Questions and Answers
New York Analyst Meetings
May 9, 2000
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R. Green

Welcome to what we are calling a UtiliCorp mini road show. Peter Lowe our CFO and I will be covering the east coast and my brother Bob Green is covering the west coast. We are out telling the UtiliCorp story as it continues to evolve. We think it is important that people understand what is going on at UtiliCorp and the value we see being created. We want you to understand what we are doing so that we can begin to get that value reflected our stock price going forward.

What I would like to do this morning is first walk you through an explanation of our strategy, which has evolved a bit over the last 6 months. Peter, will then talk specifically about our network business. I will then spend some time on the services segment and the merchant segment and finally, Peter will wrap-up by walking you through a stock valuation that we think is fair and conservative. Hopefully, we will then have some time for questions and answers.

The UtiliCorp strategy as we started to talk about earlier this year showed the evolution of our services segment in the center. But, let's first understand where our strategy has evolved. Start down here at the bottom of the graphic with the markets in which we operate. It is a very fundamental philosophy and we think an important foundation of the company to be in multiple marketplaces around the world, selectively, where we can profit by markets opening up, and where we see the rules being such that one can make money.

Right now those markets represent, as you see here, Europe, Australia, New Zealand and Canada, as well as the United States. That multiple market foundation we believe gives us the diversity that's important to ongoing profitability and strength. The diversity of market cycles, market opportunities, government regulators, economy, the list goes on.

It is really these markets that have been showing us strategic opportunities and pulling our strategies as the markets start to change and reshape our industry. Clearly, in our two original strategies, world-class manager of energy assets and global energy merchant, we've seen huge opportunities and ways that one can benefit from operating in multiple markets. This is especially true in operating a network or old utility business in more progressive markets like New Zealand and Australia, and soon in Alberta where we have recently purchased TransAlta. Opportunities such as pulling retail away from the networks, pulling generation and transmission out, pulling out the maintenance and construction of the pipes and wires, and creating a back room business for energy delivery.

All of these are different businesses embedded within the utility — and when you look at what it takes to perform each of those businesses, they clearly are different businesses. We think the pieces have a value that's far greater than the value of a vertically integrated network business. We are starting to optimize those different businesses and you will see more of that optimization going forward.

The second original strategy, the global energy merchant, continues to have good solid growth. The growth comes from customers starting to understand the control they can have in choosing and customizing their energy. This realization is happening not only here in the US, but we're also seeing this start to happen in Europe. The US and Europe are the two dominant markets where we think this strategy can work and where we continue to see a number of growth opportunities.

The changes that are going on in the marketplace have again provided us an opportunity. An opportunity we are calling -- the services segment. It is the technology initiatives. It is the unbundling of the old utility business that provides this service segment opportunity. In our service segment we have our contracting business, Quanta. Later in the presentation I will talk a little bit more about Quanta as well as our telecom initiative that we have been busy building in Australia since 1997 and now are starting to build in other marketplaces. We see a lot of value being built in the services segment of our business.

Going forward, we are going to continue to build value and leverage off our core strengths; network businesses, merchant businesses, and services businesses. These businesses continue to give us an ability to grow at two levels. One level of entering additional markets, and secondarily, growing inside the markets themselves.

The business segments outline themselves this way; Aquila Energy, our merchant business where Aquila continues to meet the customer needs with commodity, capacity, capital and client services, and again, our services segment and our network business.

One thing that's been very true about UtiliCorp over the years has been our belief in the value cycle. What this says is that if we really start to build value, then we ought to realize it, not just point to it on paper. When you invest and you optimize, you ought to find a way to monetize the investment. This is the way we've approached our investments in Australia and you'll see continuing value cycle examples in many of our other businesses. We see this as really another earnings stream, if you will, that's over and above the organic earnings growth that we consistently have achieved. It's a solid upside as we continue to capture the value that is sitting in our different investments, in our different markets around the world.

So now let's take a little bit of time and go through each of the business segments. Peter will now cover our networks business segment.

Peter

Thanks, Rick. As Rick mentioned, the reason we're going to talk about networks this morning is to talk to you about how we now see the networks going forward, not to describe in detail the network business.

If we go to the first graphic, just to set the scene, obviously we've got the domestic business in the US, and then we have networks in Australia, New Zealand and Canada. We've moved into those countries because of the opportunities that became available there, predominantly through privatization of government assets. In Australia it started with the purchase of United Energy in 1995, but since then there has been the acquisition of the gas business, Multinet Ikon, as the Victorian government privatized it. We are looking at AlintaGas in Western Australia at the moment, and as other parts of Australia privatize, we'll also look at those opportunities.

The same situation in New Zealand. We've gone in and bought some assets, which are now known as United Networks, and just recently we were the successful bidder on the Orion gas business. So now we've got electricity and gas in New Zealand, and there is a lot of overlapping territory in those two businesses and a lot of synergies to be taken out once we put the two businesses together.

Finally, we've got Canada, where we've had West Kootenay for many years, but again, Canada is starting to open up, municipalities are being privatized, states are privatizing. We recently made the successful acquisition of TransAlta, and we're hoping for regulatory approval sometime towards the end of June.

So that's the network business footprint. What I really wanted to talk to you about was how we see the network businesses. This picture has really been driven by what's happened in Australia. In Australia, we always saw the network business as comprising a number of parts. There are the pipes and the wires, obviously, but supporting that there is a contracting business. The example in the US would be Quanta. Also inside that network business is what Australia calls the UtiliMode Business, which is the business that services that network business in terms of the meter readings, the billing, the collections, etc. Evolving out of that network business there is the telecom business, and I'll talk a little bit more about that later. The final piece is the retail business.

When United Energy was bought it was a combination of a network business and a retail business. We've since split up that retail business, and as you probably have read, we announced a transaction that is about to close where we are putting our electricity customers and our gas customers into a joint venture called Pulse Energy with Shell and Woodside. Shell will bring the expertise of selling to mass markets. They've got a national distribution network and they have a very strong brand. Woodside, which Shell has a major interest in, has the upstream assets.

The reason for going through each of those pieces is just to show you an example of how a network business can be broken into a number of pieces. The important piece about that is that each of those businesses has different values, different skill sets, different capital requirements, and different PE's -- hence different values.

If we go to the next slide, the best example of that breakout in Australia has been the telecommunications business. That business originally started as Rick mentioned, in 1997 purely stringing fiber on our poles in our geographic area. We knew we had the skills to string fiber. We had the right of way, and the third thing we noticed was that we had a lot of data centers in our geographic area that needed to be linked, and ultimately linked back to the head office. This business purely started as stringing fiber leveraging off those core competencies that we had in our network business.

As we were stringing that fiber, we noticed there was an opportunity to go further. We moved out of our geographic area into the CBD (central business district) of Melbourne. At that point in time, we were very lucky. We approached Telstra, who was a major telecommunications carrier in Australia, and we got the last access to ducts in the Melbourne CBD. The reason they gave them to us is because they didn't see us as a competitor. Having got them now, it put us in a very strong position.

Since that time we've moved into Sydney and we've moved into Brisbane, and we are now working with people who provide the hardware, and we're also getting into Internet service provider status. So it's a business that's grown from absolutely nothing in 1997 to a business that today is worth somewhere between $800 million and $1.3 billion Australian.

If you go to the next slide you can see what this has done to the United Energy share price since we launched it. Back in January we really weren't saying much about the telecommunications business, and people really didn't understand the hidden value that was trapped in that business. Nobody realized that it was worth $1 billion.

Since we announced it in late February the share price has gone up as high as $3.65, and it's currently trading around $3.15. Nothing else has happened in the business to any great extent. That increased value has come because people realized embedded in that network business is an asset that has real value. We've talked about the possibility of doing an IPO with that business to capture some of that value, and that's when the share price really started to move.

Just using United Energy as an example again, and showing the sort of value that can be created once you break up this animal called the network business, originally the United Energy business was bought for $1.15 billion US, and the equity contribution from UtiliCorp at that point was $258 million. Since that time, we've IPO'd the business and UtiliCorp's interest in United Energy has dropped to 34%, but we took a $45 million gain out at that point in time and we obviously have received dividends each year we've owned it.

But more importantly, if you look at the value up at the top of this graphic, even though we sold down to 34%, that $258 million has grown to $525 million. The interesting aspect of that valuation, if you look at the distribution business it is basically valued at what UtiliCorp paid for it 1995, the other pieces that have been developed and split away from the network business and operate now in their own right as unregulated businesses, and they have their own customer bases. They're growing as well as have a major customer -- the network business and they now have other customers that are enabling them to grow and have got significant value being generated.

Another example is the UtiliMode business, the back room that services the network business. Obviously they're major customer is still the network business. But they now have a customer called Pulse Energy. They've signed a 7-year contract with Pulse Energy. That contract is all profit that drops through to the bottom line. The reason for that is that under Australian regulations, because UtiliMode has to service the network customer, those costs will be allowed in the rate base. Every other customer like they pick up, other than the variable cost of doing that business, the margin drops through to the bottom line.

So there is potential for significant value to be created if you can get these unregulated businesses broken out and starting to get their own customers in their own right. And at that point, I'll hand it back to Rick to talk about services.

Rick

Okay. The services segment really began with the contracting business last fall, when we made our initial investment in Quanta. It was our sense then that this was a sector that was going to have a huge amount of growth, given the characteristics of what was going on in the marketplace. That has proven to be very true and we have continued to invest in Quanta, and now we're up to approximately 36%.

But the factors that are causing that growth have to do with the dramatic growth in demand for bandwidth that is driving the fiber network build out. If you just look at the residential hook ups for cable and DSL service, they're growing at a clip of 82% a year; it's an amazing amount of infrastructure that is being built. There are very few companies that have the capability to lay this fiber, and Quanta is one of the top providers across the country.
Deregulation is also causing an increased need for infrastructure. If you look at the deregulation that has gone on, it's clearly happening with telecommunications and we see it starting to happen in the utility business, causing additional infrastructure building to take advantage of opportunities in the marketplace. But at the same time, you see companies looking at their business a different way; really seeing that if they outsource the construction and maintenance of the wires and pipes and cables, the can

save money, as much as a 35% in reduction of cost. So you have another whole movement that plays right to Quanta's advantage.

Also, clearly the upgrading and expansion of the existing infrastructure. That is not going to go away. The infrastructure needs to be preserved. So you really have some significant factors that are going to continue to allow Quanta to grow in the future. We think it is a very smart place to be.

The communication business, as you heard Peter talk about, we've been doing that successfully in Australia, where we have accumulated 33,000 fiber miles. The key that we saw last year was to take that successful telecom strategy and apply it in other marketplaces where we are doing business. The opportunity in the US we have found first to be with our acquisitions of St. Joe and Empire. St. Joe has a small fiber company called ExOp, and Empire has 300 miles of fiber that we got with the Empire or will get with the Empire acquisition.

The first thing we have done in our own service territory is out in Pueblo, Colorado, where we have begun building out a fiber network. We are currently doing this simply through contract; the same way we got started down in Australia. In Pueblo for example, it's a contract with the city government to build a private network for their government buildings around town. However, when you put in the fiber cable, I believe we're using 86 fiber cable, the city is only going to use maybe one or two of the fibers so rest is the dark fiber that you can begin to light as you add customers to that network.

The whole intent here in the US is if we look at the third and fourth tier communities, which essentially are the communities in our service territory where we serve electric and gas, it is a market that has not been pursued. I'll show you that in a minute.

Once you lay the fiber the branded services that can be offer to customers, we've found, are a good addition. Services such as Internet access and long distance. Partnering with others that provide those additional services, we see as a successful way to add to the profitability. I already mentioned ExOp, where we have 35% ownership of a CLEC and it's up and running, offering service. So, we have a real working model that we can expand.

The key to making this work is to make sure that we have the management resources, the depth to execute. That points to our partnership with GLA

International or Everest, which we announced in a recent news release. It is the management group that came out of Brooks Fiber when they sold to WorldCom, and they want to do it again. In partnership with them, we think there is a lot of potential to lay fiber, mainly in the Midwest, and make it a very profitable business.

This graphic is what I meant when I was talking about the third and fourth tier cities, predominantly in the Midwest. If I showed you a map of where the majority of the fiber build-out is currently taking place, where a lot of the CLECs are building market share, you would see it on either coast. There would be a void in the Midwest. We think there is a clear opportunity for us to be able to get the market share that one needs to be profitable. As you've probably heard from others, you need to get to around the 20% market share level to reach profitability. Then there is huge potential profitability as you continue to grow your market share.

If you look at the tier three and four cities, you are looking at the possibility of getting market share to 60-70%, simply because a build-out in the smaller communities hasn't occurred. If you overlay our capability here in the Midwest with our own fiber network that we lease for our own utility purposes, it gives us a huge advantage for continued expansion.

Based on our Midwest network presence combined with Quanta Services you can easily see how we can leverage those operations to make sure we get our fiber in and get it in quickly, to be able to take market share. An example is the recent contract that Everest signed with Quanta for $400 million to begin to lay fiber starting in parts of the Kansas City area.

So the competitive advantages we have in our service segment is Quanta, one of the premier companies providing construction of bandwidth infrastructure. The Everest connection with its management and depth of management out of Brooks Fiber that has done it before and will do it again. If you layer in UtiliCorp service territory, which encompasses the steps you have to go through to lay fiber -- get franchises, understand regulation, understand the customer – we are already doing that. So that makes it an easy overlay to speed the execution of building out this network and we're already doing it in a small way in with our ExOp initiative in northern Missouri.

Moving on to our merchant operations, here, as I mentioned earlier, we constantly try to organize ourselves to be able to respond to what the customer needs. Clearly, as we look at customers starting to learn how to make choices with energy, it's important that you obviously have the commodity service, but you want to be able to move away from commodity service to be able to make more margins. That means that you want to be able to build assets for your own use, as well as manage assets that the customer might have. This service is performed in our capacity service area. Capital services focuses on customers, mainly in the production area, to provide them with capital. This product has been something that's been strong in demand. We'll talk about that.

Client service is getting into e-commerce applications and Internet trading, an alliance that we were a part of recently and we'll talk about that.

In the commodity and capacity area, to be the second largest energy merchant in North America, it takes a huge infrastructure behind that organization to make it work. This just gives you a feel for the amount of storage capability we have -- 80 BCF of gas storage. The transportation network that we have access to, to be able to serve our customers. And then clearly continuing to place what we call strategic generation in the areas of the country where we think it can be the most profitable. Obviously being one of the largest power marketers, we know where those locations are, and we have in the order cue rights to 11 turbines to start to put down on these sites to be able to take advantage of those peaking opportunities around the US.

Capital services; this has taken off dramatically. We started it in 1998. As of March 2000, we've invested as much as $275 million. It should grow considerably again this year. Really what's happening here is capital for the E&P (Exploration and Production) businesses, and it's really a win/win situation. A lot of the producers or suppliers that we deal with need capital to continue to expand their reserves. What we get in return is not only a nice return on the money, but also the rights to their already proven reserves, which plays to our need to want continue to control more energy. So this has worked very nicely for us, and we see this as a strong growth piece moving forward.

I mentioned the Internet trading platform that we announced not too long ago with some other top energy market players, and we think that this group really has the edge on the market place. The graph is not to just show that we're number two, but it's to look at the stars. Those are the participants in the alliance that we have put together. If you look at how you best serve the client or the customer, it really is providing them liquidity and choice of who they want to trade with. Compared to the other Internet trading platforms out there, nothing even comes close to this combination with liquidity and the choice of players. We see this being a very successful venture going forward.

But the point here more broadly is that Internet and e-commerce will be a fact of life in the energy business. It can be trading platforms, but it's going to be a lot more. I think the real key here is to start getting involved and actively participating in this marketplace, to start to see which way it's going to go and the best way to develop your business to take advantage of the e-commerce opportunities going into the future.

Now Peter will walk us through a UCU stock valuation.

Peter

So what does all that mean? Where do we think that leave us in terms of a valuation? What I'll do, not in any great detail, because you can probably take the pages away and work through them yourself and hopefully come to the same conclusion. But I'll just take you through each of the pieces that we've talked about, and the value that we see in each of those pieces, what it adds up to, and compare that to the share price we see today.

First in looking at the network business, all we've done here is simply take the EBIT DA of each of the businesses and use a multiple of 7.5. I think you would all agree that 7.5 is a reasonable multiple to use on an EBITDA valuation. In the case of Australia, we've obviously converted it to US dollars and taken our percentage ownership of 34%. In the case of New Zealand, we've taken our ownership percentage at just under 80%. Adding those up, we see a value of just over $3.7 billion in the network businesses. I'm sure you've all come to a similar figure in terms of valuing that network business.

If you look at Quanta, all we've done there is take the number of shares we own today, use the share price of $50, I'm not quite sure what it closed at on Monday, but it was a $55 close on Friday. We've used $50 because the Quanta share price can bounce around $4 or $5 in a particular day. Multiplied by the number of shares and come up with the value of $1.3 billion. We think that's conservative. As Rick mentioned, we think there is a lot more value in Quanta still to come with the growth that we see in that business.

In the merchant business, similar principle. We used EBIT DA, but we feel we've been very conservative in the multiple we've used here, a multiple of 8. If you look through the valuations that have been done on similar businesses you can find multiples as high as 16. So very conservatively, we've used 8. We think you can get to a much higher value than the $1 billion shown here.

Finally the embedded value that I talked about, that you find in the network business, that isn't being properly valued by the market. UCU has a contracting business embedded within that network business that's not being valued at all. If you just pull that business out, took its revenues, used a 15% figure as the EBIT DA that would flow from that revenue, folded it 4.5 times that EBIT DA, you've got $100 million of value just sitting there today. That's something that could be pulled out, sold to Quanta, as an example.

UE Comm I've talked about. We've just used the value there of $1 billion, somewhere between $800 and $1.3, could be more, Australian dollars. The other businesses, as I mentioned, Australia has a contracting business where over 50% of its revenue now comes from outside the servicing network business. Again, using the same principle you can come up with a valuation because that value is not being captured in the United Energy share price. If you look at some of the analyst evaluations of United Energy, you're starting to see those numbers being pulled out in valuations that they're doing.

Finally the retail business, what we've done there is we've just taken the customers in both the Multinet Ikon and United Energy, and valued them. In this case a valuation or at a price per customer that you're seeing in analyst reports in Australia. We're not at liberty to disclose the value we sold them into Pulse Energy, but I can tell you that the prices we did sell them into Pulse were higher than the values you're seeing there. Conservatively and as an external evidence of the value in those retail customers, we've used valuations that you see in analyst reports.

So that gives us another half billion dollars, and if you add all that up you can see a value of $6.6 billion. We take off the debt, and that includes the debt in Australia, which is off balance sheet debt, but we're saying if we sold out of Australia we'd have to pay down that debt. That leaves us with what we believe is a conservative value of something near $35, compared to today's price, which closed just under $20 yesterday.

So we do see a significant gap between the value the market is putting on us today, which is basically taking a lump of assets, valuing them with the utility multiple, verses breaking it into the pieces that we've talked about today, applying the right multiples for the risks and the growth potential that you see in each of those businesses, and that sort of valuation gives us something around the $35 mark.

At that point, I think both Rick and I are happy to take any questions that you might have.

Rick — What questions do you have?

Question: — **Rick, would you consider down the road maybe splitting off the merchant side of the business or is there a clear synergy with having that with the network side of the business? Maybe you could go into that a little bit and how you might realize some of that value by doing so?**

Rick — Clearly, the path for Aquila is to be more its own business. Right now we see a lot of activity of companies with generation that would like to partner or combine with Aquila, which we think would be a fantastic thing. So we would start to really get more generation assets behind Aquila and share that ownership. Then ultimately, when you build that value, you have another opportunity to go out and do an IPO. So Aquila's path is clearly heading in that direction. If you look at the top energy players, clearly Aquila stands out as one of the ones that is best positioned to partner with a generation company. We're talking with a number of people on that concept. What else? Yes.

Question: — **Your capital structure is about 35% common equity for your growth plans what your ideal capital structure?**

Peter — We tend to look at our capital structure being closer to 40 because we include some of the convertible preferreds in our equity, because the rating agencies give us credit for an equity component there. But having said that, we are in a situation where we need to be creative with any structuring we do to maximize the value in our balance sheet. Going forward over the next few months, you'll see some of that creativity start to appear. An example of that is we're going to deconsolidate New Zealand, and we're going to deconsolidate New Zealand by selling about 20% of our share holding to a private equity investor. That will enable us to deconsolidate, because they will come onto the board and have certain powers on that board that will not, in reality, give us control anymore so we'll be able to deconsolidate.

That takes about $450 million off the balance sheet in terms of debt and gives us further capacity to borrow and continue on with our growth aspirations. There'll be further examples of those sorts of things.

At the same time, we have to be very cognizant of our rating, because we do want to maintain our investment rating, which is BBB at the moment. As part of that process, we're also looking at some of the other things we might be able to do to our balance sheet to sustain that 40/60 type of capital structure that we've got today.

Question: **What are your earnings targets going forward? I mean you guys still on your 8 to 10% EPS growth rate. Is that pretty much still where you guys are getting guidance for your earnings?**

Peter: Yes.

Question: **Okay, and what kind of capital expenditures are you guys looking at in terms of achieving that over the next two or three years?**

Peter: That's a hard question to answer. I think that the answer is that the 8 to 10% this year is exclusive of further capital expenditures. So in the plans we've got on the table today, we believe we can achieve that 8 to 10% growth, and those plans do not include further acquisitions. So as we make acquisitions, there is the potential to enhance that growth, but whatever acquisitions we're going to make, they're probably not going to have a lot of impact on the year 2000 because of approvals that need to happen and due diligence and funding, etc. You're probably looking at things happening toward the end of the year that won't start to impact until 2001.

Rick: We spent about $2.5 billion last year in acquisitions. We'll probably be close to that level again this year, but again, the earnings targets we have of the 8 to 10% is just the way the business is organically growing.

Question: **Is that just for 2000? I mean after 2000, looks like we're on a general run rate without acquisition. What's kind of the organic growth rate that you guys are looking at? Could you separate it a little bit that way as opposed to making new acquisitions and buying new companies or what have you? What's the actual growth rate of the company without that kind of thing?**

Rick: Well, it's been 8% for three years, and now we're talking about 10%. I mean obviously as we continue to grow the company via acquisitions, the organic growth goes up with that also. So it just underpins the 8 going to 10. As you do it, you don't have to make acquisitions to make that 8 to 10 in any given year, because you've built the base that earns the money in an organic way.

Question: **I agree, but what if you had no acquisition. Say there were no acquisitions since last year. If there were no acquisitions, what would be the average growth rate for just the remaining businesses? Is this a roll up theme? That's what I'm trying to separate here. How much of your growth is coming from acquisition and how much just comes from growth in customers and what have you?**

Rick: I think you'd stay at the 8 to 10% arena.

Question: **I'm wondering with regard to the services businesses and your ownership of Quanta, do you have a stand still of any type in regard to, if you thought for what ever reason that you would want to completely acquire Quanta and incorporate within UtiliCorp. Are there any limitations on your ownership or anything like that, whereby you would not be allowed to buy the entire company?**

Rick: Yes. You won't see us go above 50%, and we don't really see the need to do that at this point in time.

Question: **All right. Is that via an agreement or is there some philosophy that says you don't want to acquire the entire company and have it be the services part of UtiliCorp exclusively?**

Rick: I think right now the way Quanta is growing and the way they're performing in the market, we don't necessarily have the desire to go up to 100%, or substantially over 50%, and take away that liquidity and hurt that value that's growing there. Right now, I don't think Quanta management wants to give us that kind of control either. So right now we're very happy where we are and we'll see how the future plays out with that.

Question: **Can you talk about the New Zealand sell down? I think in the past you referred to Mercury as a potential asset might be coming to market and if that is still true what is the size and potential timing?**

Peter: UtiliCorp is very interested and it would really just round out the New Zealand strategy. At the moment we have about 30% market share in the electric start of the business, and getting the old Mercury, which is now Vector, would take us to a position where we think we'd have to stop because of the market share we would have at that point in time. We're very interested in the asset, but it takes the Vector board to put that asset into play before we can do anything with it. We still think there's a good chance of that, but there is nothing on the horizon at the moment.

Question: **Okay. Because I think previously you thought it could be a first quarter event but it sounds like it's been pushed back?**

Peter: Push backed only because it hasn't come on the market.

Question:	**Maybe the second half of 2000 or is it a year away.**
Peter	Rick might know. I haven't heard anything rumblings that it's coming.
Rick	It's really a guess of when the trustees of Vector and the City of Auckland deem it's time to privatize. They've kind of bubbled up and got very close to announcing and then kind of said, gosh, let's wait a little bit. So I mean it's one of those cycles that's very hard to predict.
Question:	**And from your background in Australia I was wondering if you could update us on the regulatory process down there and the rate review and your expectations of the review?**
Peter	The preliminary announcement from the regulator is due in May. So it's imminent. The final reset will happen in September for implementation January 1, 2001. We had always built in a reduction in the rider return from 10.9 to somewhere between 7.5 and 8, and we're still confident that that sort of range will happen. So the first important point is that we had always built in this rate reduction going forward. The second point to understand is that that's what drove the Australian strategy way back in 1995. We knew that would happen, and the objective was to develop those unregulated businesses to replace the earnings that were lost from that rate reset. As we stand here today, that has actually happened. So the second point is that certainly there is going to be a rate reset that pushes down the return on the regulator business that those earnings have been replaced already. The third point that is important to understand, and I can't give you an answer standing here today. We've got to wait for the regulator to make his announcement shortly, and that's the glide path. The glide path is what the businesses were told that the rate reset would be based on, and that draws a line from 10.9 rate of return down to somewhere between 7.5 and 8, over the five-year period for which the rates are reset. As you can visualize, there is a triangle of value there, which if we get the glide path, is retained by the business. If we don't get the glide path or we get some modified version of the glide path, then that is value that will be lost. And just a final point on that rate reset, obviously the objective of the regulator is to be seen by the public to have pushed the price of electricity down. Interestingly in the papers in Melbourne recently he's been talking about a 10% reduction in electricity prices. If it was a 10% reduction in electricity prices we'd be ecstatic, because that would be a better answer than we've been planning on.

But behind the scene there are a lot of other ways to get that balance between price reduction and the return that the business needs to continue to invest, in that business. What you've got to not do is just focus on the banner headline that might read 7.5% rate of return. There will be other items embedded in that calculation that will probably increase that 7.5.

Question: **You did $2.5 billion this year in acquisitions?**
Rick That was 1999.

Question: **So then in 2000**
Rick: We think we can do that again in 2000, yes.

Question: **That would include TransAlta and the two US acquisitions?**
Rick: That was in last year. Well, TransAlta wasn't, but the St. Joe Empire was in last year's count.

Question: **So if we did TransAlta for $450 million you think you would still do $2.0 billion yet this year?**
Peter Yes, Quanta was also already in there at $700 million. So there is $1.2 billion already in the first three months.

Question: **On your valuation you took out approximately $200 million of debt related to your acquisition on United Energy. So that's your 34% share?**
Peter That's, in effect, the funds we put into Australia to fund that acquisition that doesn't appear on the UtiliCorp balance sheet because it's only equity counted. But what we're saying is if we liquidated that investment at those values, we have to pay back that debt.

Question: **My last question is on the lending business at Aquila its a huge use of capital and is best financed in another financial structure?**
Peter Yes. That's one of the things that I talked about that we're looking at in terms of our capital structuring. You're quite right. It does lend itself to a different financing technique, and we're looking at things like monetizing those, loans, it would be joint venturing, but yes, we are looking at those sort of things.
Rick We're earning 14 % on that capital, so it's pretty good, but we also figure once you get above the $200 million mark, it does become a big enough portfolio to go ahead and monetize or do something else. You can see we're 275 so that's clearly an option for us to pursue in that area, and we will.

Question: **Seems like we have an early start to the summer and volatility ...I wonder if you could review for us in regards to your power marketing merchant activities. Which regions of the country basically do you feel have the greatest leverage with regards to market activities? As an example the east coast, principally where you feel you have the strongest position or can you give us a sense of while we are watching over the course of this year which regional markets in the country we really ought to be focused, on whereby you'd have the greatest leverage?**

Rick: Well, really, the footprint is North America, so it's a matter of recognizing where the advantage is. Clearly most of the opportunities in past summers have come more in the East in the Cinergy and PGM areas. What we saw yesterday morning was price open in the $50, $60 range. By 10:00 New York time it was at $3800. So we're seeing again, even a little bit earlier than last year, early peaking in power prices, but it had a lot to do with the timing of the planned outages with a lot of plants. Still people need to move that back to keep this early heat from affecting the market. I would suspect, and we certainly plan as we look at especially July and August, that we'll have a lot of the same kind of spiking activity we did last year, which is something that we have a view of just kind of hitting singles and doubles.

I think that's important, because the spikes we're seeing are very tight. They're within one or two days. So it's enormously difficult to take advantage of that kind of spike. It's better to sit back and have a longer-term plan. So we'll have a good solid summer with the spikes, but we don't see any great up tick because we don't plan to take the risk to try to catch it inside the thin volatility going forward.

And most of that is going to happen again over in the East. You see quite a difference in the West and the East. The West is not anywhere close to as volatile as the East, and that's where the opportunity will be in power.

Question: **Can you tell us when you're going to get delivery from turbines and what types of turbines, combined cycle or single cycle plants?**

Rick: Those deliveries, are spread between 01 to 04, I believe. So they are nearer term. Most of them I believe are combined cycle, but I need to check. That's just kind of an educated guess and we've got the sites to match those up. So if we're long turbines it might be one or two, but we've got the sites there.

Question: **You said as far as the potential growth...partner in the merchant business. Can you just talk about how you see and what you see as the value proposition? Is the value proposition effectively comes longer term, just creating a more valuable entity that has the currency to acquire assets? Or is there more immediate value with respect to a higher earnings stream, which is kind of incremental to this 8 to 10 % growth rate, and somehow over lay your trading capability over deregulating generation assets, creates kind of a more immediate pop to the financial results and should we expect to see some of the earnings stream from these assets kind of come right through to the UCU shareholders, due to the fact that you're over lending your trading capability.**

Rick There is no question that the merchant play, the Aquila play, will be one, I think, of increased earnings and value. The opportunity today is pairing Aquila with a generator. The opportunities are with non-regulated generation or some of the plants could be regulated, where there is a very clear path of the generation leaving rate base. These are the companies we've screened and talked to about a combination with Aquila. Clearly, with a large amount of generation, our ability to optimize that generation is going to make a very solid increased earnings flow.

An entity like that it clearly is going to have higher value than either of them by themselves. So that is the activity that's going on right now. It's something we clearly think we can get accomplished this year.

Question: **A couple of questions. First you talked about potential deconsolidation of New Zealand. Previously, I think you mentioned Canada. I was wondering if you could talk a little bit about that. Also if you are able to effectuate a joint venture with Aquila, does any debt go with that? Do you anticipate any cash coming to UCU to help you delver?**

Peter Firstly in terms of Canada, we're also looking at a structure that would deconsolidate Canada as well, and hence get that debt off the balance sheet. CAD$645 million Canadian is what the cost of TransAlta was, but the actual, which is about $500 US. On top of that structuring possibility, we're also looking at a partner in Canada. Either one of those methods would enable us to take all the debt in Canada off balance sheet; very similar to New Zealand, but just a different way of doing it.

In terms of Aquila, how that pans out is a bit difficult to talk about at the moment, but the theory is that you put two businesses together. Hopefully the businesses are of equal value, and hence no cash needs to go in from either party, but then you would lever that asset to the point that was optimized the value, and took into account things like credit ratings. We're not at that point yet, but the ideal answer is that there would be certainly no cash required from UtiliCorp's point of view.

Question: **How is the approval process going for the St. Joe's and Empire deals?**

Rick: That's moving along. The reason I smiled the Missouri staff filed last week against the St. Joe transaction. Missouri staff being the Missouri staff, we still think the commission is in favor of it, but we're just going to have to walk our way through the hearings. The St. Joe hearings are in July and the Empire hearings are in September. We'll just continue to walk the path and ultimately we still see them being approved. There is nothing that's kind of come up to say they wouldn't be.

Question: **Why is the Missouri Staff against the transaction?**

Rick: They don't think it's good for customers. I mean there isn't a lot of rational argument in it. It just again, it's staff being staff putting up that fight to go through and have some interesting hearings. We don't see any issues that worry us or derail the possibility that it's going to be approved.

Question: **When you talked about your joint venture for Aquila you talked about contributing assets of an equal value. I guess presumably you're trading business as well as a slew of unregulated generation business. And then you talked about then levering up the combined asset portfolio. Is there any sense as to how much cash could be dividended out of this perspective joint venture to UCU, and how that could impact the perhaps the overall balance sheet and capitalization which has kind of been a perennial overhang over the stock?**

Peter: At the moment we're factoring in no cash coming out of that joint venture. As I've mentioned before, we're probably not at the point where we can put hard numbers on the table and work out exactly what's going to pop out the end, but in our numbers going forward, we're assuming no cash.

Rick: Any other questions? Good. Thank you very much for listening.