

STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION

At a session of the Public Service  
Commission held at its office  
in Jefferson City on the 23rd  
day of October, 1992.

In the matter of the application of UtiliCorp United )  
Inc. for authority, among other things, to acquire )  
indirectly 49 percent of the ordinary shares of stock )  
of WEL Energy Group Limited, a New Zealand electric ) Case No. EM-93-50  
utility, and to take all other actions reasonably neces- )  
sary to effectuate said transaction. )  
)

ORDER APPROVING PURCHASE OF STOCK

On August 21, 1992 UtiliCorp United Inc. (UtiliCorp), pursuant to Section 393.190, R.S.Mo. 1986, as amended, and 4 CSR 240-2.060(7) filed an application for authority to acquire indirectly 49 percent of the ordinary shares of WEL Energy Group Limited, a New Zealand electric utility. UtiliCorp is a Delaware corporation, with its principal office and place of business at 911 Main Street, Suite 2000, Kansas City, Missouri 64105. UtiliCorp is authorized to conduct business in Missouri through its Missouri Public Service (MPS) operating division and as such is engaged in providing electrical and natural gas utility service in those areas in Missouri certificated to it by the Commission.

UtiliCorp proposes to indirectly acquire an ownership interest in certain electric utility properties located in New Zealand and owned by WEL Energy Group Limited (WEL). WEL is a corporation organized and existing under and by virtue of the laws of New Zealand and has its principal office and place of business at 711 Victoria Street, Post Office Box 927, Hamilton, New Zealand. WEL is engaged in the business of providing electric service in the Waikato region of New Zealand and currently serves approximately 60,000 customers. The proposed transaction has come about as a result of WEL's efforts to find a partner to work with it to ensure the efficient and effective provision of electric service to its customers. One hundred percent of the outstanding

ordinary shares of WEL's stock is currently owned by Waikato Electricity Authority (WEA), a New Zealand statutory company created pursuant to the Waikato Electricity Authority of 1988 and having its principal office and place of business at Anglesea & Bryce Streets, Hamilton, New Zealand. WEA has the responsibility of ensuring that the Waikato region is supplied with electric power.

To accomplish the proposed transaction, UtiliCorp will form a wholly-owned Delaware subsidiary corporation presently designated as UtiliCorp-New Zealand Inc., which will, in turn, form a wholly-owned New Zealand subsidiary corporation presently designated as NZ, Inc. NZ, Inc., in turn, will subscribe for and acquire such number of authorized but unissued ordinary shares of stock of WEL as will result in NZ, Inc. owning 49 percent of the then issued and outstanding ordinary shares of stock of WEL. WEA will retain the remaining 51 percent equity interest in WEL. It is presently contemplated that UtiliCorp's investment in the ordinary shares of WEL's stock will be approximately \$42 million (U.S.) to be paid over time upon the discretionary call of the WEL Board of Directors.

UtiliCorp in its application states: (1) that approval of the acquisition of said shares of stock will have no adverse effect on Missouri customers of UtiliCorp; (2) that UtiliCorp's Missouri customers will see no change in their day-to-day utility service and said customers will continue to be served effectively and efficiently; (3) that the proposed transaction will have no impact on the tax revenues of Missouri political subdivisions in which any structure, facility or equipment of UtiliCorp is located; and (4) that the proposed transaction will not be detrimental to the public interest.

On October 19, 1992 the Commission's Staff (Staff) filed its recommendation that the application be approved subject to the requirements that it be allowed access to any records relating to the transaction at the next rate

proceeding and that language be clear that approval of the application does not constitute Commission approval of any ratemaking treatment for the transaction. Staff states that per a letter from UtiliCorp representatives, the intent is to finance the transaction through short term borrowings. These borrowings will then be rolled into permanent capital at a later date. Although UtiliCorp will only own 49 percent of the shares of WEL pursuant to a maximum set forth by New Zealand law, it will, in effect, have equal control of WEL as UtiliCorp will select half of the members of WEL's Board of Directors upon the close of the transaction. Staff further indicates that pro forma financial data indicates that the proposed transaction will not have a significant impact on UtiliCorp's overall capital structure. Changes to the capital structure include an increase in short term debt to total capital from 4.52 to 6.72 percent; a decrease in long term debt to total capital from 51.69 to 50.50 percent; and a decrease in equity to total capital from 38.41 to 37.52 percent. The Staff claims these incremental changes to UtiliCorp's capital structure to be reasonable. Staff further bases its recommendation on UtiliCorp's stated position that the proposed transaction will have no adverse effect on Missouri customers of UtiliCorp and that all costs related to the acquisition will be directly charged to the entity involved, NZ, Inc.

The Commission, upon reviewing the application with supporting exhibits and Staff's recommendation, determines that the acquisition by UtiliCorp of 49 percent of the ordinary shares of WEL Energy Group Limited will not be detrimental to the public interest of any Missouri customers of UtiliCorp's operating division, MPS. Furthermore, the Commission determines that the acquisition of the said stock will not significantly alter the present capital structure of UtiliCorp and that assurances are provided that the costs of the acquisition will not be allocated to UtiliCorp's Missouri customers. Therefore, the Commission

has no objection to the acquisition of the said shares by UtiliCorp and will approve the same.

**IT IS THEREFORE ORDERED:**

1. That the execution and delivery by UtiliCorp United Inc. of the Subscription Agreement, attached as Exhibit 2 to the application herein, is approved hereby and UtiliCorp United Inc. is authorized hereby to perform in accordance with the terms thereof.

2. That UtiliCorp United Inc. is authorized hereby to acquire the stock of its subsidiaries, UtiliCorp-New Zealand Inc. and NZ, Inc. at the time of their formation.

3. That UtiliCorp United Inc. is authorized hereby to acquire through the said subsidiaries forty-nine (49) percent of the ordinary shares of stock of WEL Energy Group Limited, a New Zealand corporation providing electric service, all as provided by the Subscription Agreement attached as Exhibit 2 to the application herein.

4. That UtiliCorp United Inc. is authorized hereby to execute and perform in accordance with the terms of all documents and take or cause to be taken any and all other actions reasonably necessary to effectuate the involved stock acquisition described herein and all other transactions described herein.

5. That any records relating to this transaction be made available to the Commission's Staff at the next rate proceeding.

6. That nothing in this order shall be considered a finding by the Commission of the reasonableness of the expenditures herein involved, or of the value for ratemaking purposes of the properties herein involved, or as an acquiescence in the value placed upon said properties by UtiliCorp United Inc. Furthermore, the Commission reserves the right to consider the ratemaking treatment to be afforded these transactions, and their resulting cost of capital, in any later proceeding.

7. That this order shall become effective on the 3rd day of November,  
1992.

BY THE COMMISSION

*Brent Stewart*

Brent Stewart  
Executive Secretary

(S E A L)

McClure, Chm., Mueller, Rauch,  
Perkins and Kincheloe, CC., concur.