



Missouri Public Service Commission

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March 6, 2001

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DANA K. JOYCE
General Counsel

Mr. Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102

RE: Case No. EO-2001- 472

Dear Mr. Roberts:

Enclosed for filing in the above-captioned case are an original and eight (8) conformed copies of a **MOTION TO OPEN AN INVESTIGATORY PROCEEDING**.

This filing has been mailed or hand-delivered this date to all counsel of record.

Thank you for your attention to this matter.

Sincerely yours,

David A. Meyer
Associate General Counsel
(573) 751-8706
(573) 751-9285 (Fax)

DAM/lb
Enclosure
cc: Counsel of Record

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

FILED²

MAR - 6 2001

**Missouri Public
Service Commission**

In the Matter of an Investigation)
respecting the sale of UtiliCorp United)
Inc.'s Utility Network Construction,)
Operation and Maintenance Organization.)

Case No. EO-2001- 472

MOTION TO OPEN AN INVESTIGATORY PROCEEDING

COMES NOW the Staff of the Missouri Public Service Commission (Staff) by and through its attorneys, and in support of its request to open a case for purposes of a Staff investigation and report recommending appropriate actions, including the initiation of a complaint, states as follows:

1. Under Section 393.140 RSMo 2000, the Missouri Public Service Commission (Commission) has authority to establish a case in order to receive information from public utilities under its jurisdiction. The Missouri Public Service division of UtiliCorp United, Inc. (UtiliCorp) is an "electrical corporation" as defined in Section 386.020(15) and is consequently a "public utility" subject to the Commission's jurisdiction under Section 386.020(42).

2. Section 393.130.1 states, in part, that "every electrical corporation . . . shall furnish and provide such service instrumentalities and facilities as shall be safe and adequate and in all respects just and reasonable."

3. Section 393.140.2 provides, in part, that the Commission shall "examine or investigate the methods employed by such persons and corporations in manufacturing, distributing and supplying . . . electricity for light, heat or power and in transmitting the same."

4. Section 393.140.5 provides, in part, that the Commission shall "examine all persons and corporations under its supervision and keep informed as to the methods, practices, regulations and property employed by them in the transaction of their business."

5. Section 393.190.1 states that no electric corporation shall "sell, assign, lease, transfer, mortgage or otherwise dispose of or encumber the whole or any part of its franchise, works or system, necessary or useful in the performance of its duties to the public . . . without having first secured from the Commission an order authorizing it to do so."

6. Sections 386.040 and 386.250.7 provide the Commission with all powers necessary and proper to enable it to carry out its statutory duties.

7. Section 393.270 provides, in part, as follows: ". . . An investigation may be instituted by the commission as to any matter of which complaint may be made as provided in sections 393.110 to 393.285, or to enable it to ascertain the facts requisite to the exercise of any power conferred upon it."

8. UtiliCorp advised the Staff several months ago that it intended to enter into a transaction of the nature described in Section 393.190.1. According to UtiliCorp's November 16, 2000 news release and information subsequently provided to the Staff, UtiliCorp intended to solicit interest for the sale of its network construction, operations and maintenance business through a negotiated bid process. The November 16, 2000 news release states that the sale of the business would affect certain employees, would include the equipment involved in operations and related engineering work on UtiliCorp's electricity and gas networks, and would take place as state regulators consider the transaction on differing schedules. However, in information supplied to the Staff and the Office of the Public Counsel (OPC), UtiliCorp has indicated that the sale would include, but not be contingent on, the sale of related equipment, tools and material,

and the information does not clearly indicate that UtiliCorp will file for regulatory authorization. UtiliCorp has said that the business being sold supports its electricity and natural gas network transmission and distribution operations, and any sale agreement would require the purchaser to support UtiliCorp's ongoing network construction and maintenance operations with comparable service standards and at a lower cost. See Attachment A (News Release of UtiliCorp) and Attachment B (Materials from UtiliCorp presentation to Staff and OPC).

9. The Staff has received inquiries from members of the General Assembly and the public expressing an interest in, and concern regarding: a) the transaction in general and b) whether UtiliCorp must file with the Commission for approval of the transaction. There appears to be some confusion regarding whether UtiliCorp will seek Commission authorization for any part of the transaction. The Staff has reason to believe that there may be different interpretations of relevant statutory sections on the issue of whether UtiliCorp must seek Commission authorization, either for elements of the transaction or the transaction as a whole.

10. Also, the Staff has concerns about the timing of any potential filing by UtiliCorp for Commission authorization. The establishment of an investigatory proceeding would facilitate a timely processing of an application by UtiliCorp for Commission authorization. Should UtiliCorp decide not to make a filing with the Commission on the basis that the transaction in total does not require Commission authorization, or file with the Commission and take the position that certain elements of the transaction do not require Commission authorization, the establishment of an investigatory proceeding will lead to the most efficient resolution of such questions.

11. Moreover, the Staff has concerns with the effect of the proposed transaction on the provision of safe and adequate electric service by UtiliCorp. Under the statutes cited above, the Commission has the authority and duty to investigate in order to address these concerns.

WHEREFORE, based upon the foregoing, the Staff respectfully requests that the Commission enter an Order (1) establishing a case for an investigation into the announced plan of UtiliCorp to sell its utility network construction, operation and maintenance organization, and (2) directing that the Staff file, within sixty days, a report of its investigation with recommendations for any action, including initiation of a complaint, that the Staff believes to be required by law or otherwise appropriate under the circumstances.

Respectfully submitted,

DANA K. JOYCE
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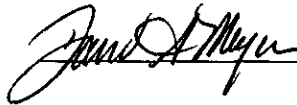
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Certificate of Service

I hereby certify that copies of the foregoing have been mailed or hand-delivered to all counsel of record as shown on the attached service list this 6th day of March, 2001.



Media Contacts:

George Minter – 816-467-3509

Media Relations – 816-467-3000

Investor Contacts:

Jerry Myers – 816-467-3552

**UTILICORP PLANS SALE OF U.S. NETWORK
CONSTRUCTION, OPERATION AND MAINTENANCE BUSINESS**

November 16, 2000 – UtiliCorp United (NYSE:UCU) today announced it would seek a buyer for its utility network construction, operation and maintenance business through a competitive bid.

The business being sold supports UtiliCorp's electricity and natural gas network transmission and distribution operations in seven states.

Jim Miller, UtiliCorp senior vice president and CEO of the company's U.S. Utility unit, said that many utilities are in the process of re-examining the individual elements of their business in a process called "unbundling," in order to determine effective competitive strategies.

UtiliCorp has achieved significant value by unbundling parts of its international businesses, according to Miller.

"Today, we're considering the fact that the value of the parts of our core utility business – energy supply, transmission, distribution, customer service, retail and construction services – may be greater than the whole," Miller said.

Miller emphasized that the sale process will be managed toward a balanced outcome on behalf of UtiliCorp's shareholders, customers and employees.

For example, part of any sale agreement would require a purchaser to support UtiliCorp's ongoing network construction and maintenance operations in all seven states with comparable service standards and at a lower cost.

-more-

"We want to assure that any transaction would be beneficial for our customers," Miller said.

He added that the sale of the business would affect about 900 employees and would include the equipment involved in operations and related engineering work on UtiliCorp's electricity and gas networks in Colorado, Iowa, Kansas, Michigan, Minnesota, Missouri and Nebraska.

"The move also is expected to be beneficial to our affected employees. The buyer most likely would specialize in this segment of the industry and have the capability to pursue traditional utility construction as well as opportunities created by the rapidly growing telecommunications industry," Miller said.

"We anticipate bids from other utilities with strategies focused on network construction and maintenance, and from firms already specializing in this segment to serve the burgeoning demand for the construction of fiber-optic networks and energy infrastructure."

Initial expressions of interest will be evaluated and a short list developed between now and the end of 2000, with the winning bidder to be selected by the end of the first quarter of next year. Closing of the sale would take place later in 2001 as individual state regulators consider the deal on differing procedural schedules.

Potential bidders may obtain additional information from:

UtiliCorp United Inc.
Attention: Paul S. Howard
20 West Ninth Street
Kansas City, MO 64105
Telephone: 816-467-3801
Fax: 816-467-9801 or;
E-mail: phoward@utilicorp.com

Based in Kansas City, Missouri, UtiliCorp United is a multinational energy company with more than 4 million customers. It operates in the United States, Canada, the United Kingdom, Spain, Germany, Norway, New Zealand and Australia. At September 30, 2000, UtiliCorp had \$10.0 billion in assets and 12-month sales of \$23.0 billion.

###

Transaction Overview

Transaction

- Solicit interest for the sale of network construction, operations and maintenance business through a negotiated bid process

Scope

- All outdoor off-premise operations and related engineering work in 7 states
- Potential transfer of approximately 900 employees
- Includes, but not contingent upon, the sale of related equipment, tools and material
- One transaction that can be closed on a state-by-state basis.

Conditions

- Buyer provides UCU a service contract and complies with customer service benchmarks

Close

- State-by-state schedule from May – December 2001

Background

● UtiliCorp recognizes that the industry is changing:

- - International experience
 - New Zealand, Canada, Australia
 - Domestic observations
 - Puget Sound, Quanta, UtilCo Group
 - Customer choice
 - Want competition but not duplicate “wires & pipes” infrastructure

Future of the Industry:

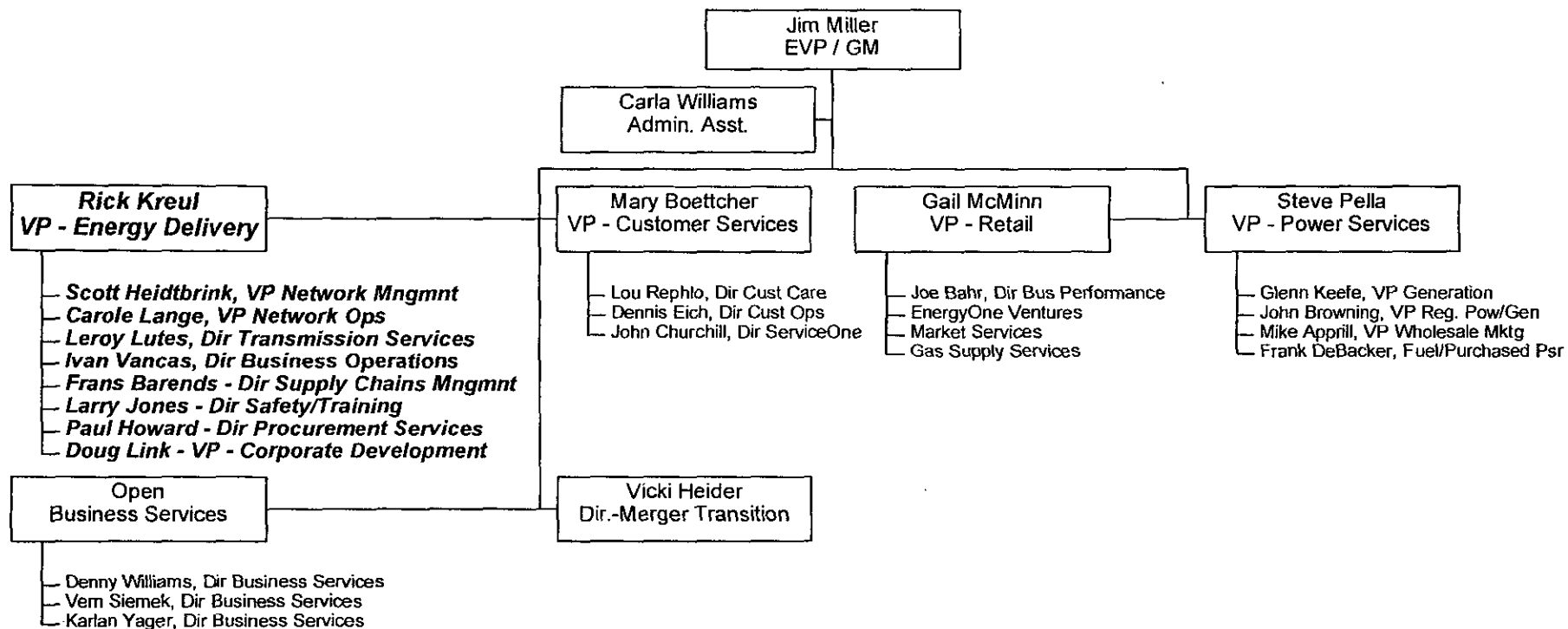
- **Services on the network are “unbundled” and become competitive**
- **“Wires and Pipes” remain regulated**
 - **COS remains, but made up of competitive-based service instead of internal services**
 - **Rates still set by regulatory process**
 - **UCU still accountable for all aspects of service**

Benefits

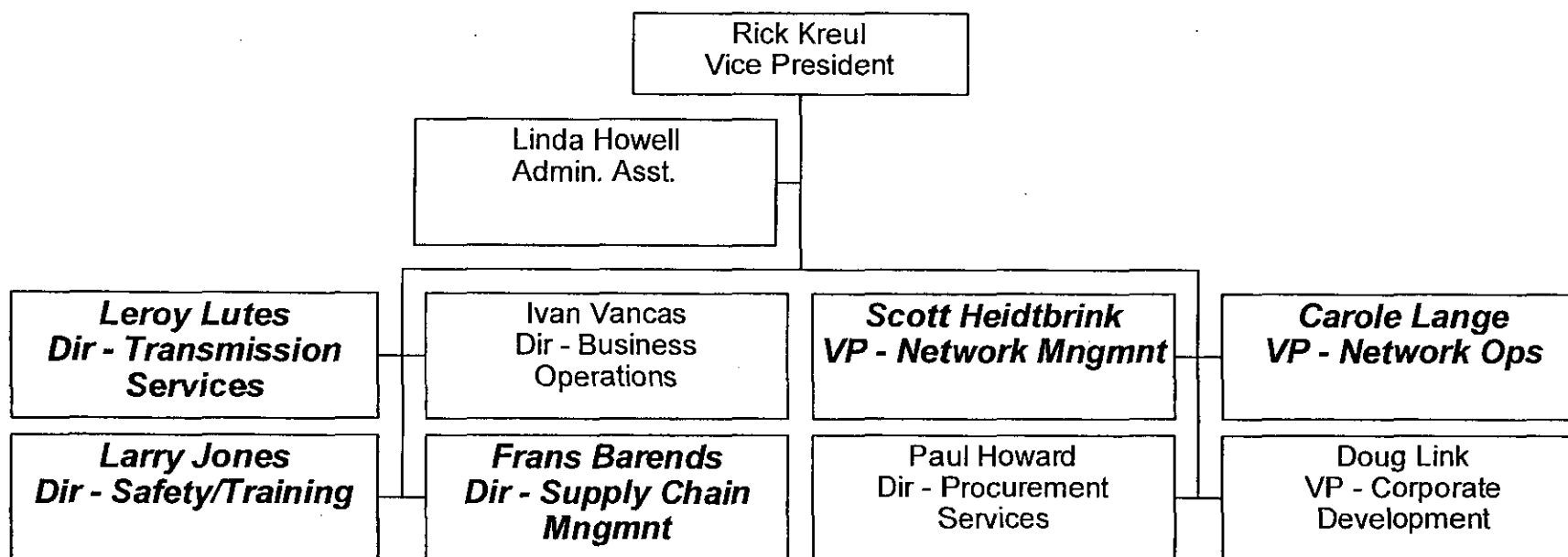
All stakeholders benefit from the sale:

- **Customers**
 - Same people, same service, but at a lower cost of service
- **Employees**
 - Opportunities with a new company focused on construction & maintenance
- **Shareholders**
 - Gain on the sale

U.S. Utility



U.S. Utility - Energy Delivery



What Changes?

- **Objective would be to continue operating the business in much the same way:**

- **Same work facilities**
- **Same IT systems**
- **Same regulatory requirements**
- **Same customer focus**

Employees Transferring

	<u>Union</u>	<u>Non-union</u>	<u>Exempt</u>	<u>Subtotals</u>
Colorado	91	18	15	124/266
Iowa	0	71	9	80/230
Kansas	86	68	17	171/409
Michigan	70	7	17	94/251
Minnesota	9	34	4	47/243
Missouri	173	26	62	261/1,512
Nebraska	53	21	21	95/795
<u>Subtotals</u>	482	246	145	872/3,706

Functional Areas Included in Sale

(Approximately 900 employees)

- **Electric linemen, servicemen, relay/communications technicians**
- **Gas operations, CP and leak technicians**
- **Buyer planners & storekeepers**
- **Fleet personnel & mechanics**
- **Forestry personnel**
- **Gas/electric meter shop personnel & field measurement technicians**
- **Line locate personnel**
- **Substation maintenance & construction personnel**
- **Design & field engineers**
- **Estimators & construction coordinators**
- **Related safety & training personnel**
- **The majority of management, supervision, & administrative support associated with the above functions**

Functional Areas Remaining in USU

(Approximately 120 employees)

- **Asset management group**
- **Procurement group**
- **Planning & standards engineers**
- **System operation personnel**
- **SCADA engineers**
- **System planning engineers**
- **Work Management & FAME Teams**
- **Some of the safety & training personnel**
- **Management, supervision, & administrative support personnel associated with contract management & reporting requirements**

What About?

Customers

● Same people, same work, same service at a lower cost:

- *Lower cost is a requirement listed in bid package*
- *Anticipate purchaser will have larger-scale operation and achieve economies of scale*
- *Key customers were contacted about announcement*

● Communities

Maintain community presence:

- *Community presence will remain a focus, even for transferred employees*
- *Personal visits with and/or letters to community leaders*

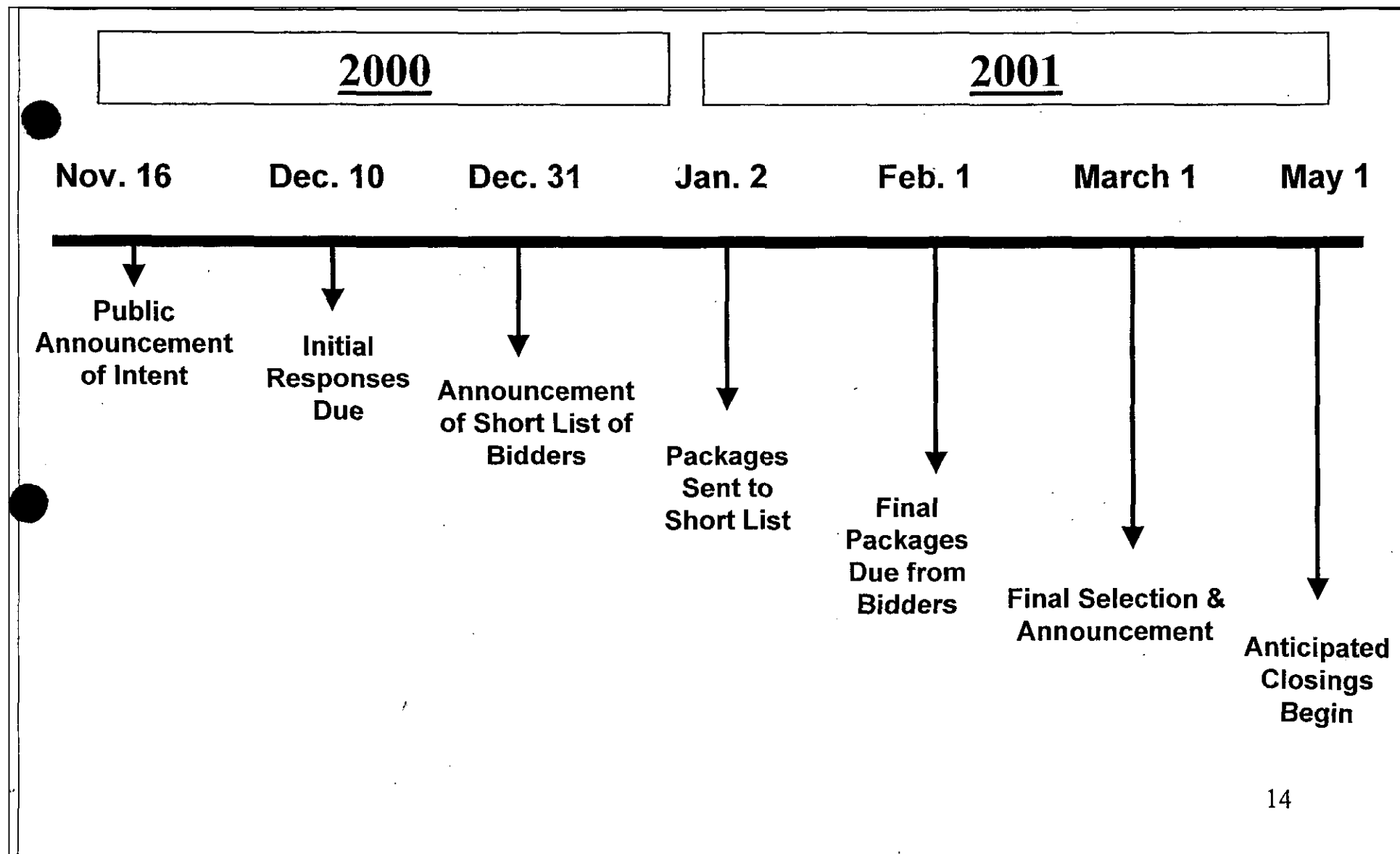
Customer Service Benchmarks

- - **Customer complaints handled within 24 hours; no unresolved complaints**
 - **Reliability indices maintained or improved**
 - **Outage service response times:**
 - **within 45 minutes during business hours?**
 - **within 90 minutes after business hours?**
-

Benchmarks (cont.)

- • **Crew response times**
 - within 1 hour during business hours?
 - within 2 hours after business hours?
- • **All mandated/high-priority work completed on time**
- • **Strict compliance with PSC, OSHA, DOT, and environmental regulation**

Transaction Timeline



Potential Bidders (Puget Sound)

- **Altec** *electric contractor*
- **Asplundh**
- **Black & Veatch**
- **Dycom** *heavy into telecom*
- **Enron**
- **Excelon (PECO)**
- **Hawkeye** *electric contractor*
(formerly known as LE Meyer & Sturgeon)
- **Henkles & McCoy** *electric contractor*
- **Mastec** *heavy into telecom*
- **Pilchuck (Michaels)** *gas contractor*
- **Quanta** *gas, electric and telecom contractor*

**Service List for
Case No. EO-2001-____
March 6, 2001 (lb)**

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