L. Hartman  
Notary Public

My Commission Expires:

April 8, 2000

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned, a Director of Kansas City Power & Light Company, a Missouri corporation, does hereby constitute and appoint Drue Jennings or Jeanie Sell Latz, his true and lawful attorney and agent, with full power and authority to execute in the name and on behalf of the undersigned as such director an Annual Report on Form 10-K; hereby granting unto such attorney and agent full power of substitution and revocation in the premises; and hereby ratifying and confirming all that such attorney and agent may do or cause to be done by virtue of these presents.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 2nd day of February 1999.

/s/George E. Nettels, Jr.

STATE OF MISSOURI    )  
                          )    ss  
COUNTY OF JACKSON    )

On this 2nd day of February 1999, before me the undersigned, a Notary Public, personally appeared George E. Nettels, Jr., to be known to be the person described in and who executed the foregoing instrument, and who, being by me first duly sworn, acknowledged that he executed the same as his free act and deed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal the day and year last above written.

/s/Jacquetta L. Hartman  
Notary Public

My Commission Expires:

April 8, 2000

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned, a Director of Kansas City Power & Light Company, a Missouri corporation, does hereby constitute and appoint Drue Jennings or Jeanie Sell Latz, her true and lawful attorney and agent, with full power and authority to execute in the name and on behalf of the undersigned as such director an Annual Report on Form 10-K; hereby granting unto such attorney and agent full power of substitution and revocation in the premises; and hereby ratifying and confirming all that such attorney and agent may do or cause to be done by virtue of these presents.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 2nd day of February 1999.

/s/Linda H. Talbott

STATE OF MISSOURI    )  
                          )    ss  
COUNTY OF JACKSON    )

On this 2nd day of February 1999, before me the undersigned, a Notary Public, personally appeared Linda H. Talbott, to be known to be the person described in and who executed the foregoing instrument, and who, being by me first duly sworn, acknowledged that she executed the same as her free act and deed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal the day and year last above written.

/s/Jacquetta L. Hartman  
Notary Public

My Commission Expires:

April 8, 2000

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned, a Director of Kansas City Power & Light Company, a Missouri corporation, does hereby constitute and appoint Drue Jennings or Jeanie Sell Latz, his true and lawful attorney and agent, with full power and authority to execute in the name and on behalf of the undersigned as such director an Annual Report on Form 10-K; hereby granting unto such attorney and agent full power of substitution and revocation in the premises; and hereby ratifying and confirming all that such attorney and agent may do or cause to be done by virtue of these presents.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 2nd day of February 1999.

/s/Robert H. West

STATE OF MISSOURI     )  
                                  )     ss  
COUNTY OF JACKSON    )

On this 2nd day of February 1999, before me the undersigned, a Notary Public, personally appeared Robert H. West, to be known to be the person described in and who executed the foregoing instrument, and who, being by me first duly sworn, acknowledged that he executed the same as his free act and deed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal the day and year last above written.

/s/Jacquetta L. Hartman  
Notary Public

My Commission Expires:

April 8, 2000

UT  
1,000

YEAR	
Dec-31-1998	Dec-31-1998
	PER-BOOK
2,316,448	
343,247	
188,181	
164,488	
	0
	3,012,364
	449,697
(1,668)	
	443,699
891,802	
	62
	89,000
	749,283
	10,000
	0
0	
163,630	
	0
0	
	0
1,108,661	
3,012,364	
938,941	
	78,782
675,994	
754,776	
184,165	
	8,297
192,462	
	71,740
	120,722
3,884	
116,838	
101,495	
57,012	
302,663	
	1.89
	1.89