

Exhibit No.:
Issue: Strategic Rationale for Reorganization
Witness: A. Drue Jennings
Type of Exhibit: Direct Testimony
Sponsoring Party: KCPL
Case No. EM-2000-753
Date Testimony Prepared: September 14, 2000

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Service Commission

Direct Testimony

Of

A. Drue Jennings

On behalf of

Kansas City Power & Light Company

**DIRECT TESTIMONY
OF
A. DRUE JENNINGS
Chairman of the Board
and Chief Executive Officer
Kansas City Power & Light Company**

Case No. EM-2000-753

1 Q. PLEASE STATE YOUR NAME, POSITION AND BUSINESS ADDRESS.

2 A. My name is A. Drue Jennings, and my business address is 1201 Walnut Street,
3 Kansas City, Missouri 64106. I am employed by Kansas City Power & Light
4 Company ("KCPL") as Chairman of the Board and Chief Executive Officer.

5 Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

6 A. I am testifying on behalf of the Applicant in this proceeding, KCPL.

7 Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND
8 EXPERIENCE.

9 A. I earned a BS degree in Education (History Concentration) from the University
10 of Kansas in 1968. I taught American Government at Wyandotte High School
11 (Kansas City, Kansas) for one year before returning to law school at the
12 University of Kansas, where I received a Juris Doctor degree in 1972. From
13 1972 to 1974, I practiced law with a firm in Johnson County, Kansas, and I
14 joined KCPL's law department in March 1974. My legal work at KCPL was
15 varied, consisting of civil litigation, appellate practice, administrative law and
16 general corporate matters, but focused on regulatory law. From 1977 to 1986,
17 I represented KCPL in most of its major retail rate proceedings in Missouri and
18 Kansas. I was promoted to General Counsel in 1979, and Vice President -

1 General Counsel in 1983. I was named Senior Vice President-Marketing and
2 Public and Employee Relations in May 1986. I became President and a
3 Director of KCPL in May 1987 and Chief Executive Officer in May 1988.

4 Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS
5 PROCEEDING?

6 A. The purpose of my testimony is to describe the strategic rationale for the
7 proposed reorganization. Future filings in this case will address accounting,
8 financial, and operational issues in detail. However, I thought it was important
9 to provide some context in this first filing, as it primarily discusses the
10 functional organization of the companies.

11 Q. PLEASE DESCRIBE SCHEDULE ADJ-1 TO YOUR TESTIMONY.

12 A. Schedule ADJ-1 is a report describing the proposed functional organization of a
13 family of affiliated companies – specifically a holding company and three
14 wholly owned subsidiaries – KCPL Power, KCPL Delivery and KLT Inc. I
15 sponsor Section I of the Report, which, among other things, references the
16 rationale for the reorganization. Other sections of the Report are sponsored by
17 Marcus Jackson, Jeanie Latz and Nancy Moore.

18 Q. PLEASE SUMMARIZE THE PROPOSED REORGANIZATION.

19 A. The exact sequence of the necessary legal transactions is discussed in more
20 detail in Jeanie Latz's testimony. Briefly, however, a new, publicly traded
21 holding company will be formed, and KCPL's ownership interest in KLT Inc.
22 will be transferred to the holding company.

1 A new generation company, KCPL Power, will be formed and KCPL's existing
2 generating assets, liabilities, personnel, etc. will be transferred to the new
3 company. We are requesting that KCPL Power be designated an Exempt
4 Wholesale Generator. We are in the process of selecting permanent names for
5 the holding company and for KCPL Power.

6 KCPL Delivery will remain a regulated utility company performing
7 transmission, distribution and customer service functions. It will retain the
8 KCPL name. We anticipate that the transmission function in KCPL Delivery
9 soon will be a part of a Regional Transmission Organization.

10 There will be several operating agreements between the companies. Most
11 importantly, a cost-based power supply agreement between KCPL Power and
12 KCPL Delivery will ensure adequate, reliable and reasonably priced electricity
13 for retail customers. KCPL Delivery, however, also will solicit proposals from
14 the market for energy supply. In addition, the holding company will provide
15 certain shared services to the subsidiaries.

16 Q. WHY IS THERE A NEED FOR KCPL TO REORGANIZE?

17 A. There are several reasons, but the main reason is that this industry has changed
18 and continues to change dramatically. As a result, we have to change the way
19 we do business to maximize our chances for success as the industry evolves. In
20 the past few years, a new class of wholesale competitors has been created –
21 Exempt Wholesale Generators. The transmission systems of investor-owned
22 utilities have been made available to all participants in the wholesale market.
23 Retail electric competition has been implemented in a large portion of the

1 country. At the same time, fundamental changes in the economy have
2 intensified competition for investment capital. These developments, among
3 others, have given rise to business expectations and pressures that are new for
4 our industry and our company.

5 Q. HOW WOULD THE PROPOSED REORGANIZATION ASSIST KCPL IN
6 RESPONDING TO THESE CHANGES?

7 A. Today, KCPL is viewed by our customers, our competitors, and by the
8 financial community as a vertically integrated electric utility. In reality, what
9 we do every day has developed into different businesses. In the energy
10 marketplace, we compete and do business with pure generation companies, pure
11 delivery companies and pure retailers. In the capital marketplace, we are no
12 longer competing only with other vertically integrated utilities, but with every
13 kind of company imaginable. We believe that our utility company is
14 undervalued because of its current business structure. Our generation business
15 is fundamentally sound with a strong asset mix and low production costs. Our
16 delivery business has a modest but steady growth rate with a diversified
17 customer base and competitive rates. Our competitive businesses are focused
18 on four areas – telecommunications, natural gas development, retail energy
19 services and e-commerce. Separation of these businesses will reveal their true
20 aggregate value because their performance will be easily observable and
21 comparable to that of their competitors.

22 As I said, KCPL's daily activities already have developed into separate
23 businesses. Formalizing that separation will allow management to focus on,

1 and be held accountable for, the performance of a single business. The
2 individual companies will develop and implement business plans tailored to their
3 competitive environments. In addition, the different businesses have different
4 cultural requirements that will be defined and established as a part of this
5 process.

6 Q. WHAT BENEFITS WILL THIS REORGANIZATION BRING TO THE
7 RETAIL ELECTRIC CUSTOMERS OF KCPL?

8 A. Focusing the efforts and resources of management and staff on a single business
9 and a single set of customers will result in increased customer satisfaction. As I
10 indicated earlier, management and staff will be held accountable for realizing
11 that result. KCPL Delivery, among other things, will seek out and acquire the
12 most economical and reliable sources of energy. This means that KCPL retail
13 electric customers will enjoy the benefit of the best prices that the regional
14 wholesale energy market has to offer. In addition, to the extent that the
15 activities of KCPL Power and KCPL Delivery increase competition in the
16 regional wholesale market, the customer benefits of the restructuring will extend
17 beyond KCPL's customers.

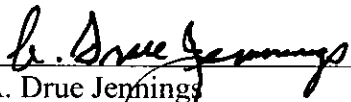
18 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

19 A. Yes, it does.

AFFIDAVIT

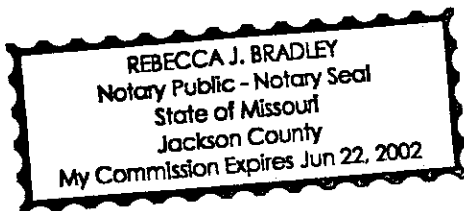
STATE OF MISSOURI)
)
COUNTY OF JACKSON) ss.


A. Drue Jennings, being first duly sworn, on his oath states: that he has participated in the preparation of the foregoing written testimony, in question and answer form, to be presented to the Public Service Commission of the State of Missouri; that the answers therein contained were given by him; that he has knowledge of the matters set forth in said answers; and that such answers are true to the best of his knowledge and belief.



A. Drue Jennings

Subscribed and sworn to before me this 6th day of September, 2000.





Notary Public

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

Case No. EM-2000-753

I. INTRODUCTION

This report will detail the functional reorganization of Kansas City Power & Light Company (KCPL) into three separate companies – a new holding company (HoldingCo), a new generation company (KCPL Power), and a transmission/distribution utility company (KCPL Delivery). This report describes major functions currently being performed and any additional functions that may be required for operation of the separate companies. The report also will discuss the services needed by the companies and how those services will be provided at competitive prices and in a manner that maintains or enhances customer service and reliability. As detailed later in this report, HoldingCo will contain and provide both Corporate Services and Shared Services to its subsidiary companies.

As discussed in the Application, KCPL believes this reorganization will maximize its opportunities for competitive success in an industry where profound changes occur at a rapidly escalating rate. This competitive success, in turn, will ensure a continuing ability to provide reliable and reasonably priced regulated retail electric service. The functional separation of assets and services described in this report is a necessary part of this reorganization and will be transparent to KCPL's customers.

Section II of this report describes the organizational design process. Section III details organizational functions of HoldingCo and its governance

oversight of the subsidiary companies. Section IV describes the structure of KCPL Power, and Section V describes the structure of KCPL Delivery. Section VI briefly addresses KLT Inc.

The organizational structure outlined in this report is being used to develop more detailed information that will be necessary to implement the reorganization of KCPL into separate business units and later into separate companies. In the next filing, currently scheduled for December 14, 2000, the following testimony and exhibits will be provided:

- A detailed description of assets to be allocated to each company and the book value of those assets
- Any necessary forms of agreement for transfer of assets
- A description of the accounting system and method(s) to assign and allocate costs to the companies
- Affiliate transaction procedures, any necessary forms of agreement, and any necessary requests for waivers or determinations under affiliate transaction regulations.
- A functional separation of KCPL's current revenue requirement

II. DESCRIPTION OF THE ORGANIZATION DESIGN PROCESS

Anticipating current and future requirements of a competitive electric industry, KCPL, in 1999, studied the feasibility and value of transforming a vertically integrated electric utility company into functionally disaggregated companies. Three executive groups were formed to research alternative business designs for *generation/transmission*, *retail services/distribution*, and *shared services*. The ultimate goal was to determine whether, in a competitive environment, the aggregate value to the shareholder of the separate business units would be greater than the vertically integrated model, and whether

customers would be better served by more management focus on each of the business segments.

In early 2000, KCPL announced its intent to restructure the company to meet future challenges associated with retail competition. Immediately following the announcement, restructuring teams led by officers of the company were established. These teams were charged with the responsibility of organizing and implementing the reorganization. Consistent with the goals of the reorganization, the teams considered how to maximize benefits to customers, shareholders, and employees. This included, more specifically, ensuring that after the reorganization customer service and reliability would be maintained or enhanced, and prices would be reasonable.

A project coordinator was named to lead the restructuring project. Eight groups were formed. (See chart below.) Individuals were assigned to specific groups based on their placement in the current organization and their subject matter expertise.

Restructuring Project Groups	
	Corporate
	Regulatory
	Financial
	Refinancing
	Infrastructure & Services
	Power
	Delivery/Customer Services
	Name

The Corporate Group was established to address transactional, tax, refinancing and legal issues related to restructuring the company into a holding company with three subsidiaries.

The Regulatory Group was established to manage the process of obtaining regulatory approvals for the reorganization from the Missouri Public Service Commission (MPSC), Kansas Corporation Commission (KCC), Federal Energy Regulatory Commission (FERC), Nuclear Regulatory Commission (NRC) and Securities and Exchange Commission (SEC). Group members also are involved as needed in financial and accounting analysis.

The Finance Group was established to create financial models for and assess the financial performance of the individual companies following the reorganization.

The Refinancing Group was established to manage the debt refinancing necessitated by the reorganization.

The Infrastructure & Services Group was established to develop an organizational structure that ensured each company had access to necessary services, and that these services were of high quality and competitively priced. This process began by developing a consensus as to future industry requirements, detailing and defining current business processes, and designing a future functional business model. External factors such as financial, regulatory and competitive issues played a key role in the process. Working with the Power and Delivery/Customer Services groups, the Infrastructure and Services Group mapped the processes and documented the support services needed to support

the generation and delivery of electricity. The following information was gathered and used in this process:

- Process title
- Process description
- Main objectives of the process
- Customers (internal or external)
- Support policies
- Process triggers and process outputs
- Process activities
- Functional department (where the process resides)
- Name of supporting Information Technology (IT) systems
- Key performance measures
- Key skills required to support/manage process
- Owner of the process
- Key Issues
- Success criteria

This data was collected, organized and analyzed to construct the organizational design outlined in this report

The Power and Delivery/Customer Services groups were established to plan, organize and implement the separation of the assets, systems, processes and employees of a vertically-integrated utility into distinct power and delivery companies. These groups also will develop business plans for KCPL Power and KCPL Delivery.

The Name Group was established to select and protect a permanent name for KCPL Power and HoldingCo.

III. ORGANIZATION OF HOLDINGCO

Schedule A to this report shows the proposed holding company design, including the structural relationship with KCPL Power, KCPL Delivery, and KLT Inc. HoldingCo consists of two major functional groups, Corporate Services and

Shared Services, as well as an Advisory Committee. HoldingCo will provide certain services to all subsidiary companies. Service Level Agreements (SLAs) that define service levels and costs will be negotiated between HoldingCo and each of the subsidiaries for Shared Services. HoldingCo services will be billed to the subsidiary companies using traditional direct charge or cost allocation methodologies. Each subsidiary will determine the services needed.

HoldingCo's management will include a Chief Executive Officer (CEO) and President. The organizational model is designed to promote the autonomy of each business unit and to formalize the separation from its affiliated companies. KCPL Power, KCPL Delivery, and KLT Inc. each will have its own executive management, and HoldingCo will be the sole shareholder of each subsidiary. HoldingCo's management will have responsibility for HoldingCo and ultimate oversight of each subsidiary company.

The HoldingCo Advisory Committee will consist of designated officers from HoldingCo and each subsidiary. The Committee's role will be to ensure that major functional changes in any entity do not adversely impact HoldingCo or another subsidiary. Schedule B to this report illustrates the relationship between HoldingCo, the Advisory Committee, and the remainder of the organization.

Corporate Services (see Schedule C to this report) consists of the services that are necessary for HoldingCo to meet its legal, fiduciary, and financial obligations as a publicly-traded corporation. These services initially will include corporate secretary, strategic planning, environmental services, audit services, research and development (R&D), corporate security, shareholder

relations, investor relations, corporate communications, governmental affairs, treasury, corporate accounting, corporate reporting, tax, corporate budgeting, leadership, and diversity. Schedule D to this report describes each of these services. The subsidiaries will be required to provide information to, and use information from, Corporate Services.

Costs for these services, for the most part, cannot be assigned or billed directly to a specific subsidiary. When the service cannot be directly billed to specific subsidiary, an appropriate allocation factor will be used. Allocation methodologies for Corporate Services will be detailed in the filing scheduled for December 14, 2000.

Shared Services (see Schedule E to this report) will provide a variety of human resource, support, IT, financial, and administrative services to HoldingCo and its subsidiaries. Sharing these services will provide maximum value through economy of scale and scope. These services initially will include employee benefits, employee relations, employee compensation, employee involvement, employee training, safety and medical, mail and document processing services (DPS), facility management, legal services, security (physical plant and employee) services, purchasing, telecommunications, network services, mapping and drafting services, IT security, system delivery and operations, infrastructure management, accounts payable, payroll, customer billing, cashier services, cash management services, insurance, contract management, account management, and invoicing and charge-back services. Schedule F to this report describes each service listed above. These services are not considered to be core

competencies for the subsidiary companies. In the future, and subject to review by the Advisory Committee, a subsidiary company may decide to request competitive bids for one or more of these services. Costs for these services will be assigned or billed directly to a specific subsidiary based on the type and amount of services utilized. Costing methodologies for shared services will be detailed in the filing scheduled for December 14, 2000.

IV. ORGANIZATION OF KCPL POWER

KCPL Power will own production-related assets and will sell electric capacity and energy and certain ancillary services in the wholesale market. All management, staff and functions related to the traditional generation function within the electric utility will be consolidated into KCPL Power. Other services that are heavily utilized by and essential to the generation business, such as engineering and material management and control, also will be included within the organization. As discussed in the previous section, Shared Services will be offered to KCPL Power from their centralized location in a Shared Services group under HoldingCo.

KCPL Power will direct, manage, and control all construction and operating services related to generation. KCPL Power personnel will perform activities in an efficient, cost-effective and coordinated manner that provides safe, reliable and competitively priced electricity to the marketplace. The management of KCPL Power will make the strategic decisions for the Company.

Schedule G to this report illustrates the functional organization of KCPL Power. It is divided into five primary areas -- manage and control, business

development, operations and maintenance, capital asset management, and project finance. Functions within each area are described in Schedule H to this report.

Manage & Control. Primary functions in this area include operational decisions, strategy and development, government and regulatory, performance management, and capital budgeting.

Business Development. Strategy implementation will be a key responsibility of this area. Managing project schedules and reaching growth targets will be a primary focus of business development. Functions in this area include acquisitions, project development, and construction. As KCPL Power begins to operate as an autonomous business for HoldingCo, these skills will be obtained by transferring existing employees or hiring new employees from outside the current organization.

Operations and Maintenance. This area will consist of functions such as operations and fuels, maintenance, engineering, fleet services, and material management and control. Personnel to support these functions may be located centrally or at the generating stations.

Capital Asset Management. This area includes risk management, pricing analysis, system operations and fulfillment, energy trading, and transaction accounting. This will be a significant function for KCPL Power. Effective administration and management of energy contracts, scheduling physical energy transactions, and performing pricing analysis ensures competitively priced generation. KCPL historically has been proficient in these areas.

Project Finance. Providing project financing will enable KCPL Power to finance projects and create value. Because of the broader scope of projects and ownership options, KCPL Power will have significant financial autonomy and significant accountability. This will be a new function to KCPL Power. Existing employees with the necessary expertise may be transferred, and/or new employees with different skills may be hired to perform these duties. Supplemental support to the Project Finance function initially will come from HoldingCo.

KCPL Power will own, manage and operate the generation facilities described in Schedule I to this report.¹ KCPL Power will utilize its generating assets to provide native load capacity and energy to KCPL Delivery through a power supply agreement. It also intends to respond to requests for proposals for wholesale electric services from retail electric providers, wholesale marketers, load aggregators, electric cooperatives and municipalities.

V. ORGANIZATION OF KCPL DELIVERY

KCPL Delivery will own transmission and distribution assets, and provide transmission and distribution services. This will include metering and traditional customer service functions.

KCPL believes that the separation of the delivery function will produce additional efficiencies and better position the delivery business to operate successfully in a competitive market. All management, staff and functions

¹ KCPL currently owns all of its generation facilities with the exception of Hawthorn 6, which it leases. That lease will be transferred to KCPL Power. Wolf Creek currently is operated by the Wolf Creek Nuclear Operating Corporation (WCNOC). WCNOC will continue to operate Wolf Creek after the reorganization.

related to transmission and distribution will be consolidated into KCPL Delivery. Services that are heavily used by, and essential to the transmission and delivery functions will remain embedded within KCPL Delivery. Examples of such services are regulatory affairs and compliance, customer service, engineering field support, metering/data collection, field fleet services, material management and control, and shop and laboratory services. As discussed earlier in this report, Shared Services will be offered to KCPL Delivery from their centralized location in a Shared Services group under HoldingCo.

KCPL Delivery will direct, manage, and control all utility transmission and distribution services. This will include management and direction of all personnel providing transmission and distribution services and control of KCPL Delivery assets. KCPL Delivery personnel will continue to perform activities in an efficient, cost-effective and coordinated manner that ensures safe, reliable and reasonably priced service to customers.

Schedule J to this report illustrates the functional organization of KCPL Delivery. The Company is divided into four primary areas: manage and control; asset management; retail operations; and support services and administration. Functions within each area are described in Schedule K to this report.

Manage & Control. Primary functions in this area include operational decisions, strategy and development, regulatory affairs and compliance, performance management, and capital budgeting.

Asset Management. This area includes system operations, engineering field support, system maintenance, construction, and network planning and

design. As is the case today, effective planning, maintenance, and repair activities and day-to-day operations of the distribution, transmission, and sub-transmission systems will focus on safety, reliability and efficiency. Supplemental support to the asset management function will come from HoldingCo.

Retail Operations. KCPL Delivery will be responsible for customer relations management (customer service), community relations, commodity risk management (including procurement), credit and collection, and fulfillment. Effective administration and management of power supply agreements and other energy-related contracts, efficient scheduling of energy transactions, and price forecasting will ensure that electric supplies will be reliable and competitively priced. Customer interactions concerning customer damage claims, customer connects/disconnects, general billing inquiries, storm/outage recovery, customer changes to service, public safety education, and community relations will continue to be part of KCPL Delivery. Personnel required to support these functions will be located in central and in field offices throughout the service territory.

Support Services & Administration. Internal support services needed at KCPL Delivery include metering and data collection, field fleet services, material management and control, shop and laboratory services and budget and forecasting.

During the restructuring process, existing employees and new employees with required skills will be selected to work in KCPL Delivery's functional areas.

The KCPL Delivery certificated service area will not change. Retail electric customers of KCPL Delivery will continue to receive retail electrical service pursuant to tariffs approved by the MPSC and KCC. Initially, KCPL Power will supply most if not all power requirements. KCPL Delivery will retain the obligation of providing for adequate electric supply, and its procurement of energy will be based on that fact. The form of power supply agreement between KCPL Delivery and KCPL Power is scheduled to be filed with the Commission on March 15, 2001. Other operational issues between KCPL Power and KCPL Delivery such as interconnection, network integration transmission service, transmission switchyard use and ancillary services will be addressed in that filing to the extent that it is necessary to do so.

VI. KLT INC.'S RELATIONSHIP TO HOLDINGCO

KLT Inc. is a wholly owned subsidiary of KCPL that is involved in competitive business ventures. Its purpose is to develop businesses that will provide earnings and economic value. KLT Inc. manages a portfolio of companies and holdings in a variety of areas including energy services, gas, telecommunications, and investments (see Schedule L to this report).

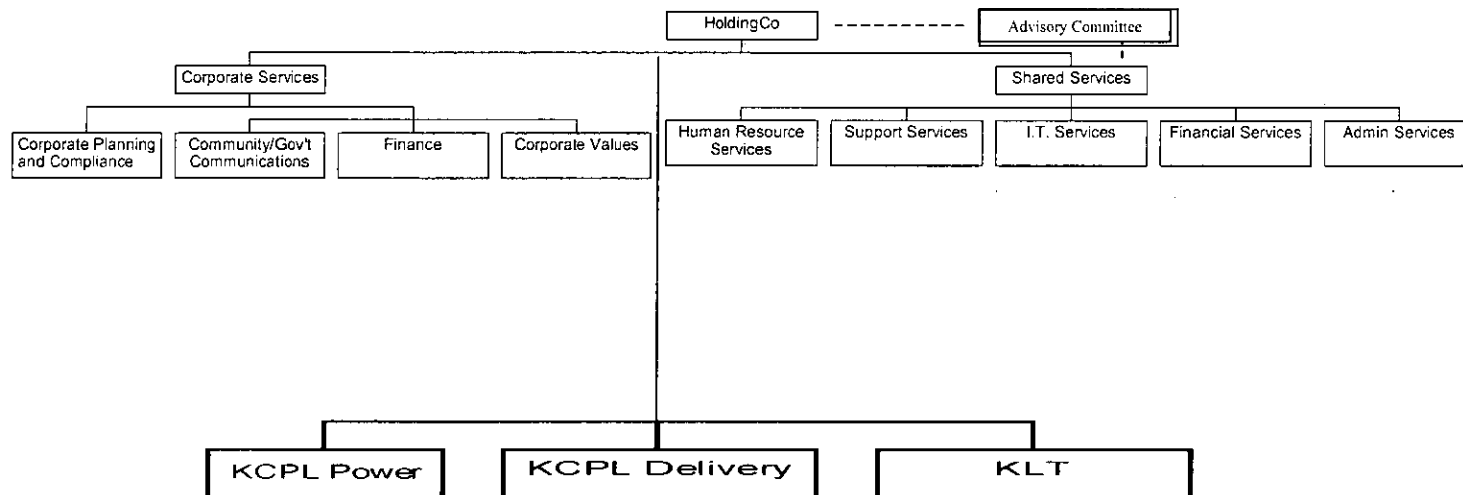
At the time of the structural reorganization, ownership of KLT Inc. will be transferred to HoldingCo. KLT Inc. will continue to interact with HoldingCo's Corporate Services groups and may use Shared Services. Corporate Services will be allocated to KLT Inc. Any Shared Service used by KLT Inc. will be assigned or billed directly to it.

VII. SUMMARY

The internal, functional reorganization of KCPL into separate business units is underway and will proceed as quickly as possible. Both the functional and, later, the structural reorganization will be transparent to the customer. The reorganization, of itself, should not increase the overall number of employees. Service Level Agreements and pre-established allocation and billing rates will allow HoldingCo to provide KCPL Power, KCPL Delivery, and KLT Inc. with necessary services at competitive rates. KCPL Power will provide wholesale generation services on competitive terms and conditions. KCPL Delivery will continue to be regulated as a public utility by the MPSC and KCC and will provide all electric transmission and distribution services. Other than contractual agreements for the supply and delivery of electric power, it is not anticipated that KCPL Power and KCPL Delivery will provide services to each other. If these instances do arise, any relevant affiliate transactions rules will apply. KLT Inc. will continue to operate and manage its non-regulated investment portfolio.

HoldingCo

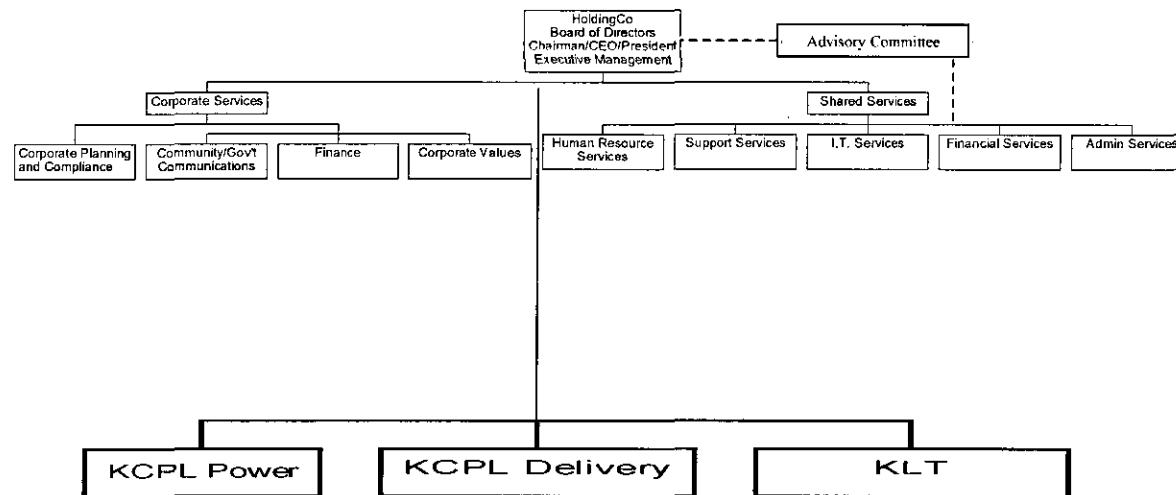
Schedule A



NOTE: This is a functional organizational chart.

HoldingCo

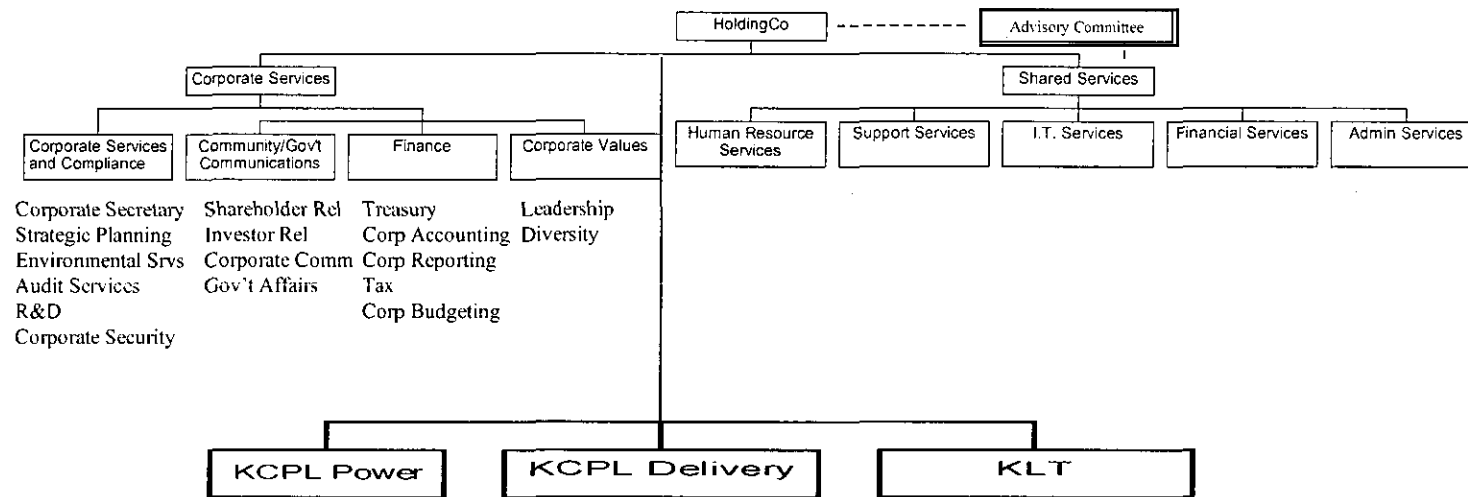
Schedule B



NOTE: This is a functional organizational chart.

HoldingCo

Schedule C



NOTE: This is a functional organizational chart.

Corporate Services
Service Description

Corporate Planning and Compliance

Corporate Secretary assists in the preparation and review of financial reports that are provided to shareholders, the Securities and Exchange Commission, potential investors and other interested parties. It also works with the Board of Directors and maintains all required corporate documentation.

Strategic Planning develops and monitors long-range corporate financial goals and strategies (capital structure/asset allocation and strategic corporate integrated long-range resource plans).

Environmental Services manages and monitors compliance with environmental regulations, environmental programs and oversees remediation.

Audit Services monitors internal control procedures to ensure compliance. In addition, it performs financial and information system audits.

Research & Development (R&D) manages research and development activities by participating in the Electric Power Research Institute and encouraging new technologies and experimentation.

Corporate Security develops and monitors employee, physical asset, and information technology security policies and standards.

Community/Governmental Communications

Shareholder Relations responds to retail investor inquiries (current and potential) and monitors and maintains all Company stock records.

Investor Relations communicates and responds to the financial analyst community regarding financial and strategic matters.

Corporate Communication is responsible for written and verbal communications with employees and the public.

Governmental Affairs provides legislative support and guidance on governmental matters.

Finance

Treasury manages, coordinates and administers all financing and cash requirements of HoldingCo and its subsidiaries. In addition, it assists Investor Relations in educating and updating the financial community on financial matters.

Corporate Accounting records all financial transactions relating to HoldingCo and its subsidiaries.

Corporate Reporting is responsible for preparing and filing all necessary financial statements included in the 10K, 10Q and the Annual Report.

Tax files returns, manages and monitors all tax issues involving HoldingCo and its subsidiaries and provides tax strategy.

Corporate Budgeting is responsible for the creation, coordination, analysis and revision of all capital and operating budgets for HoldingCo and its subsidiaries.

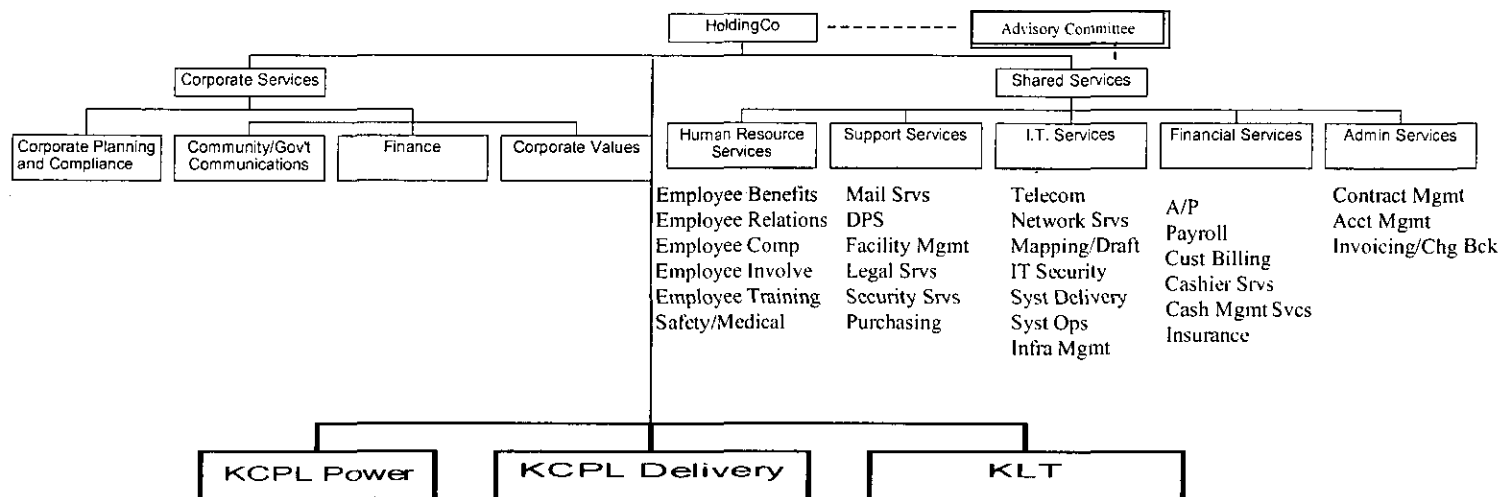
Corporate Values

Leadership provides for management and executive succession planning for HoldingCo and its subsidiaries including training.

Diversity is an ongoing process to effect change and capitalize on all talents within HoldingCo and its subsidiaries. In addition, it supports supplier diversity through the utilization of minority- and women-owned businesses.

HoldingCo

Schedule E



NOTE: This is a functional organizational chart.

Shared Services
Service Description

Human Resources

Employee Benefits develops and designs employee benefit programs and administers the programs fairly and consistently.

Employee Relations provides a variety of services and assistance to subsidiaries including negotiating union labor contracts, advising on labor contract compliance, facilitating the employee selection process (union and non-union positions), and administering skills testing,

Employee Compensation designs and administers compensation programs (base salary and incentive plans) to ensure performance and rewards are linked in a fair and equitable manner. The employee master information file is maintained by this function.

Employee Involvement encourages and facilitates employee participation in work teams, committees, task forces, quality circles, future search teams, and decision making.

Employee Training involves developing, administering and presenting a variety of technical, job performance, and employee development skills training.

Safety and Medical provides information, education and training for employees necessary to comply with governmental regulations and corporate policy and to provide electrical safety information to the public. It also provides medical services for treatment of employees sustaining work related injuries and illnesses and administers physical exams.

Support Services

Mail Services provides mail receipt, sort and delivery inside and outside the corporation.

Document Processing Services (DPS) provides document publishing and distribution services. It also provides graphic design capabilities and design, layout and production of signage and posters.

Facility Management oversees the operation of owned and leased facilities and maintains building grounds and equipment at acceptable and approved industry standards.

Legal Services includes contract and procedural review and negotiation, litigation, liability assessment, financing support for bankruptcy and collection,

regulatory support through representation and rule interpretation, and employment and labor relations investigations, union contracting, EEOC issues, and other employee matters.

Security Services includes a variety of personal and physical security services including facilities, property ingress/egress, investigations, and background checks. Employee security awareness includes workplace violence prevention, emergency planning, drug abuse, and security alerts. Disaster Recovery planning and drills are also provided by Security Services.

Purchasing processes requisitions for stock and non-stock materials, labor and contractors requested by business units. This includes negotiation of material and contract labor contracts to ensure quality and delivery of product and services. It also includes the disposal of obsolete assets. Procurement card and Travel & Entertainment card management occurs in Purchasing.

Information Technology (IT) Services

Telecommunications monitors and operates the wide area network infrastructure, the voice and data network, telephone services, and broadcast teleconferencing services.

Network Services provides internet, intranet, and extranet support and services, as well as web-enablement support and electronic messaging and calendaring support.

Mapping and Drafting Services creates, revises, and maintains maps, drawings, or blueprints related to generating stations, transmission substations and systems, and the distribution systems. It also maintains general office structure documents.

IT Security designs, develops, maintains, and manages the security of the information technology network. It checks for system vulnerabilities/threats and misuse and recommends security enhancements. Employee IT security awareness training is also conducted.

System Delivery provides user system support in a variety of ways. System Delivery maintains computer systems by providing data fixes, ad-hoc reporting, application extensions, program fixes, interface monitoring/controls, and process exception handling. It also develops new computer application systems by gathering system requirements, software evaluation, software installation and coding, data conversions, system testing, system training, and system implementation.

System Operations responsibilities include local area network design and management, desktop device procurement and support, data center

management, bill insert service, help desk support, and database hardware and software operating systems monitoring and support.

Infrastructure Management plans, designs, procures, builds and deploys, supports, troubleshoots, operates, and maintains servers, middleware, and networks.

Financial Services

Accounts Payable processes payments for all purchases and commitments by initiating authorized fund disbursements in compliance with company policy and procedures.

Payroll Services is responsible for all payments to the employees with the sole exception of medical reimbursements. This includes all wage and salary payments, bonus payments, worker compensation payroll, business expense reimbursements, tuition reimbursements, and any other cash payments an employee would receive from the Company. The department is also responsible for the payment of medical, life, and long term disability insurance premiums for the Company's employees.

Customer Billing is the process of producing and mailing customer bills.

Cashier Services collects cash data and monies from various payment sources and pay agents.

Cash Management Services manages daily cash balances including short-term borrowing and temporary investments, manages bank relationships, schedules daily cash disbursements, and implements and oversees electronic payments alternatives and disbursements.

Insurance protects the HoldingCo and its subsidiaries from property and general liability claims, workers' compensation claims, property damage claims that may be incurred or threatened.

Administrative Services

***Contract Management** negotiates and manages service level agreements between HoldingCo and its subsidiaries and between service groups and vendors.

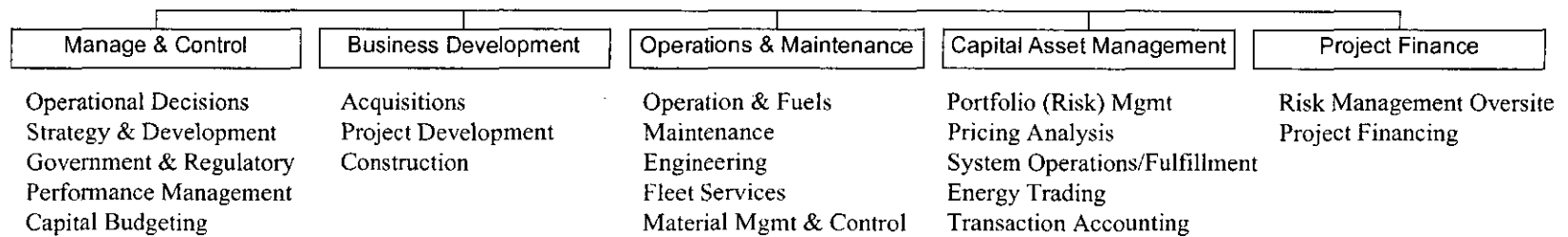
***Account Management** is the primary contact, and provides close interaction, with the subsidiaries to ensure service levels (performance) are in accordance with service level agreements and to anticipate service needs. This group will be responsible for resolving service level issues and managing relationships with

subsidiaries. It will also provide accountability reports to the service groups and subsidiaries.

***Invoicing/Charge-back Services** will determine the allocation, direct bill, or invoice amounts to be issued to subsidiaries in accordance with service level agreements and other services provided. It will also identify, analyze, and correct billing errors.

*Denotes new service or function.

KCPL Power



NOTE: This is a functional organizational chart.

KCPL Power
Function Description

Manage & Control

Operational Decisions made by this function determine the approaches to effectively generating power, guide what technologies are deployed, influence work practices, and determine performance measures for KCPL Power.

***Strategy and Development** will provide a strategic framework within which KCPL Power can operate to meet performance and financial goals and objectives. This also includes a continuous strategic planning process.

***Government and Regulatory** deals with state and federal legislatures and regulatory agencies regarding issues affecting the generation of electricity.

Performance Management consists of comparing financial performance of KCPL Power to its target levels and initiating corrective action such as deployment of new technologies, changes in capital expenditures, and personnel changes in management.

Capital Budgeting will provide complete project planning and will estimate future capital spending requirements for KCPL Power to meet the needs of system expansion, reliability improvements, system delivery, etc.

Business Development

***Acquisitions** will identify, analyze, negotiate, and close acquisitions of whole projects, whole companies, and project participation.

***Project Development** will identify and secure sites for constructing new generation as well as manage the regulatory and permitting process. Negotiating contracts for supply/construction of the generating facility and defining fuel and transmission capacity also will take place in Project Development.

Construction will manage the construction of new generation facilities with on-site presence, contract administration, contract coordination, and community relations.

Operations and Maintenance

Operations and Fuels covers the bulk of activities related to operating a power plant. Operation activities include but are not limited to scheduling generation, coordinating outages, and monitoring and controlling operations. The fuels function negotiates and manages fuel contracts (including fuel procurement).

Maintenance will plan, schedule, direct and evaluate the maintenance of fossil and gas fueled generation facilities. The Maintenance function also will ensure plant standards and practices are met.

Engineering Services will perform general engineering activities related to generating electricity.

Fleet Services will negotiate and administer leasing agreements and provide general administration and maintenance for all rolling stock at the power plants.

Material Management and Control will operate and maintain power plant storerooms and issue material and supplies from stock to field personnel (and handle restock returns).

Capital Asset Management

***Portfolio (Risk) Management** will develop pro forma financial projections, develop and execute hedge strategies, report financial and risk positions to the risk management committee, develop and monitor risk management trading and credit policy, perform second tier portfolio analysis of business development ventures, evaluate divestitures, and evaluate existing asset projects.

***Pricing Analysis** will develop market structural forward price curves, pricing for forward products and options using quantitative analysis methods and perform pricing structures for energy marketing deals. Development of new product and services and new markets will be handled by this function.

***System Operations and Fulfillment** dispatches electric generating assets and provides the fulfillment function for scheduling all physical energy and ancillary service transactions.

***Energy Trading** will trade energy products (both physical and financial derivatives), execute risk management hedging strategies, and manage and administer energy contracts by interfacing with Business Development and Portfolio Management.

***Transaction Accounting** provides energy accounting services for all energy transactions. It will also manage the billing and payment function, perform post transaction energy pricing, perform profitability analysis on specific contracts, and report activity to auditors and the controller.

Project Finance

***Risk Management Oversight** will provide key independent review and oversight of risk management processes and analysis completed in the Capital Asset Management function.

***Project Financing** will research, analyze, arrange, and carry out short-, medium-and long-term financing necessary to implement generation strategies and operations.

*Denotes new service or function.

Kansas City Power & Light Company

Projected Net Capacity – Summer 2001

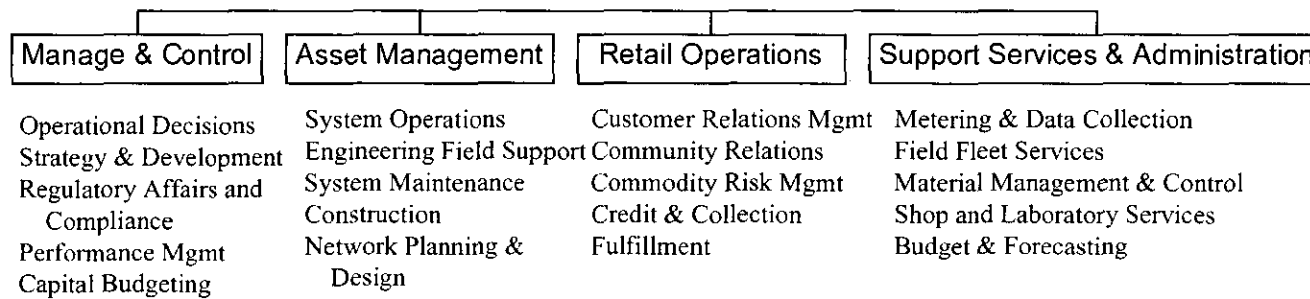
<u>Station/Unit</u>	<u>Fuel Type</u>	<u>Capacity (in MW)</u>
Wolf Creek	Nuclear	550*
Iatan - Unit 1	Coal	469*
LaCygne - Unit 1	Coal	344*
Unit 2	Coal	337*
Hawthorn - Unit 5	Coal	550
Unit 6	Gas	141**
Unit 7	Gas	77**
Unit 8	Gas	77**
Unit 9	Gas	140***
Montrose - Unit 1	Coal	170
Unit 2	Coal	164
Unit 3	Coal	176
Northeast - Unit 11	Oil	56**
Unit 12	Oil	55**
Unit 13	Oil	56**
Unit 14	Oil	58**
Unit 15	Oil	58**
Unit 16	Oil	58**
Unit 17	Oil	59**
Unit 18	Oil	58**

* KCPL's share of jointly-owned unit – Wolf Creek (47%), Iatan (70%) and LaCygne (50%).

** Combustion turbine.

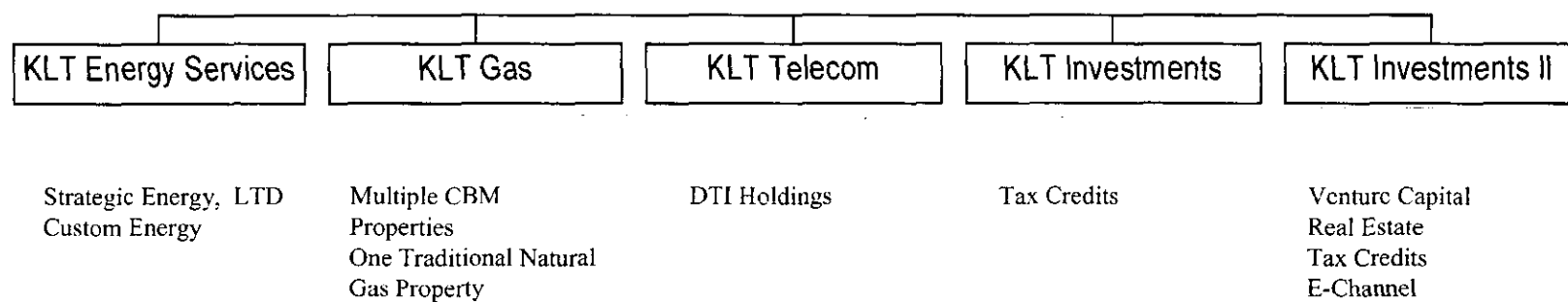
*** Heat recovery steam generator with supplemental firing.

KCPL Delivery



NOTE: This is a functional organizational chart.

KLT Inc.



KCPL Delivery
Function Description

Manage & Control

Operational Decisions made by this function determine the approach to distribution, transmission and customer service operations, guide what technologies are deployed, influence work practices, and determine performance measures for KCPL Delivery.

***Strategy and Development** will provide a strategic framework within which KCPL Delivery can operate to meet performance and financial goals and objectives. This also includes a continuous strategic planning process.

Regulatory Affairs and Compliance deals with state and federal regulatory agencies regarding pricing and operational issues. It functions as the point of contact with these agencies to provide operational and financial status reports, as well as communicating with commission staffs and giving expert witness testimony at legislative hearings.

Performance Management consists of comparing financial performance of KCPL Delivery to its target levels and initiating corrective action such as deployment of new technologies, changes in capital expenditures, and personnel changes in management.

Capital Budgeting will provide complete project planning and estimate one, three, and five-year capital spending requirements for KCPL Delivery to meet the needs of system expansion, reliability improvements, system delivery, etc.

Asset Management

System Operations restores electric service to customers experiencing outages, and operates the distribution, sub-transmission, and transmission systems to provide reliable and safe service.

Engineering Field Support evaluates, analyzes, and designs distribution and transmission system modifications and upgrades including the development of job drawings, equipment specifications, bills of materials, project plans, and cost estimates.

System Maintenance includes both proactive and reactive maintenance and repair activities. This includes preventive maintenance programs such as Reliability Center Maintenance that assesses system condition, develops and administers maintenance policies and processes, and performs corresponding activities to insure safety, reliability, and cost-effective maintenance.

Construction includes the process of designing, scheduling, and construction or relocation of new distribution facilities for customers. The management, design, and construction of capital projects also are included.

Network Planning and Design includes the process of planning for and designing new distribution/transmission facilities and other capital projects to meet customer requirements, reliability and growth.

Retail Operations

Customer Relations Management includes a wide range of processes. These processes include customer damage claim reporting, customer connect/disconnect service orders, general billing inquiries, power outage, voltage, and emergency reporting, customer changes to electrical services, public safety education, community relations, etc.

Community Relations enhances the corporate image by providing information on issues relating to electricity, including safety, and by investing in the community.

***Commodity Risk Management** will identify capacity needs and evaluate the risk associated with wholesale purchases. This function sets risk management policy and trading rules that are consistent with the appropriate level of risk. Activities include the purchase of electricity in the wholesale market, the selection and purchase of financial derivatives, and real-time monitoring of KCPL Delivery's value at risk.

Credit and Collection manages the collections process, collects on bad debt accounts and reduces net write-offs.

Fulfillment schedules all physical energy and ancillary service transactions.

Support Services & Administration

Metering & Data Collection coordinates and manages meter requirements, conducts yearly sample meter tests, and performs daily, weekly, and monthly interrogation of interval metering.

Field Fleet Services will negotiate and administer leasing agreements and provide general administration and maintenance for all rolling stock associated with energy distribution and delivery.

Material Management and Control will operate and maintain material warehouses and manage material costs, delivery levels, and fill rates.

Shop and Laboratory Services will perform welding services, tool repair, line equipment repair, and will refurbish hot line tools. It also will perform laboratory tests for protective rubber goods, acceptance testing hot line tools, and test/repair/calibrate instruments.

Budgeting and Forecasting develops, coordinates, completes, and issues operating budgets and prepares and updates financial forecasts required for Operation and Maintenance activities. It also includes the production and distribution of customized internal reporting, and information designed for managers to monitor and improve business performance.

*Denotes new service or function.