

February 1, 1999

Mr. Frank DeBacker
Vice President - Fuel & Purchased Power
Utilicorp United
10750 East 350 Highway
Kansas City, Missouri 64138

Report on the Evaluation of Power Supply Proposals

Mr. DeBacker:

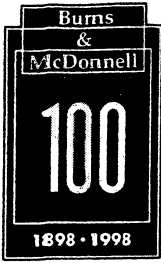
This letter summarizes the results of Burns & McDonnell's evaluation of power supply proposals. UtiliCorp United (UCU) provided the proposals and updated offers from Houston Industries (HI) and Merchant Energy Partners (MEP).

The objective of the evaluation was to verify that the information from the proposals had been accurately input into the model. The evaluation was also performed to determine the power supply option which, when combined with UCU's existing resources, would result in the lowest total cost of power supply for UCU during the evaluation period of June 1, 2000 to May 31, 2005. The evaluation was performed using the RealTime production cost modeling software written by the Emelar Group and utilized the RealTime database of existing power supply resources provided by UCU.

Burns & McDonnell verified that the information provided by UCU had been correctly input into the model. Assumptions made in the evaluation of the offers were provided by UCU and included the natural gas price forecasts, spot energy market price forecasts, and energy sales price forecasts. Burns & McDonnell has reviewed these assumptions and determined that they are reasonable.

The results of the RealTime modeling are shown on the attached tables. Both proposals were modeled under a base, low, and high gas price forecast and a base, low, and high energy market price forecast. All cases were run with and without the sale of energy not required by UCU. The energy to be sold could be provided by any available resources in each case modeled.

As shown in the tables, the total expenses of the two proposals were very similar across all of the cases run. The NPV of total costs for the MEP option is slightly less than the HI option in all but one case. The HI proposal was less expensive in the case involving the base gas price forecast, low market energy prices, and no off-system sales.



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We appreciate the opportunity to be of service to Utilicorp United. We would also like to express our appreciation for the cooperation we received from you and Mr. Roger Parkes during the evaluation process. If there are any aspects of the analyses that you wish to discuss, please do not hesitate to call us.

Sincerely,

A handwritten signature in cursive script that reads "James M. Flucke".

James M. Flucke, P.E.
Project Manager

**Missouri Power Supply
Bid Comparison
6/1/2000 - 5/31/2005
\$x1,000**

	Annual Cost \$x1,000					NPV	
	From> To>	Jun-00 May-01	Jun-01 May-02	Jun-02 May-03	Jun-03 May-04	Jun-04 May-05	Jun-00 May-05
<u>Without Off System Sales</u>							
<u>Base Gas & Mkt</u>							
Merchant Energy Partners		108,388	130,053	135,381	143,952	154,103	530,017
Houston Industries		108,388	129,074	136,181	145,432	156,081	532,248
<u>Low Gas & Mkt</u>							
Merchant Energy Partners		107,201	128,131	133,679	141,514	150,536	521,700
Houston Industries		107,201	127,071	133,707	142,439	152,179	522,611
<u>High Gas & Mkt</u>							
Merchant Energy Partners		109,286	131,741	136,817	145,969	157,239	537,054
Houston Industries		109,287	130,352	138,055	147,781	159,531	539,738
<u>Base Gas & High Mkt</u>							
Merchant Energy Partners		109,286	131,611	136,202	144,902	155,416	534,428
Houston Industries		109,287	130,372	137,863	147,227	158,542	538,522
<u>Base Gas & Low Mkt</u>							
Merchant Energy Partners		107,201	128,216	134,081	142,533	152,026	523,854
Houston Industries		107,201	127,093	133,884	142,788	152,650	523,348
<u>With Off System Sales</u>							
<u>Base Gas & Mkt</u>							
Merchant Energy Partners		104,398	124,280	125,783	135,176	145,695	501,582
Houston Industries		104,496	123,971	132,218	141,965	152,742	516,301
<u>Low Gas & Mkt</u>							
Merchant Energy Partners		104,900	124,198	127,032	135,426	144,548	502,371
Houston Industries		105,051	123,833	131,134	140,080	149,887	512,508
<u>High Gas & Mkt</u>							
Merchant Energy Partners		103,334	123,486	123,798	134,399	146,379	498,234
Houston Industries		103,366	122,870	132,193	143,092	155,022	516,671
<u>Base Gas & High Mkt</u>							
Merchant Energy Partners		103,334	123,245	122,774	132,659	143,683	494,100
Houston Industries		103,366	122,768	131,681	142,090	153,522	514,421
<u>Base Gas & Low Mkt</u>							
Merchant Energy Partners		104,900	124,319	127,710	136,885	146,458	505,385
Houston Industries		105,051	123,918	131,452	140,701	150,685	513,833

Merchant Energy Partners
Annual Ownership and Operating Cost
\$x1,000

	From> To>	<u>Annual Fixed Cost</u>				
		Jun-00 May-01	Jun-01 May-02	Jun-02 May-03	Jun-03 May-04	Jun-04 May-05
Aquila Capacity Payment		4,866				
MEP Capacity Payment			17,696	27,660	27,660	27,660
SEC Capacity Payment		7,566	6,693			
Union Electric Capacity Payment		7,176				
Long Term Peaking Capacity Cost						
Short Term Peaking Capacity Cost					2,837	6,397
Gas Reservation Cost			6,890	6,890	6,890	6,890
Total Fixed Costs		19,608	31,279	34,550	37,387	40,947

Total Annual Supply Cost

Without Off System Sales

MWh \$ w/Base Gas & Mkt	88,779	98,774	100,831	106,565	113,157
Total Cost	108,388	130,053	135,381	143,952	154,103
MWh \$ w/Low Gas & Mkt	87,592	96,852	99,129	104,127	109,589
Total Cost	107,201	128,131	133,679	141,514	150,536
MWh \$ w/ High Gas & Mkt	89,678	100,462	102,267	108,582	116,293
Total Cost	109,286	131,741	136,817	145,969	157,239
MWh \$ w/Base Gas & High Mkt	89,678	100,332	101,652	107,515	114,469
Total Cost	109,286	131,611	136,202	144,902	155,416
MWh \$ w/Base Gas & Low Mkt	87,592	96,937	99,531	105,146	111,079
Total Cost	107,201	128,216	134,081	142,533	152,026

With Off System Sales

MWh \$ w/Base Gas & Mkt	84,789	93,001	91,233	97,790	104,748
Total Cost	104,398	124,280	125,783	135,176	145,695
MWh \$ w/Low Gas & Mkt	85,292	92,919	92,482	98,040	103,601
Total Cost	104,900	124,198	127,032	135,426	144,548
MWh \$ w/ High Gas & Mkt	83,725	92,207	89,248	97,012	105,433
Total Cost	103,334	123,486	123,798	134,399	146,379
MWh \$ w/Base Gas & High Mkt	83,725	91,966	88,224	95,272	102,736
Total Cost	103,334	123,245	122,774	132,659	143,683
MWh \$ w/Base Gas & Low Mkt	85,292	93,040	93,160	99,498	105,511
Total Cost	104,900	124,319	127,710	136,885	146,458

Houston Industries
Annual Ownership and Operating Cost
\$x1,000

	<u>Annual Fixed Cost</u>					
	From> To>	Jun-00 May-01	Jun-01 May-02	Jun-02 May-03	Jun-03 May-04	Jun-04 May-05
Houston Capacity Payment			23,576	23,576	23,576	23,576
Aquila Capacity Payment		4,866				
SEC Capacity Payment		7,566				
Union Electric Capacity Payment		7,176				
Long Term Peaking Capacity Cost						
Short Term Peaking Capacity Cost				2,837	6,397	
Gas Reservation Cost			8,755	8,755	8,755	8,755
Total Fixed Costs		19,608	32,331	32,331	35,168	38,728

Total Annual Supply Cost

Without Off System Sales

MWh \$ w/Base Gas & Mkt	88,780	96,743	103,850	110,264	117,353
Total Cost	108,388	129,074	136,181	145,432	156,081
 MWh \$ w/Low Gas & Mkt	 87,592	 94,740	 101,375	 107,271	 113,451
Total Cost	107,201	127,071	133,707	142,439	152,179
 MWh \$ w/ High Gas & Mkt	 89,678	 98,021	 105,724	 112,613	 120,803
Total Cost	109,287	130,352	138,055	147,781	159,531
 MWh \$ w/Base Gas & High Mkt	 89,678	 98,041	 105,531	 112,059	 119,814
Total Cost	109,287	130,372	137,863	147,227	158,542
 MWh \$ w/Base Gas & Low Mkt	 87,592	 94,761	 101,553	 107,620	 113,922
Total Cost	107,201	127,093	133,884	142,788	152,650

With Off System Sales

MWh \$ w/Base Gas & Mkt	84,888	91,639	99,886	106,797	114,014
Total Cost	104,496	123,971	132,218	141,965	152,742
 MWh \$ w/Low Gas & Mkt	 85,442	 91,501	 98,802	 104,912	 111,159
Total Cost	105,051	123,833	131,134	140,080	149,887
 MWh \$ w/ High Gas & Mkt	 83,757	 90,539	 99,861	 107,924	 116,293
Total Cost	103,366	122,870	132,193	143,092	155,022
 MWh \$ w/Base Gas & High Mkt	 83,757	 90,437	 99,349	 106,922	 114,794
Total Cost	103,366	122,768	131,681	142,090	153,522
 MWh \$ w/Base Gas & Low Mkt	 85,442	 91,587	 99,120	 105,533	 111,957
Total Cost	105,051	123,918	131,452	140,701	150,685