Form 10-Q
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2001

OR

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

For the transition period from ____ to ____

Commission file number 1-707

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

Missouri	44-0308720
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1201 Walnut, Kansas City, Missouri 64106-2124
(Address of principal executive offices) (Zip Code)

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

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 (X) No ( )

The number of shares outstanding of the registrant's Common stock at May 8, 2001, was 61,856,069 shares.

PART I - FINANCIAL INFORMATION
Item 1. Consolidated Financial Statements

KANSAS CITY POWER & LIGHT COMPANY
Consolidated Balance Sheets

	(Unaudited) March 31 2001	December 31 2000
	(thousands)	
ASSETS		
Current Assets		
Cash and cash equivalents	$ 11,404	$ 34,877
Receivables	113,948	115,356
Equity securities	8,544	18,597
Fuel inventories, at average cost	19,393	20,802
Materials and supplies, at average cost	46,943	46,402
Deferred income taxes	1,842	737
Other	42,893	14,455
Total	244,967	251,226
Nonutility Property and Investments		
Telecommunications property	375,663	-
Affordable housing limited partnerships	96,951	98,129
Gas property and investments	46,971	47,654
Nuclear decommissioning trust fund	59,131	56,800
Other	79,566	81,624
Total	658,282	284,207
Utility Plant, at Original Cost		
Electric	3,847,233	3,832,655

Less-accumulated depreciation	1,689,498	1,645,450
Net utility plant in service	2,157,735	2,187,205
Construction work in progress	371,679	309,629
Nuclear fuel, net of amortization of $114,173 and $110,014	26,995	30,956
Total	2,556,409	2,527,790
Deferred Charges		
Regulatory assets	137,541	139,456
Prepaid pension costs	72,692	68,342
Goodwill	106,621	11,470
Other deferred charges	15,432	11,400
Total	332,286	230,668
Total	$ 3,791,944	$ 3,293,891
LIABILITIES AND CAPITALIZATION		
Current Liabilities		
Notes payable	$ 20,345	$ -
Commercial paper	198,771	55,600
Current maturities of long-term debt	253,645	93,645
Accounts payable	137,149	158,242
Accrued taxes	14,169	14,402
Accrued interest	14,081	12,553
Accrued payroll and vacations	23,473	28,257
Accrued refueling outage costs	4,725	1,890
Other	32,205	14,877
Total	698,563	379,466
Deferred Credits and Other Liabilities		
Deferred income taxes	614,948	590,220
Deferred investment tax credits	48,965	50,037
Deferred telecommunications revenue	42,053	-
Other	127,749	121,907
Total	833,715	762,164
Capitalization (see statements)	2,259,666	2,152,261
Commitments and Contingencies (Note 4)		
Total	$ 3,791,944	$ 3,293,891

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

KANSAS CITY POWER & LIGHT COMPANY
Consolidated Statements of Capitalization

	(Unaudited) March 31 2001	December 31 2000
	(thousands)	
Long-term Debt (excluding current maturities)		
General Mortgage Bonds		
Medium-Term Notes due 2002-08,		
7.18% weighted-average rate	$ 206,000	$ 206,000
4.49%* Environmental Improvement Revenue		
Refunding Bonds due 2012-23	158,768	158,768
Senior Notes		
7.125% due 2005	250,000	250,000
Unamortized discount	(522)	(550)
Medium-Term Notes		
6.69%** due 2002	-	200,000
Environmental Improvement Revenue Refunding Bonds		
5.18%* Series A & B due 2015	106,500	106,500
4.50% Series C due 2017	50,000	50,000
4.35% Series D due 2017	40,000	40,000
Subsidiary Obligations		
Senior Discount Notes		
12.5% due 2008	196,699	-
Unamortized discount	(2,347)	-
R.S. Andrews Enterprises, Inc. long-term debt		
8.25% weighted-average rate due 2002-07	2,768	-
Affordable Housing Notes		
8.29% weighted-average rate due 2002-08	31,129	31,129
KLT Inc. Bank Credit Agreement		
5.78% due 2003	111,500	-
Total	1,150,495	1,041,847
Company-obligated Mandatorily Redeemable		
Preferred Securities of a trust holding solely		
KCPL Subordinated Debentures	150,000	150,000
Cumulative Preferred Stock		
$100 Par Value		
3.80% - 100,000 shares issued	10,000	10,000
4.50% - 100,000 shares issued	10,000	10,000
4.20% - 70,000 shares issued	7,000	7,000
4.35% - 120,000 shares issued	12,000	12,000
$100 Par Value - Redeemable		
4.00%	62	62
Total	39,062	39,062
Common Stock Equity		
Common stock-150,000,000 shares authorized		
without par value 61,908,729 shares issued,		
stated value	449,697	449,697
Retained earnings (see statements)	460,139	473,321
Accumulated other comprehensive income		
Income on derivative hedging instruments	11,926	-
Capital stock premium and expense	(1,653)	(1,666)
Total	920,109	921,352
Total	$ 2,259,666	$ 2,152,261

* Variable rate securities, weighted-average rate as of March 31, 2001
** Variable rate securities, weighted-average rate as of December 31, 2000
The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

KANSAS CITY POWER & LIGHT COMPANY
Consolidated Statements of Income
(Unaudited)

Three Months Ended March 31	2001	2000
	(thousands)	
Operating Revenues		
Electric sales revenues	$250,804	$190,333
Gas sales revenues	11,975	8,038
Telecommunications revenues	2,267	-
Other revenues	16,811	962
Total	281,857	199,333
Operating Expenses		
Fuel	32,714	29,853
Purchased power	70,366	14,798
Gas purchased and production expenses	12,155	3,246
Other	79,800	55,520
Maintenance	21,309	20,061
Depreciation and depletion	36,631	31,594
(Gain) Loss on property	(1,308)	1,025
General taxes	22,852	21,217
Total	274,519	177,314
Operating income	7,338	22,019
Loss from equity investments	(536)	(5,758)
Other income and expenses	(1,180)	(7,843)
Interest charges	24,221	17,352
Income before income taxes, extraordinary item and cumulative effect of changes in accounting principles	(18,599)	(8,934)
Income taxes	(15,627)	(9,509)
Income before extraordinary item and cumulative effect of changes in accounting principles	(2,972)	575
Early extinguishment of debt, net of income taxes	15,872	-
Cumulative effect to January 1, 2000, of changes in accounting principles, net of income taxes	-	30,073
Net income	12,900	30,648
Preferred stock dividend requirements	412	412
Earnings available for common stock	$ 12,488	$ 30,236
Average number of common shares outstanding	61,853	61,898
Basic and diluted earnings per common share before extraordinary item and cumulative effect of changes in accounting principles	$ (0.06)	$ -
Early extinguishment of debt	0.26	-
Cumulative effect to January 1, 2000, of changes in accounting principles	-	0.49
Basic and diluted earnings per common share	$ 0.20	$ 0.49
Cash dividends per common share	$ 0.415	$ 0.415

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

KANSAS CITY POWER & LIGHT COMPANY
Consolidated Statements of Cash Flows
(Unaudited)

Three Months Ended March 31	2001	2000
	(thousands)	
Cash Flows from Operating Activities		
Net income	$ 12,900	$ 30,648
Adjustments to reconcile income to net cash from operating activities:		
Early extinguishment of debt, net of income taxes	(15,872)	-
Cumulative effect of changes in accounting principles, net of income taxes	-	(30,073)
Depreciation and depletion	36,631	31,594
Amortization of:		
Nuclear fuel	4,159	4,319
Other	3,930	2,957
Deferred income taxes (net)	(1,585)	(173)
Investment tax credit amortization	(1,072)	(1,118)
Accretion of Senior Discount Notes	3,892	-
Loss from equity investments	536	5,758
Asset impairments	-	1,429
Allowance for equity funds used during construction	(2,308)	(36)
Other operating activities (Note 1)	(55,419)	26,182
Net cash from operating activities	(14,208)	71,487
Cash Flows from Investing Activities		
Utility capital expenditures	(73,838)	(78,978)
Allowance for borrowed funds used during construction	(4,118)	(2,499)
Purchases of investments	(36,284)	(26,233)
Purchases of nonutility property	(17,921)	(6,162)
Sale of securities	9,478	-
Hawthorn No. 5 partial insurance recovery	15,000	-
Loan to DTI prior to majority ownership	(94,000)	-
Other investing activities	(888)	(6,048)
Net cash from investing activities	(202,571)	(119,920)
Cash Flows from Financing Activities		
Issuance of long-term debt	111,500	268,000
Repayment of long-term debt	(40,127)	(44,000)
Net change in short-term borrowings	148,159	(147,799)
Dividends paid	(26,082)	(26,100)
Other financing activities	(144)	(634)
Net cash from financing activities	193,306	49,467
Net Change in Cash and Cash Equivalents	(23,473)	1,034
Cash and Cash Equivalents at Beginning of Year	34,877	13,073
Cash and Cash Equivalents at End of Period	$ 11,404	$ 14,107

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

KANSAS CITY POWER & LIGHT COMPANY

Consolidated Statements of Comprehensive Income
(Unaudited)

	Three Months Ended March 31 2001	2000
	(thousands)	
Net income	$ 12,900	$ 30,648
Other comprehensive income (loss):		
Loss on derivative hedging instruments	(2,590)	-
Income tax benefit	1,080	-
Net loss on derivative hedging instruments	(1,510)	-
Reclassification adjustment, net of tax	(4,007)	2,337
Comprehensive income before cumulative effect of a change in accounting principles, net of income taxes	7,383	32,985
Cumulative effect to January 1, 2001, of a change in accounting principles, net of income taxes	17,443	-
Comprehensive Income	$ 24,826	$ 32,985

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

Consolidated Statements of Retained Earnings
(Unaudited)

	Three Months Ended March 31 2001	2000
	(thousands)	
Beginning balance	$ 473,321	$ 418,952
Net income	12,900	30,648
	486,221	449,600
Dividends declared		
Preferred stock - at required rates	412	413
Common stock	25,670	25,687
Ending balance	$ 460,139	$ 423,500

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

CERTAIN FORWARD-LOOKING INFORMATION

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

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

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

THE COMPANY

The consolidated company (referred to throughout as consolidated or the Company) consists of Kansas City Power & Light Company (KCPL), KLT Inc., DTI Holdings, Inc. (DTI), Strategic Energy LLC (SEL), Home Service Solutions Inc. (HSS), R.S. Andrews Enterprises, Inc. (RSAE) and Great Plains Power Incorporated.

Notes to Consolidated Financial Statements

In management's opinion, the consolidated interim financial statements reflect all adjustments (which include only normal recurring adjustments) necessary to present fairly the results of operations for the interim periods presented. These statements and notes should be read in connection with the financial statements and related notes included in our 2000 annual report on Form 10-K. The consolidated financial statements include the accounts of KCPL, KLT Inc., HSS and Great Plains Power Incorporated.

1. SUPPLEMENTAL CASH FLOW INFORMATION (a)

	Three Months Ended March 31	
	2001	2000
	(thousands)	
Cash flows affected by changes in:		
Receivables	$ 6,498	$ 19,153
Fuel inventories	1,409	(1,439)
Materials and supplies	(541)	(937)
Accounts payable	(58,611)	9,848
Accrued taxes	(257)	2,470
Accrued interest	1,486	(3,548)
Wolf Creek refueling outage accrual	2,835	2,646
Pension and postretirement benefit obligations	(2,800)	(4,552)
Other	(5,438)	2,541
Total other operating activities	$ (55,419)	$ 26,182
Cash paid during the period for:		
Interest	$ 22,181	$ 20,444
Income taxes	$ 145	$ 62

During the first quarter of 2001, KLT Telecom increased its equity ownership in DTI to a majority ownership and HSS increased its equity ownership in RSAE to a majority ownership. The effect of these transactions is summarized in the table below (c).

	DTI	RSAE (thousands)	Total
Cash paid to obtain majority ownership	$ (39,855)	$ (560)	$ (40,415)
Subsidiary cash	4,557	1,053	5,610
Purchases of subsidiaries, net of cash received	$ (35,298)	$ 493	(34,805)
Purchases of other investments			(1,479)
Total purchases of investments			$ (36,284)

Initial consolidation of subsidiaries:	DTI at February 8 2001	RSAE at January 1 2001
	(thousands)	
Assets		
Cash	$ 4,557	$ 1,053
Receivables	1,012	4,078
Other nonutility property and investments	363,825	6,267
Goodwill	67,774	24,496
Other assets	5,143	3,919
Eliminate equity investment	(64,870)	(7,200)
Total assets	$377,441	$ 32,613
Liabilities		
Notes payable	$ 5,300	$ 10,057
Accounts payable	31,299	6,219
Deferred income taxes	7,437	-
Deferred telecommunications revenue	41,522	-
Other liabilities and deferred credits	7,423	13,442
Loan from KLT Telecom (b)	94,000	-
Long-term debt	190,460	2,895
Total liabilities	$377,441	$ 32,613

(a) The initial consolidations of DTI and RSAE are not reflected in the Consolidated Statement of Cash Flows for the three months ended March 31, 2001.
(b) KLT Telecom provided a $94 million loan to DTI for the completion of the tender offer of 50.4 percent of DTI's Senior Discount Notes prior to increasing its DTI investment to a majority ownership. This loan is eliminated in consolidation.
(c) Additional adjustments to purchase accounting may be made.

2. CAPITALIZATION

KCPL Financing I (Trust) has previously 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.

KCPL is authorized to issue an additional $150 million of debt securities under its shelf registration statement dated November 21, 2000.

3. SEGMENT AND RELATED INFORMATION

The Company's reportable segments include KCPL, KLT Inc. and HSS. KCPL includes the regulated electric utility and unallocated corporate charges. KLT Inc. and HSS are holding companies for various unregulated business ventures.

The summary of significant accounting policies applies to all of the segments. The Company evaluates performance based on several factors including net income. The Company eliminates all intersegment sales and transfers. The tables below reflect summarized financial information concerning the Company's reportable segments.

For the three months ended March 31	2001	2000
KCPL	(millions)	
Operating revenues	$ 198.8	$ 190.3
Fuel expense	(32.7)	(29.8)
Purchased power expense	(24.2)	(14.8)
Other	(93.0)	(91.9)
Depreciation and depletion	(32.7)	(29.3)
Other income and expenses	(3.2)	(3.9)
Interest charges	(19.4)	(13.9)
Income taxes	4.3	(3.2)
Cumulative effect of changes in pension accounting	-	30.1
Net income (loss)	$ (2.1)	$ 33.6
KLT Inc.		
Operating revenues	$ 66.4	$ 8.0
Purchased power expense	(46.2)	-
Other	(22.3)	(6.6)
Depreciation and depletion	(3.3)	(1.8)
Gain (loss) on property	1.3	(1.0)
Loss from equity investments	(0.4)	(4.6)
Other income and expenses	(0.4)	(4.4)
Interest charges	(4.4)	(3.4)
Income taxes	10.3	11.9
Early extinguishment of debt	15.9	-
Net income (loss)	$ 16.9	$ (1.9)

For the three months ended March 31	2001	2000
HSS	(millions)	
Operating revenues	$ 16.7	$ 1.0
Other	(20.8)	(1.6)
Depreciation and depletion	(0.6)	(0.5)
Loss from equity investments	(0.1)	(1.2)
Other income and expenses	2.3	0.5
Interest charges	(0.4)	-
Income taxes	1.0	0.7
Net loss	$ (1.9)	$ (1.1)
Consolidated		
Operating revenues	$ 281.9	$ 199.3
Fuel expense	(32.7)	(29.8)
Purchased power expense	(70.4)	(14.8)
Other (a)	(136.1)	(100.1)
Depreciation and depletion	(36.6)	(31.6)
Gain (loss) on property	1.3	(1.0)
Loss from equity investments	(0.5)	(5.8)
Other income and expenses	(1.3)	(7.8)
Interest charges	(24.2)	(17.3)
Income taxes	15.6	9.4
Early extinguishment of debt and cumulative effect of changes in pension accounting	15.9	30.1
Net income	$ 12.9	$ 30.6

(a) Other includes gas purchased and production expenses, telecommunications expenses, other operating, maintenance and general tax expenses.

For the three months ended March 31	KCPL	KLT Inc.	HSS	Consolidated
2001		(millions)		
Assets	$2,997.5	$ 737.4	$ 57.0	$3,791.9
Net equity method investments	-	24.1	-	24.1
Capital and investments expenditures	74.7	53.8	(0.5)	128.0
2000				
Assets	$2,754.5	$ 299.5	$ 49.3	$3,103.3
Net equity method investments	-	37.5	24.4	61.9
Capital and investments expenditures	79.8	31.6	-	111.4

4. COMMITMENTS AND CONTINGENCIES

Environmental Matters

The Company operates in an environmentally responsible manner and uses the latest technology available to avoid and treat contamination. The Company continually conducts environmental audits designed to ensure compliance with governmental regulations and to detect contamination. However, governmental bodies may impose additional or more rigid environmental regulations that could require substantial changes to operations or facilities.

Mercury Emissions
In December 2000, The United States Environmental Protection Agency (EPA) announced it would propose regulations to reduce mercury emissions by 2003 and issue final rules by 2004. KCPL cannot predict the likelihood or compliance costs of such regulations.

Air Particulate Matter
In July 1997, the EPA published new air quality standards for particulate matter. Additional regulations implementing these new particulate standards have not been finalized. Without the implementation regulations, the impact of the standards on KCPL cannot be determined. However, the impact on KCPL and other utilities that use fossil fuels could be substantial. Under the new fine particulate regulations, the EPA is conducting 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 initially called for 22 states, including Missouri, to submit plans for controlling NOx emissions. 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 the reductions proposed in the 1997 NOx reduction program, KCPL would need to incur significant capital costs, purchase power or purchase NOx emissions allowances. It is possible that purchased power or emissions allowances may be too costly or unavailable.

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

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

In December 1998, KCPL and several other western Missouri utilities filed suit against the EPA over the inclusion of western Missouri in the 1997 NOx reduction program. On March 3, 2000, a three-judge panel of the District of Columbia Circuit of the U.S. Court of Appeals sent the NOx rules related to Missouri back to the EPA stating the EPA failed to prove that fossil plants in the western part of Missouri contribute to ozone formation in downwind states. On March 5, 2001, the United States Supreme Court, acting without comment, denied the petitions for a writ of certiorari filed to review the March 3, 2000, U.S. Court of Appeals for the District of Columbia Circuit Court of Appeals' decision in the NOx State Implementation Plan (SIP) Call litigation. The March 3, 2000, U.S. Court of Appeals' decision largely upheld the NOx SIP call but remanded a few minor issues to EPA and is therefore final. The impact of this court decision will not be known until the EPA issues the

implementing regulations, however, it is likely to delay the implementation of new NOx regulations by EPA in the western portion of Missouri for some time.

In May 1999, a three-judge panel of the District of Columbia Circuit of the U.S. Court of Appeals found certain portions of the NOx control program unconstitutional in a related case. The U.S. Supreme Court heard oral arguments on the EPA's appeal of this decision on November 7, 2000 and issued its decision on February 27, 2001. In the February 27, 2001, decision, the U.S. Supreme Court essentially upheld the basis for the NOx SIP Call and remanded to the U.S. Court of Appeals for the District of Columbia Circuit further proceedings on implementation issues for the 8 hour ozone and particulate matter ambient air standards issued in mid-1997 in a manner consistent with the Supreme Court opinion. After the Court of Appeals' final decision of this case, EPA will have to develop a reasonable interpretation of the non-attainment implementation provisions insofar as they apply to revised ozone National Ambient Air Quality Standards. The effect of the U.S. Court of Appeals for the District of Columbia Circuit may decrease the severity of the standards with which KCPL ultimately may need to comply.

In May 2000, the Missouri Air Conservation Commission approved statewide rate-based NOx regulations requiring compliance with a rate of 0.35 lbs. NOx / mmBtu of heat input for western Missouri and 0.25 lbs. NOx / mmBtu of heat input for eastern Missouri and EPA approved the statewide NOx regulation on December 28, 2000. The State of Missouri has developed a State Implementation Plan (SIP) for NOx reduction that was effective January 29, 2001. We do not anticipate that KCPL will incur significant additional costs to comply with these new regulations.

Global Warming

At a December 1997 meeting in Kyoto, Japan, the Clinton Administration supported changes to the International Global Climate Change treaty that would require a seven percent reduction in United States carbon dioxide (CO_2) emissions below 1990 levels. This treaty has not been submitted to the U.S. Senate. The Bush administration said it has no intention of sending the Kyoto Pact to the U.S. Senate for ratification. Instead, President Bush "has directed his Cabinet secretaries to begin a review so we can, as a nation, address a serious problem, which is global warming." The Cabinet-legal review "is under way," but staff did not indicate how much time it will take before a proposal is presented to the president.

If national restrictions on electric utility CO_2 emissions are eventually required, the financial impact on KCPL could be substantial.

Low-Level Waste

The Low-Level Radioactive Waste Policy Amendments Act of 1985 mandated that the various states, individually or through interstate compacts, develop alternative low-level radioactive waste disposal facilities. The states of Kansas, Nebraska, Arkansas, Louisiana and Oklahoma formed the Central Interstate Low-Level Radioactive Waste Compact and selected a site in northern Nebraska to locate a disposal facility. Wolf Creek Nuclear Operating Corporation (WCNOC) and the owners of the other five nuclear units in the compact provided most of the pre-construction financing for this project. As of March 31, 2001, KCPL's net investment on its books was $7.4 million.

Significant opposition to the project has been raised by Nebraska officials and residents in the area of the proposed facility, and attempts have been made through litigation and proposed legislation in Nebraska to slow down or stop development of the facility. On December 18, 1998, the application for a license to construct this project was denied. This issue is being addressed in the courts. The

passage of time, along with the appointment of a new state administration in Nebraska, has increased the chances for reversal of the license denial.

In May 1999, the Nebraska legislature passed a bill withdrawing Nebraska from the Compact. In August 1999, the Nebraska governor gave official notice of the withdrawal to the other member states. Withdrawal will not be effective for five years and will not, of itself, nullify the site license proceeding.

Coal Contracts

KCPL's remaining share of coal purchase commitments under existing contracts total $93.5 million. Obligations for the remainder of 2001 through 2003, based on estimated prices for those years, total $32.4 million, $41.6 million, and $19.5 million, respectively. These amounts are net of purchases made during the first quarter of 2001.

5. RECEIVABLES

	March 31 2001	December 31 2000
	(thousands)	
KCPL Receivable Corporation	$ 28,858	$ 48,208
Other Receivables	85,090	67,148
Receivables	$113,948	$115,356

Accounts receivable sold under the revolving agreement between KCPL Receivable Corporation and KCPL totaled $88.9 million at March 31, 2001 and $108.2 million at December 31, 2000. In consideration of the sale, KCPL received $60 million in cash and the remaining balance in the form of a subordinated note from KCPL Receivable Corporation.

Other receivables consist primarily of receivables from partners in jointly-owned electric utility plants, bulk power sales receivables and accounts receivable held by subsidiaries including receivables from the increase to a majority ownership of DTI and RSAE (see Note 1 - Supplemental Cash Flow Information).

6. DERIVATIVE FINANCIAL INSTRUMENTS

On January 1, 2001, the Company adopted FASB Statement No. 133 - Accounting for Derivative Instruments and Hedging Activities, as amended. FASB 133 requires that every derivative instrument be recorded on the balance sheet as an asset or liability measured at its fair value and that changes in the fair value be recognized currently in earnings unless specific hedge accounting criteria are met.

FASB 133 requires that as of the date of initial adoption, the difference between the fair market value of derivative instruments recorded on the balance sheet and the previous carrying amount of those derivatives be reported in net income or other comprehensive income, as appropriate, as a cumulative effect of a change in accounting principle. The adoption of FASB 133 on January 1, 2001 required the Company to record a $0.2 million expense, net of income tax. The Company did not reflect this immaterial amount as a cumulative effect. This entry increased interest expense by $0.6 million and reduced purchased power by $0.3 million. The Company also recorded $17.4 million, net of tax as a cumulative effect of a change in accounting principle applicable to comprehensive income for its cash flow hedges.

Derivative Instruments and Hedging Activities
The Company's activities expose it to a variety of market risks including interest rates and commodity prices. Management has established risk management policies and strategies to reduce the potentially adverse effects that the volatility of the markets may have on its operating results.

The Company's interest rate risk management strategy uses derivative instruments to minimize significant, unanticipated earnings fluctuations caused by interest-rate volatility on a portion of its variable rate debt. The Company maintains commodity-price risk management strategies that use derivative instruments to minimize significant, unanticipated earnings fluctuations caused by commodity price volatility.

The Company's risk management activities including the use of derivatives are subject to the management, direction and control of Risk Management Committees.

Interest Rate Risk Management
KCPL utilizes interest rate management derivatives to reduce a portion of KCPL's interest rate risk by converting a portion of its variable interest rate payments into fixed interest rate payments.

In 2000, KCPL issued $200 million of unsecured, floating rate medium-term notes. Simultaneously, KCPL entered into interest rate cap agreements to hedge the interest rate risk on the notes. The cap agreements are designated as cash flow hedges. The difference between the fair market value of the cap agreements recorded on the balance sheet at initial adoption and the unamortized premium was reported in interest expense.

KCPL entered into interest rate swap agreements to limit the interest rate on $30 million of long-term debt. These swaps and the options for renewal do not qualify for hedge accounting. The swap agreements mature in 2001 and effectively fix the interest to a weighted-average rate of 3.88%. The fair market values of these agreements and the option for renewal were recorded as current assets and liabilities and adjustments to interest expense on the income statement. Changes in the fair market value of these instruments are recorded in the income statement.

Commodity Risk Management
SEL utilizes an option and power swap agreements to hedge commodity prices in various markets. The option and some of the swap agreements are designated as cash flow hedges.

The remaining swap agreements do not qualify for hedge accounting. The fair market value of these swaps at January 1, 2001 was recorded as an asset or liability on the balance sheet and an adjustment to the cost of purchased power. The change in the fair market value and future changes in the fair market values of these swaps, will also be recorded in purchased power.

The option allows SEL to purchase 270 MW of power at a fixed rate of $21 per MW. The swap agreements protect SEL from price volatility by fixing the price per MW. The fair market value of this option and the swap agreements designated as cash flow hedges at January 1, 2001 was recorded as a current asset and a cumulative effect of a change in accounting principle in comprehensive income. When the power is purchased and to the extent the hedge is effective at mitigating the cost of purchased power, the amounts accumulated in other comprehensive income are reclassified. However, most of the power purchased under the option has been sold to customers through contracts at prices below the fair market value used to value the option. Therefore, SEL will not receive income to the extent represented in comprehensive income in the

current or future periods. To the extent that the hedges are not effective, the ineffective portion of the changes in fair market value will be recorded directly to purchased power.

KLT Gas' risk management policy is to use firm sales agreements or financial hedge instruments to mitigate its exposure to market price fluctuations on up to 100% of its daily natural gas production. These hedging instruments are designated as cash flow hedges. The fair market value of these instruments at January 1, 2001 was recorded as current assets, current liabilities, and the cumulative of effect of a change in an accounting principle in comprehensive income. When the gas is sold and to the extent the hedge is effective at mitigating the sales price of gas, the amounts in other comprehensive income are reclassified. To the extent that the hedges are not effective, the ineffective portion of the changes in fair market value will be recorded directly in gas revenues.

KCPL has eight capacity contracts, which it did not consider to be derivatives. An interpretation from the FASB Derivatives Implementation Group, if formally cleared by FASB, could define these capacity contracts as derivatives, which could increase the volatility of KCPL's future earnings. All implementation guidelines are applied prospectively with the cumulative effect recorded in the quarter subsequent to the effective date of the guidelines.

The amounts recorded related to the cash flow hedges are summarized below.

Balance Sheet Classfication	Cumulative Effect to January 1, 2001	Increase (Decrease) in Comprehensive Income	Reclassified	Three Months Ended March 31, 2001
		(millions)		
Assets				
Other current assets	$ 44.5	$(3.5)	$(10.9)	$ 30.1
Liabilities				
Other current liabilities	(6.8)	0.3	2.1	(4.4)
Other comprehensive income	(17.4)	1.5	4.0	(11.9)
Deferred income taxes	(12.7)	1.1	2.9	(8.7)
Other deferred credits	(7.6)	0.6	1.9	(5.1)

7. HSS PURCHASE OF AN ADDITIONAL OWNERSHIP INTEREST IN RSAE

On March 12, 2001, HSS acquired control of RSAE by acquiring an additional 22.1% of the shares of RSAE for $0.6 million.

This acquisition has been accounted for by the purchase method of accounting and the operating results of RSAE have been included in the Company's consolidated financial statements from January 1, 2001, with the appropriate adjustments to minority interest from January 1, 2001, through the date of the acquisition. RSAE's March 31, 2001 assets included $24.3 million of goodwill which is being amortized over 40 years. On a pro forma basis, as if the business had been acquired at the beginning of fiscal 2000, revenue, net income and earnings per share would not differ materially from the amounts reported in the Company's year ended December 31, 2000, consolidated financial statements.

8. KLT TELECOM INC. PURCHASE OF AN ADDITIONAL OWNERSHIP INTEREST IN DTI

On February 8, 2001, KLT Telecom acquired control of DTI by acquiring an additional 31.2% of the fully diluted shares of DTI from Richard D. Weinstein, DTI's Chairman, President and CEO, for $33.6 million in cash. An additional 5.0% of the fully diluted shares were purchased through a tender offer for DTI's outstanding warrants and the purchase of a separate warrant for 1.0% of DTI's common stock that results in KLT Telecom owning 83.6% of DTI's fully diluted shares. Under the purchase agreement, Weinstein, who resigned as Chairman, President and CEO, retained just over 15% of the fully diluted ownership and a seat on the DTI board. Also, the parties granted put and call options that gave Weinstein the right to sell and KLT Telecom the right to buy Weinstein's remaining ownership in DTI.

This acquisition has been accounted for by the purchase method of accounting. Operating results were included in the Company's consolidated financial statements from the date of the acquisition. Goodwill of $67.8 was recorded as a result of this acquisition and is being amortized over 25 years. At March 31, 2001, unamortized goodwill totaled $67.4 million.

Extraordinary Item Early Extinguishment of Debt
The KLT Telecom gain on early extinguishment of debt in the three months ended March 31, 2001, resulted from DTI's completion of a successful tender offer for 50.4 percent of its outstanding Senior Discount Notes prior to KLT Telecom acquiring a majority ownership in DTI. The $15.9 million early extinguishment of debt has been reduced by the losses previously recorded by DTI, but not reflected by KLT Telecom and is net of $9.1 million of income taxes.

Telecommunications Property
Telecommunications property at March 31, 2001, of $375.7 million, is net of accumulated depreciation of $34.9 million and consists mainly of fiber optic plant and usage rights. At March 31, 2001, telecommunications property includes $68 million of construction in progress.

Operating Leases and Indefeasible Rights to Use (IRU) Commitments
DTI is a lessee under operating leases and IRUs for fiber, equipment space, maintenance, power costs and office space. Minimum rental commitments under these agreements for the years 2001 through 2005 are $8 million, $9 million, $9 million, $9 million and $9 million, respectively. Minimum rental commitments under these agreements after 2005 total $136 million.

DTI Risk Factors
For a description of certain risk factors that may adversely affect DTI's business and results of operations see DTI's Form 10K for the six-month period ended December 31, 2000 to be filed on or before May 15, 2001.

Pro forma Information

The following unaudited pro forma consolidated results of operations are presented as if the acquisition of an additional ownership interest in DTI had been made at the beginning of the periods presented.

	Three Months Ended March 31			
	2001		2000	
	(thousands)			
Revenues	$283,335		$201,703	
		EPS		EPS
Income before extraordinary item and cumulative effect of changes in accounting principles	$ (2,972)		$ 575	
Eliminate DTI recorded operating loss	4,403		4,157	
Add DTI operating loss on a 100% basis	(9,403)		(8,734)	
Other adjustments	294		(603)	
Pro forma loss before extraordinary item and cumulative effect of changes in accounting principles	(7,678)	$(0.12)	(4,605)	$(0.07)
Cumulative effect to January 1, 2000 of changes in accounting principles, net of income taxes			30,073	0.49
DTI's early extinguishment of debt, net of income taxes and minority interests	50,695	0.82		
Pro forma net income	$ 43,017	$0.70	$ 25,468	$0.42

The unaudited pro forma consolidated results of operations are not necessarily indicative of the combined results that would have occurred had the acquisition occurred on those dates, nor is it indicative of the results that may occur in the future.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis by management focuses on those factors that had a material effect on the consolidated financial condition and results of operations during the periods presented. The three months ended March 31, 2001, compared with the three months ended March 31, 2000, is referred to as the three-month period. The discussion should be read in conjunction with the accompanying Consolidated Financial Statements, Notes and especially Note 3 - Segment and Related Information which summarizes the income statement by segment.

Consolidated Earnings Overview

Three months ended March 31	2001	2000
Earnings per share (EPS) summary		
KCPL		
Excluding cumulative effect	$(0.04)	$ 0.05
Cumulative effect of changes in pension accounting	-	0.49
KCPL EPS	(0.04)	0.54
KLT Inc.		
Excluding extraordinary item	0.01	(0.03)
Extraordinary item: Early extinguishment of debt	0.26	-
KLT Inc. EPS	0.27	(0.03)
HSS EPS	(0.03)	(0.02)
Reported Consolidated EPS	$ 0.20	$ 0.49

On February 1, 2001, DTI completed a tender offer for 50.4% of its outstanding senior discount notes. This transaction resulted in KLT Inc. reporting on an equity basis a $15.9 million ($0.26 per share) extraordinary item for the gain on the early extinguishment of debt in the three months ended March 31, 2001.

Effective January 1, 2000, KCPL changed its methods of amortizing unrecognized net gains and losses and determination of expected return related to its accounting for pension expense. Accounting principles required the Company to record the cumulative effect of these changes increasing common stock earnings in the three months ended March 31, 2000, by $30.1 million ($0.49 per share). Adoption of the new methods of accounting for pensions will lead to greater fluctuations in pension expense in the future. The portions of the cumulative effect of pension accounting changes attributable to KLT Inc. and HSS are immaterial and therefore were not allocated to these subsidiaries.

For further discussion regarding each segment's contribution to consolidated EPS, see its respective Earnings Overview section below.

KCPL Operations

KCPL Business Overview

KCPL, a regulated utility, consists of two business units - generation and delivery. Dividing into two business units has provided KCPL the opportunity to reexamine the businesses' internal processes in order to operate more efficiently and create additional value for shareholders.

After completion of the rebuild of Hawthorn No. 5 (projected to be on-line in June 2001), KCPL's generating capacity will be over 3,700 megawatts. The delivery business consists of transmission and distribution that serves over 472,000 customers at March 31, 2001, and experiences annual load growth of approximately 2% to 3% through increased customer usage and additional customers. Rates charged for electricity are currently below the national average. Additionally, there is a moratorium on changes to Missouri retail rates until 2002.

KCPL has a regulatory obligation to join a Federal Energy Regulatory Commission (FERC) approved Regional Transmission Organization (RTO) by December 2001. RTOs combine regional transmission operations of utility businesses into an organization that schedules transmission services and monitors the energy market to ensure regional transmission reliability and non-discriminatory access.

KCPL Earnings Overview

KCPL's EPS contribution was a loss of $0.04 for the three months ended March 31, 2001, compared to earnings of $0.05, excluding the cumulative effect of changes in pension accounting, for the three months ended March 31, 2000. The following table and discussion highlight significant factors affecting the changes in KCPL's EPS contribution between the three months ended March 31, 2001, and the three months ended March 31, 2000, excluding the cumulative effect of changes in pension accounting.

Change in KCPL's EPS

For the three-month period ended March 31:

	2001 compared to 2000
Increased cost of purchased power energy	$ (0.08)
Increased price of fossil fuels	(0.02)
Other (see discussion below)	0.01
Total	$ (0.09)

Contributing to the other factors impacting the change in KCPL's EPS are the following:

- Increased retail sales primarily due to colder winter weather in 2001 compared to 2000 and continued load growth.
- Increased expenses because of the write-off of $2.0 million of billings incurred after January 1, 2001, to one of KCPL's larger customers because of their Chapter 11 bankruptcy filing on February 7, 2001. Billings subsequent to the bankruptcy are being paid daily. Any recoveries from this bankruptcy proceeding will be recorded in income when received.
- Increased depreciation expense due mostly to normal increases in depreciation from capital additions.
- Increased interest expense due to higher average levels of borrowing and higher interest charges on the variable rate environmental improvement revenue refunding bonds.

KCPL Megawatt-hour (Mwh) Sales and Electric Sales Revenues
For the three-month period ended March 31:

	2001 compared to 2000	
	Mwh	Revenues
Retail Sales:	(revenue change in millions)	
Residential	16 %	$ 6
Commercial	2 %	1
Industrial	(15) %	-
Other	(1) %	-
Total Retail	3 %	7
Sales for Resale:		
Bulk Power Sales	(18) %	-
Other	2 %	-
Total	- %	7
Other revenues		1
KCPL electric sales revenue		$ 8

Residential mwh sales increased in the three-month period primarily due to colder winter weather for the period and continued load growth. Load growth consists of higher usage-per-customer and the addition of new customers. However, industrial mwh sales decreased in the three-month period mostly offsetting the increase in residential mwh sales. The decrease in industrial mwh sales is primarily due to one of KCPL's larger customers filing for bankruptcy on February 7, 2001, and deciding to close its Kansas City, Missouri facilities. The decrease in revenues due to this closure was offset by an increase in revenues primarily due to a few large industrial customers choosing higher tariff rates over special contracts.

Bulk power sales vary with system requirements, generating unit and purchased power availability, fuel costs and requirements of other electric systems. The unavailability of Hawthorn No. 5 contributed to lower bulk power mwh sales in both the three months ended March 31, 2001 and 2000. In addition, colder winter weather and continued load growth contributed to decreased bulk power mwh sales for the three-month period. However, the average price per mwh of bulk power sales during the three-month period increased 22%, offsetting the effect of lower bulk power mwh sales on revenues.

KCPL Fuel and Purchased Power
Fuel costs increased by $2.9 million for the three-month period primarily due to additional oil-fired generation and higher costs per mmBtu of fossil fuels. Natural gas and oil have a significantly higher cost per mmBtu of generation than coal or nuclear fuel.

During the three months ended March 31, 2001, and March 31, 2000, fossil plants represented about 65% and the nuclear plant about 35% of total generation. Nuclear fuel costs per mmBtu remain substantially less than the mmBtu price of coal. KCPL expects the price of nuclear fuel to remain fairly constant through the year 2003. KCPL's procurement strategies continue to provide coal costs below the regional average.

Purchased power expenses increased $9.4 million for the three-month period primarily because of a 71% increase in the cost per mwh of purchased power in the three-month period. The cost per mwh for purchased power is significantly higher than the fuel cost per mwh of generation.

KCPL Other Income and Expenses
KCPL's other income and expenses decreased to $3.2 million of expense for the three months ended March 31, 2001, from $3.9 million of expense for the three months ended March 31, 2000. This

decrease was caused primarily by a $2.3 million increase in the allowance for equity funds used during construction. This represents mainly the cost of capital used to finance expenditures during construction of Hawthorn 5 that arises from other than short- and long-term debt. This cost, along with the interest on borrowed funds used during construction, is capitalized as a component of the construction cost. This reduction in other expenses was partially offset by a $2.0 million increase due to the write-off of billings to one of KCPL's larger customers as a result of its bankruptcy filing.

KCPL Interest Charges
KCPL's interest charges increased $5.5 million for the three-month period primarily because long-term debt interest expense increased offset by an increase in interest charged to construction. The increase in interest expense reflected higher average levels of outstanding long-term debt and higher interest charges on the variable-rate environmental improvement revenue refunding bonds. The higher average levels of debt primarily reflect $200 million of unsecured, floating rate medium-term notes issued by KCPL on March 20, 2000, and $250 million of unsecured fixed-rate senior notes issued in December 2000, partially offset by $50.5 million of scheduled debt repayments by KCPL.

KCPL uses interest rate swap and cap agreements to limit the volatility in interest expense on a portion of its 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.

Allowance for borrowed funds used during construction increased $1.6 million during the three-month period because of increased expenditures for construction projects at the Hawthorn generating station. FERC guidelines for calculating the allowance used during construction require consideration of the level of outstanding short-term debt before equity funds.

Wolf Creek
Wolf Creek is one of KCPL's principal generating units, representing about 15% of KCPL's generating capacity, including the rebuilt Hawthorn No. 5 generating unit. The plant's operating performance has remained strong over the last three years, contributing about 30% of KCPL's annual mwh generation while operating at an average capacity of 93%. Furthermore, Wolf Creek has the lowest fuel cost per mmBtu of any of KCPL's generating units.

KCPL accrues 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 next refueling and maintenance outage is scheduled for the spring of 2002 and is estimated to be a 30-day outage.

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.

Hawthorn No. 5
On February 17, 1999, an explosion occurred at the 476-megawatt, coal-fired Hawthorn No. 5 unit. The boiler, which was not operating at the time, was destroyed, but there were no injuries. KCPL's investigation indicates that an explosion of accumulated gas in the boiler's firebox caused the damage. KCPL has property insurance coverage with limits of $300 million. KCPL received an additional $15 million in insurance recoveries during the three months ended March 31, 2001, increasing the total insurance recoveries received to date to $145 million under this coverage. The recoveries have been recorded in Utility Plant - accumulated depreciation on the consolidated balance sheet.

KCPL is in the final stages of constructing a new coal-fired boiler to permanently replace the lost capacity of Hawthorn No. 5. Hawthorn No. 5 is expected to be on-line in June 2001. Expenditures,

excluding capitalized interest, for rebuilding Hawthorn No. 5, were $207.6 million in 2000, $35.6 million in 1999 and are projected to be about $73 million in 2001 of which $23.6 million were incurred in the three months ended March 31, 2001. These amounts have not been reduced by the insurance proceeds received to date or future proceeds to be received. The new unit is expected to have a capacity of 550 megawatts.

KLT Inc. Operations

KLT Inc. Business Overview
KLT Inc., an unregulated subsidiary, pursues business ventures in higher growth businesses. Existing ventures include investments in telecommunications, natural gas development and production, energy services and affordable housing limited partnerships. The Company's investment in KLT Inc. was $150 million at March 31, 2001, and $119 million at December 31, 2000.

Telecommunications
At December 31, 2000, KLT Telecom owned 47% of DTI (acquired in 1997), a facilities-based telecommunications company. Through utilization of a $94 million loan (10% interest rate) from KLT Telecom, DTI successfully completed a tender offer to repurchase a portion of its long-term debt on February 1, 2001, reducing interest costs. On February 8, 2001, KLT Telecom increased its ownership from 47 percent to 84 percent of DTI. See Note 8 to the Consolidated Financial Statements for further information.

The strategic design of the DTI network allows DTI to offer reliable, high-capacity voice and data transmission services, on a region-by-region basis, to primary carriers and end-user customers who seek a competitive alternative to existing providers. DTI's network infrastructure is designed to provide reliable customer service through back-up power systems, automatic traffic re-routing and computerized automatic network monitoring. If the network experiences a failure of one of its links, the routing intelligence of the equipment transfers traffic to the next choice route, thereby ensuring delivery without affecting customers. DTI currently provides services to other communication companies including Tier 1 and Tier 2 carriers. DTI also provides private line services to targeted business and governmental end-user customers. All of DTI's operations are subject to federal and state regulations. DTI's sales activities were primarily focused in the states of Missouri, Arkansas and Oklahoma.

KLT Telecom has committed to provide or arrange (through guaranty or otherwise) a revolving credit facility to DTI, to be made in 2001, in the amount of $75 million. The proceeds would be used for operations and capital expenditures as set forth in a reasonable capital budget to be established by DTI's Board of Directors. Under that commitment, KLT Telecom has loaned DTI at March 31, 2001, $21 million at a 9.5% interest rate. KLT Telecom is working with DTI to arrange third-party financing to DTI in the form of a $100 million senior credit facility. DTI will use these combined resources of financing to complete the construction of the planned DTI network and meet other operating requirements. DTI estimates additional total capital expenditures of approximately $150 million to complete construction of the network.

Natural Gas Development and Production
KLT Gas' business strategy is to acquire and develop early stage coalbed methane properties and then divest properties in order to create shareholder value. KLT Gas believes that coalbed methane production provides an economically attractive alternative source of supply to meet the growing demand for natural gas in North America and has built a knowledge base in coalbed methane production and reserves evaluation. Therefore, KLT Gas focuses on coalbed methane; a niche in the natural gas industry where it believes its expertise gives it a competitive advantage. Coalbed methane, with a longer, predictable reserve life, is inherently lower risk than conventional gas exploration. While gas

prices have been volatile recently and are unlikely to continue to increase at levels experienced over the past year, KLT Gas continues to believe the long-term future price scenarios for natural gas appear strong. Environmental concerns and the increased demand for natural gas for new electric generating capacity are contributing to this projected growth in demand.

KLT Gas' properties are located in Colorado, Texas, Wyoming, Oklahoma, Kansas, Montana and North Dakota. These leased properties cover approximately 173,000 undeveloped acres. The development of this acreage is in accordance with KLT Gas' exploration plan and capital budget. The timing of the development may vary from the plans based upon obtaining the required environmental and regulatory approvals and permits.

Energy Services

SEL is an energy services provider that operates in the newly deregulated electricity markets of Pennsylvania, Southern California, Ohio and New York. SEL began operations in 1987 as an energy consulting firm. In 2001, in exchange for approximately $4.7 million preferred stock ownership in an energy services company, KLT Energy Services received additional ownership in SEL increasing its voting interests to approximately 83%.

As a result of dramatic changes in the electricity and natural gas markets, and on the strength of SEL's value to its customers, revenues have grown from $7 million in 1998 to $130 million in 2000. For the three months ended March 31, 2001, SEL's revenues increased to $63 million compared to $21 million for the three months ended March 31, 2000. The investment in SEL was recorded on an equity basis during the first quarter of 2000. Thus, KLT Inc.'s revenues, purchased power expense and other expenses did not include SEL for the three months ended March 31, 2000.

SEL acts as an energy manager in deregulated markets on behalf of over 8,000 commercial and small manufacturing customers. SEL enters into one to five year contracts with customers to supply energy and manage their energy needs. For this service they receive an ongoing management fee plus the contracted price for the electricity and natural gas. SEL purchases energy in the wholesale markets to meet its customers energy needs. On occasion, SEL must purchase small blocks of power prior to the sales contract in order to quote stable pricing to new potential customers. SEL has deployed risk management practices and strategies to manage this market risk.

SEL's suppliers and customer base are very diverse. Suppliers include small and large energy generators across the country. Customers include numerous Fortune 500 companies, school districts, and governmental entities. Its customer base is currently concentrated in the four previously mentioned deregulated states, with the largest concentration being in Pennsylvania with approximately 370 megawatts of its total 650 megawatt load.

Investments in Affordable Housing Limited Partnerships

At March 31, 2001, KLT Investments had $97.0 million in affordable housing limited partnerships. About 70% 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. The investments generate future cash flows from tax credits and tax losses of the partnerships. The investments also generate cash flows from the sales of the properties (estimated residual value). For most investments, tax credits are received over ten years. 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, $66.0 million exceed this 5% level but were made before May 19, 1995.

On a quarterly basis, KLT Investments completes a valuation study of its cost method investments in affordable housing by comparing the cost of those properties to the total of projected residual value of

the properties and remaining tax credits to be received. Estimated residual values are based on studies performed by an independent firm. Projected annual reductions of the book cost based on the latest valuation study for the years 2001 through 2005 total $13 million, $9 million, $12 million, $8 million and $7 million, respectively. Primarily all of the estimated reductions for the year ended December 31, 2001, are expected to be incurred in the third and fourth quarters. Even after these reductions, earnings from affordable housing are expected to be positive for the next five years.

These projections are based on the latest information available but the ultimate amount and timing of actual reductions made could be significantly different from the above estimates. Also, based on preliminary external information, management believes the assets could be sold at a loss significantly lower than the accumulated reductions discussed above.

KLT Inc. Earnings Overview

The following table and discussion highlight significant factors affecting KLT Inc.'s contribution to consolidated EPS for the three months ended March 31, 2001, and March 31, 2000.

Factors impacting KLT Inc.'s EPS contribution for the three months ended March 31	2001	2000
SEL	$ 0.02	$ 0.01
DTI prior to majority ownership	0.26	(0.07)
DTI subsequent to majority ownership	(0.07)	-
Gas operations	0.02	0.03
Realized loss on CellNet stock	-	(0.05)
Other	0.04	0.05
KLT Inc. EPS contribution	$ 0.27	$(0.03)

In February 2001, KLT Telecom increased its investment in DTI from 47% to 84%, which required a change in the method of accounting from equity to consolidation. DTI's $0.26 EPS contribution prior to the change in ownership resulted from the net impact of the gain on the early extinguishment of $193 million of senior discount notes by DTI reduced by the losses previously recorded by DTI but not reflected by KLT Telecom. This gain is reflected in the consolidated financial statements as an extraordinary item.

KLT Inc. Other Income and Expenses

KLT Inc.'s other income and expenses decreased to $0.4 million of expense for the three months ended March 31, 2001, compared to $4.4 million of expense for the three months ended March 31, 2000. This decrease is due to $4.8 million of realized losses on an investment in CellNet during the three months ended March 31, 2000.

KLT Inc. Taxes

KLT Inc. accrued tax credits of $6.6 million for the three months ended March 31, 2001 and $6.9 million for the three months ended March 31, 2000.

HSS Operations

HSS, an unregulated subsidiary, pursues business ventures primarily in residential services. In March 2001, HSS increased its ownership to 71% from 49% in RSAE, a consumer services company in Atlanta, Georgia which required a change in the method of accounting for RSAE from equity to consolidation. Additionally, Worry Free Service, Inc., a wholly owned subsidiary of HSS, assists residential customers in obtaining financing primarily for heating and air conditioning equipment.

The Company's investment in HSS was $46.9 million at March 31, 2001, and $46.3 million at December 31, 2000. HSS' loss for the three months ended March 31, 2001, totaled $1.9 million ($0.03 per share) compared to a loss of $1.1 million ($0.02 per share) for the three months ended March 31, 2000. HSS' increased loss for the three months ended March 31, 2001, was primarily due to increased losses associated with its ownership in RSAE. HSS' consolidated assets increased to $57.0 million at March 31, 2001, compared to $25.3 million at December 31, 2000, reflecting the consolidation of RSAE in 2001.

Great Plains Power Incorporated

Great Plains Power Incorporated will focus on fossil fuel-fired electric generation in the central part of the U.S. Five combustion turbines have already been ordered to add 385 megawatts of peaking capacity in 2003. In April 2001, the company entered into a $200 million five-year renewable operating lease agreement for the five combustion turbines. A significant portion of the output from these units may be sold to KCPL.

Other Consolidated Discussion

Significant Consolidated Balance Sheet Changes (March 31, 2001 compared to December 31, 2000)

- Cash and cash equivalents decreased $23.5 million due primarily to KLT Telecom's payment of $39.9 million to increase its investment in DTI.
- Equity securities decreased $10.1 million primarily due to the sale by KLT Gas of $8.2 million of stock in Evergreen Resources, Inc. and a $1.8 million reduction in the value of an investment held by KLT Energy Services.
- Other current assets increased $28.4 million due mainly to the adoption of FASB 133 - Accounting for Derivative Instruments and Hedging Activities, as amended. (See Note 6 to the Consolidated Financial Statements)
- Telecommunications property of $375.7 million at March 31, 2001, resulted from KLT Telecom's purchase of an additional ownership interest in DTI, which required a change in the method of accounting for DTI from equity to consolidation.
- Utility plant - construction work in process increased $62.1 million primarily due to increases of about $29 million at Hawthorn No. 5 for rebuilding the boiler, $15 million for a deposit on five new combustion turbines, and $18 million for normal construction expenditures.
- Goodwill increased $95.2 million due to increased goodwill at KLT Inc. at March 31, 2001, of $67.4 million resulting from the consolidation of DTI and an additional $3.7 million in goodwill recorded because of increased ownership in SEL. An additional $24.3 million of goodwill at March 31, 2001, relates to the consolidation of R.S. Andrews Enterprises, resulting from an increased ownership by HSS.
- Notes payable to banks of $20.3 million includes $15.3 million of short-term notes at March 31, 2001, relating to the consolidation of R.S. Andrews Enterprises and $4.0 million relates to short-term notes held by DTI.
- Current maturities of long-term debt increased $160.0 million reflecting a $200.0 million increase in the current portion of KCPL's medium-term notes offset by $40.0 million of maturing medium-term notes.
- Accounts payable decreased $21.1 million primarily due to a decrease in KCPL's accounts payable of $38.9 million due to the timing of cash receipts and cash payments partially offset by $17.3 million in accounts payable at March 31, 2001, due to the consolidation of DTI.
- Other current liabilities increased $17.3 million primarily due to $8.4 million at March 31, 2001, due to the consolidation of R.S. Andrews Enterprises, $4.8 million because of the adoption of

FASB 133 and $4.8 million in other current liabilities at March 31, 2001, due to the consolidation of DTI.

- Deferred telecommunications revenue of $42.1 million at March 31, 2001, is due to the consolidation of DTI. This deferred revenue results from advances under contracts being deferred and then recognized on a straight-line basis as revenue over the terms of the contract. In many cases, recognition does not start until completion of specified route segments.

Capital Requirements and Liquidity

The Company's liquid resources at March 31, 2001, included cash flows from operations, $150 million of registered but unissued debt securities; and $70 million of unused bank lines of credit. The unused lines consisted of KCPL's short-term bank lines of credit of $56 million and KLT Inc.'s bank credit agreement of $14 million.

The Company normally generates positive cash flows from operating activities except for the three months ended March 31, 2001. Individual components of working capital will vary with normal business cycles and operations such as the reduction of accounts payable by $58.6 million during the three months ended March 31, 2001, excluding amounts recorded in the consolidations of DTI and RSAE. Also, the timing of the Wolf Creek outage affects the refueling outage accrual, deferred income taxes and amortization of nuclear fuel.

Cash used for investing activities varies with the timing of utility capital expenditures and purchases of investments and nonutility property. Cash used for purchases of investments for the three-month period primarily reflects increased investments by KLT Telecom in DTI. The note receivable from DTI prior to majority ownership is reflected as an investing activity. DTI will obtain long-term financing to repay KLT Telecom.

Cash from financing activities increased for the three-month period primarily due short-term borrowings increasing $148.2 million during the three months ended March 31, 2001, compared to a $147.8 million decrease during the three months ended March 31, 2000. However, this change in short-term borrowings was partially offset by a decrease in long-term debt issuances during the three months ended March 31, 2001, compared to the three months ended March 31, 2000.

The Company expects to meet day-to-day operations, construction requirements (excluding new generating capacity and telecommunications construction) and dividends with internally-generated funds. However, the Company 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. The funds needed to retire $788 million of maturing debt through the year 2005 will be provided from operations, refinancings and/or short-term debt. The Company may issue additional debt and/or additional equity to finance growth or take advantage of new opportunities.

Environmental Matters

The Company'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 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. In addition, the current owner of contaminated property, as well as prior owners since the time of contamination, may be liable for cleanup costs.

The Company continually conducts environmental audits to detect contamination and ensure compliance with governmental regulations. However, compliance programs need to meet new and

future environmental laws, as well as regulations governing water and air quality, including carbon dioxide emissions, nitrogen oxide emissions, hazardous waste handling and disposal, toxic substances and the effects of electromagnetic fields. Therefore, compliance programs could require substantial changes to operations or facilities (see Note 4 to the Consolidated Financial Statements).

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

This disclosure is for the interim periods presented and should be read in connection with the quantitative and qualitative disclosures about market risk included in our 2000 annual report on Form 10-K.

The consolidated company is exposed to market risks associated with commodity price and supply, interest rates and equity prices. Market risks are handled in accordance with established policies, which may include entering into various derivative transactions. In the normal course of business, the Company also faces risks that are either non-financial or non-quantifiable. Such risks principally include business, legal, operational and credit risks and are not represented in the following analysis.

Commodity Risk

KCPL has approximately 95% of its forecasted coal requirements under contract for the year 2001. A portion of these coal requirements are subject to the market price of coal. Because of the increased price of coal, KCPL's coal commitments for 2001 have increased 11% to $40.2 million since the 2000 annual report on Form 10-K was filed. A hypothetical 10% increase in the price of coal would result in a $1.1 million decrease in the year 2001 pretax earnings.

Equity Price Risk

KLT Energy Services and KLT Gas own common stock of certain companies with a cost basis of $8.2 million. These equity securities are considered trading securities and as such have been recorded at their fair value of $8.5 million at March 31, 2001. During April 2001, shares with a cost basis of $3.4 million and a fair value of $4.0 million were sold. The remaining equity securities are exposed to price fluctuations in equity markets. A hypothetical 10% decrease in equity prices would have resulted in an immaterial reduction in the fair value of the remaining equity securities after the April 2001 sale.

PART II - OTHER INFORMATION

Item 5. Other Information.

PATRICIA S. LANG, ET AL. ON BEHALF OF HERSELF AND ALL OTHERS SIMILARLY SITUATED V. KANSAS CITY POWER & LIGHT COMPANY (previously disclosed in the Company's report on Form 10-K for the period ending December 31, 2000). On March 1, 2001, the United States District Court for the Western District of Missouri denied plaintiff's motion to certify a class action of African-American employees in this race discrimination case, while allowing plaintiffs to appeal this decision. The 8th Circuit Court of Appeals then denied the plaintiff's interlocutory appeal on April 10, 2001. The Company will continue to vigorously contest the claims of individual plaintiffs. In the opinion of the General Counsel, the relief sought by such individual plaintiffs will not be material to the Company's financial condition or result of operations. This will conclude the reporting on this matter unless there are further appeals on the class action status.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

EXHIBITS

Exhibit 10-a	Annual Incentive Compensation Plan for KCPL executives
Exhibit 10-b	Amendment No. 3 dated March 9, 2001, to Credit Agreement among KLT Inc., Bank One, NA, as Agent, Second Amended and Restated Credit Agreement among KLT Inc., Bank One, NA, as Agent, Commerzbank Aktiengesellschaft, New York and Grand Cayman Branches, as Syndication Agent, Westdeutsche Landesbank Girozentrale, New York Branch, as Documentation Agent, and Various Lenders

REPORTS ON FORM 8-K

No reports on Form 8-K were filed with the Securities and Exchange Commission during the first quarter 2001.

SIGNATURES

Pursuant to the requirements 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.

KANSAS CITY POWER & LIGHT COMPANY

Dated: May 10, 2001 By: /s/Bernard J. Beaudoin
(Bernard J. Beaudoin)
(Chief Executive Officer)

Dated: May 10, 2001 By: /s/Neil Roadman
(Neil Roadman)
(Principal Accounting Officer)

Exhibit 10-a

KANSAS CITY POWER & LIGHT COMPANY
ANNUAL INCENTIVE PLAN
FEBRUARY 2001

OBJECTIVE
The Kansas City Power & Light Company (KCPL) executive Annual Incentive Plan (AIP) is designed to reward sustained value creation by providing competitive incentives for the achievement of annual financial performance goals. By providing market-competitive target awards, the plan supports the attraction and retention of senior executive talent critical to achieving the Company's strategic business objectives.

Eligible participants include Executives and other Key Employees of the Company, as approved by the Compensation Committee (the Committee) of the Board of Directors.

PERFORMANCE GOAL
Performance under the plan will be measured by Economic Value Added, or EVA(R). The awards paid under the plan will be based on the achievement of the annual EVA goal approved by the Committee. Annual EVA goals will be set as part of a four-year cumulative EVA goal recommended by the Chief Executive Officer and approved by the Committee. At the beginning of the four-year period, the committee will approve the four-year cumulative EVA goal and the EVA goal for the first year of the plan.

KCPL's proposed cumulative EVA goal for 2001 through 2004 is $51.6 million. The proposed annual EVA goal for KCPL for the 2001 annual incentive plan year is $2.4 million. Details regarding these goals are presented in Appendix I.

In addition to the overall KCPL goal, separate EVA goals will be established for the business units. Individual incentive awards may reflect a mix of KCPL and business unit performance; the actual mix for each executive will be determined based on his role and contribution to the organization.

TARGET AWARDS
Target award levels will be approved by the Committee and will be set as a percentage of the executive's base salary. Target levels will vary by participant and will reflect both his organizational responsibilities and market-competitive bonus levels. Competitive bonus levels will be determined using a blend of general industry and utility industry data.

In order for bonuses to be paid at target levels, the annual EVA performance goals - both at the corporate and business level where applicable - must be met.

EXAMPLE

Position	Salary	Target Bonus %	Target Bonus $
Vice President	$150,000	30%	$45,000

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EVA(R) is a registered trademark of Stern Stewart and Company.

Target award levels are presented in Appendix II.

AWARD THRESHOLD AND MAXIMUM
Awards will be subject to an established performance threshold. If EVA performance falls below the threshold level, no award will be payable for that portion of the individual's award(1).

For plan year 2001, the threshold level of EVA performance for KCPL will be negative $14.7 million. If performance falls below this level, no award for the corporate component will be paid.

Awards will also be subject to a maximum level equal to 200% of the target award. For plan year 2001, the bonus amount of 200% will be awarded when EVA reaches $19.6 million.

If performance falls below target but is above threshold, the amount of the award payable will be below the target award level. Similarly, performance above target will result in an award higher than target

level. The amount of the award will be determined using the performance matrix provided in Appendix III.

EXAMPLE

Target Bonus %	Target Bonus $	2001 EVA Goal	2001 Actual EVA	Actual Award (% of Target Award)	Actual Award ($)
30%	$45,000	$2.4 million	$6.7 million	125%	$56,250

Using the performance matrix, the award paid for 2001 actual EVA performance of $6.7 million would be 125% of target, or $56,250 in the example above.

EXCEPTIONS
The cumulative EVA target established for the plan period is fixed for the duration of the plan, and will only be changed upon the approval of the Committee and the Board. Changes will only be approved as a result of an acquisition, divestiture or other significant event that, in the judgment of the Committee, results in a change in the character of the Company.

Each year, the Committee will approve the annual EVA target. In establishing this target, the Committee will consider both prior year EVA performance and the four-year cumulative EVA goal. Should EVA performance in any year fall below threshold, the Committee will consider setting the following year's goal at a level sufficient to recover all or a portion of the shortfall.

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(1) For example, if KCPL falls below the threshold EVA level while a business unit performs above its threshold, the corporate (KCPL) component of the award would be zero.

KANSAS CITY POWER & LIGHT COMPANY
ANNUAL INCENTIVE PLAN

APPENDIX I

PROPOSED EVA TARGETS

Following are the proposed KCPL (Total Company) EVA targets for the period 2001 through 2004 ($000s)

	2001	2002	2003	2004	Total
Budget EVA	$ 200	$5,200	$1,000	$22,900	$29,300
Additional EVA	$2,232	$4,465	$6,697	$ 8,929	$22,332
TARGET EVA	$2,432	$9,665	$7,697	$31,829	$51,632

KANSAS CITY POWER & LIGHT COMPANY
ANNUAL INCENTIVE PLAN

APPENDIX II

PROPOSED TARGET INCENTIVE AWARD LEVELS
(EXPRESSED AS A PERCENT OF BASE SALARY)

Executive Tier	Annual Target Award Opportunity
CEO / President	45%
EVP & SVP	30%
VP and Other Executives	20%

KANSAS CITY POWER & LIGHT COMPANY
ANNUAL INCENTIVE PLAN

APPENDIX III

PROPOSED PERFORMANCE MATRIX

The proposed performance matrix establishes the threshold and maximum levels of EVA performance and the corresponding annual award level. These EVA levels were established using the EVA interval calculation used under the current plan.

2001 Performance Matrix

EVA (thousands) ($)	% of Target Award Earned	Earnings Per Share Equivalent
19,582	200%	$2.39
15,295	175%	
11,007	150%	
6,717	125%	
2,432	100%	$2.12
-1,856	75%	
-6,143	50%	
-10,431	25%	
-14,718	0%	$1.83

CALCULATING THE INTERVAL

The EVA interval is calculated as follows:

a. MVA	$2,696,124
b. Cost of Capital	.0830
c. Expected Return (MVA x cost of capital)	$223,778
d. Capitalized EVA factor (1 + cost of capital)/(cost of capital)	13.05
e. EVA Interval (b divided by c)	$17,150

The threshold level is equal to the target EVA minus one interval; the maximum is equal to the target EVA plus one interval:

Threshold = $2,432 - $17,150 = ($14,718)
Maximum = $2,432 + $17,150 = $19,582

Exhibit 10-b

AMENDMENT NO. 3 TO CREDIT AGREEMENT

This Amendment No. 3 (this "Amendment") dated as of March 9, 2001 is among KLT Inc. (the "Borrower"), the undersigned Lenders and Bank One, NA, as agent for the Lenders (in such capacity, the "Agent").

W I T N E S S E T H :

WHEREAS, the Borrower, the Lenders and the Agent are parties to a Second Amended and Restated Credit Agreement dated as of June 30, 2000 (as previously amended, the "Credit Agreement"); and

WHEREAS, the Borrower, the Lenders and the Agent desire to amend the Credit Agreement in certain respects more fully described below;

NOW, THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, the parties agree as follows:

SECTION 1 DEFINED TERMS. Capitalized terms used herein and not otherwise defined shall have the meanings attributed to such terms in the Credit Agreement.

SECTION 2 AMENDMENTS TO THE CREDIT AGREEMENT. Effective upon the satisfaction of the conditions precedent set forth in Section 4, the Credit Agreement shall be amended as follows:

(a) Section 6.11 is amended by adding the following clause (xi):

(xi) Indebtedness of DTI and its Subsidiaries to Cisco Systems Capital Corporation pursuant to one or more Capitalized Leases, not to exceed $70,000,000 in the aggregate.

(b) Section 6.19 is amended by deleting the parenthetical phrase therein and substituting the following therefor: "(other than (i) Indebtedness of DTI and its Subsidiaries described in Section 6.11(xi) or incurred under the DTI Notes, the Exchange Notes or the Working Capital Facility, provided that neither the Borrower nor any of its Subsidiaries, other than DTI and its Subsidiaries, shall have any obligations (contingent or otherwise) with respect to such Indebtedness, (ii) KLT Investments Debt and (iii) Non-Recourse Debt)".

(c) Section 6.23 is amended by deleting the parenthetical phrase therein and substituting the following therefor: "(other than (i) Indebtedness of DTI and its Subsidiaries described in Section 6.11(xi) or incurred under the DTI Notes, the Exchange Notes or the Working Capital Facility, provided that neither the Borrower nor any of its Subsidiaries, other than DTI and its Subsidiaries, shall have any obligations (contingent or otherwise) with respect to such Indebtedness, (ii) KLT Investment Debt and (iii) Non-Recourse Debt)".

SECTION 3 REPRESENTATIONS AND WARRANTIES. To induce the Agent and the Lenders to enter into this Amendment, the Borrower represents and warrants that:

(a) The representations and warranties set forth in Article V of the Credit Agreement are true, correct and complete on the date hereof as if made on and as of the date hereof.

(b) No Default or Unmatured Default exists on the date hereof.

SECTION 4 EFFECTIVE DATE. This Amendment shall become effective as of the date first written above upon receipt by the Agent of each of the following counterparts of this Amendment duly executed by the Borrower and the Required Lenders.

SECTION 5 RATIFICATION. The Credit Agreement, as amended hereby, is hereby ratified, approved and confirmed in all respects.

SECTION 6 REFERENCES TO CREDIT AGREEMENT. From and after the effective date hereof, each reference in the Credit Agreement to "this Agreement", "hereof" or "hereunder" or words of like import, and all references to the Credit Agreement in any and all other agreements, instruments, documents, notes, certificates and other writings of every

kind and nature, shall be deemed to mean the Credit Agreement as amended by this Amendment.

SECTION 7 COSTS AND EXPENSES. The Borrower agrees to pay all costs, fees and out-of-pocket expenses (including attorneys' fees and charges of attorneys for the Agent, which attorneys may be employees of the Agent) incurred by the Agent in connection with the preparation, execution and delivery of this Amendment.

SECTION 8 CHOICE OF LAW. THIS AMENDMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (AND NOT THE LAW OF CONFLICTS) OF THE STATE OF ILLINOIS.

SECTION 9 EXECUTION IN COUNTERPARTS. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

IN WITNESS WHEREOF, the Borrower, the undersigned Lenders and the Agent have executed this Amendment as of the date first above written.

KLT INC.
By: /s/Frank R. Clark
Name: Frank R. Clark
Title: VP-CFO

BANK ONE, NA, individually and as Agent
By: /s/Mary Lu D. Cramer
Name: Mary Lu D. Cramer
Title: Vice President

ABN AMRO BANK N.V.
By: /s/Kris A. Grosshans
Name: Kris A. Grosshans
Title: Senior Vice President

By: /s/Jeffrey Dodd
Name: Jeffrey Dodd
Title: Group Vice President

WESTDEUTSCHE LANDESBANK
GIROZENTRALE, NEW YORK BRANCH
By: /s/Duncan M. Robertson
Name: Duncan M. Robertson
Title: Director

By: /s/Monika K. Kimp
Name: Monika K. Kimp
Title: Manager

COMMERZBANK AKTIENGESELLSCHAFT, NEW YORK
AND GRAND CAYMAN BRANCHES
By:
Name:
Title:

By:
Name:
Title:

THE DAI-ICHI KANGYO BANK, LTD., CHICAGO
BRANCH
By: /s/Nobuyasu Fukatsu
Name: Nobuyasu Fukatsu
Title: General Manager