

STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION

At a Session of the Public Service  
Commission held at its office  
in Jefferson City on the 11th  
day of July, 1995.

In the matter of the application of )  
UtiliCorp United Inc., for authority to )  
acquire, indirectly, an ownership )  
interest in United Energy, and electric )  
distribution business located in )  
Australia, and to take all other actions )  
reasonably necessary to effectuate said )  
transaction. )

**CASE NO. EM-95-303**

**ORDER APPROVING STOCK PURCHASE**

On April 7, 1995, UtiliCorp United Inc. (UtiliCorp) filed an application pursuant to Section 393.190, RSMo 1994, and 4 CSR 240-2.060(7) for authority to acquire indirectly up to and including a 35% ownership interest in United Energy, an electric distribution company located in Melbourne, Australia, and to take all other actions reasonably necessary to effectuate said transaction. On May 26, 1995, UtiliCorp filed a supplemented and amended application.

UtiliCorp, a Delaware corporation, is engaged in providing electrical and natural gas utility service in the State of Missouri through its Missouri Public Service (MoPub) operating division. Within its application, UtiliCorp states that the proposed acquisition will have no adverse effect on UtiliCorp's Missouri customers and that its Missouri customers will see no change in their day-to-day utility service.

UtiliCorp points out that United Energy is an Australia corporation organized and existing under the laws of Australia. United Energy provides electric service in the urban areas of the city of Melbourne, Victoria, Australia and currently serves, approximately 515,000 customers. United Energy currently has approximately \$684,000,000 in gross annual revenues.

UtiliCorp proposes that UtiliCorp and NRG Energy, Inc. (NRG), a subsidiary of Minnesota-based Northern States Power Company, will form

a Delaware-chartered corporation (Subsidiary). UtiliCorp will own approximately 70% of the shares of the Subsidiary and NRG will own approximately 30%. The Subsidiary will acquire approximately 50% of the shares of an Australian company (Consortium). The Consortium will then acquire 100% of the shares of United Energy. UtiliCorp states that its investment in United Energy could be up to \$270 million (U.S.), which represents approximately a 20-35% equity interest in United Energy.

The Consortium is one of four competing parties that have been invited to make a final binding bid for the shares of United Energy. The final bids are due on July 21, 1995.

In addition to seeking approval of its application, UtiliCorp requests that the Commission send a certification letter to the Securities and Exchange Commission (SEC) pursuant to Section 33 of the Public Utility Holding Company Act (PUHCA) which exempts a foreign utility company from the provisions of the PUHCA. Under the exemption, the state commission with jurisdiction over the retail electric or gas rates of a public utility company that is an associate company or an affiliate of a foreign utility company must certify to the SEC that it has the authority and resources to protect ratepayers subject to its jurisdiction and that it intends to exercise its authority.

On June 29, 1995, the Staff of the Commission (Staff) filed a memorandum regarding UtiliCorp's application. Staff states that in response to information requests, UtiliCorp indicates that it will permanently fund its share of investment in United Energy with an appropriate mix of common equity and long-term debt. Pro forma analysis by Staff indicates that the proposed transactions will have no relative impact on UtiliCorp's overall consolidated capital structure. UtiliCorp's long-term debt to total capital ratio would increase from 51.2% to 51.8%. Staff considers such incremental changes on UtiliCorp's consolidated capital structure to be immaterial.

Staff notes that there is no current trend toward privatization of overseas electric companies. Staff indicates that U.S. companies have been actively pursuing overseas interests due to the possibility for higher returns on their investments as well as increased diversification and that UtiliCorp has participated in the overseas privatization trend since 1987.

Staff points out that future impacts of overseas investments by UtiliCorp will continue to be monitored closely. Staff states its policy is to review both regulated and nonregulated operations and scrutinize the risk and return relationships of each. Staff indicates that such relationships could lead to cost of capital adjustments and that specific circumstances related to such possibilities would be addressed in the form of a rate case proceeding or future financing application. Furthermore, Staff recommends to UtiliCorp's management that it take any and all necessary steps to limit potential liabilities to UtiliCorp's stockholders that could result from the proposed transactions.

Within its memorandum, Staff recommends that the Commission approve UtiliCorp's application. Staff bases its recommendation upon the perceived reasonableness of the proposed permanent financing plan, UtiliCorp's assurance that it will neither incur nor seek any accounting or ratemaking treatment regarding the proposed transactions, and UtiliCorp's statement that the proposed transactions will have no adverse effect on its Missouri customers. Staff also recommends that the Commission's approval of UtiliCorp's application be made subject to the following conditions:

1. That the Commission's order include language making it clear that nothing in the order granting approval shall be considered as a finding by the Commission that would preclude the right to consider the ratemaking treatment to

- be afforded these or any future expenditures or allocations by UtiliCorp in any later proceeding;
2. That all records pertaining to these transactions be maintained at UtiliCorp's headquarters and made available to Staff for monitoring purposes or at any later proceeding;
  3. That UtiliCorp be prepared to provide documentation of proper cost allocations to nonregulated entities to Staff for monitoring purposes or at any later proceeding;
  4. That UtiliCorp include the cost of any assistance provided to United Energy from MoPub in the monthly surveillance reports sent to Staff. Such reports should also include the reasonable remuneration which the receiving party is required to pay to the entity providing the service as well as the account where such remuneration is booked;
  5. That UtiliCorp file with the Commission in a timely manner reports outlining each stock acquisition or a statement that the proposed acquisitions were not consummated so as to keep Staff and the Commission informed of UtiliCorp's ongoing activities;

6. That the Commission's order include language making it clear that the order shall not be deemed as precedent for future financings;
7. That the certification letter included in Staff's recommendation be sent to the SEC; and
8. That Staff's recommendation and the Commission's order be included as attachments to the certification letter.

The Commission finds that the minimal changes in UtiliCorp's capital structure, the proposed level of investment, and the financing plan are all reasonable. The Commission also finds that the proposed transactions will have a minimal impact on UtiliCorp's Missouri jurisdictional operations. Furthermore, the Commission finds that the conditions recommended by Staff are reasonably designed to protect the public interest. Thus, the Commission finds that the indirect acquisition of an ownership interest in United Energy by UtiliCorp is not detrimental to the public interest and should be approved. In addition, the Commission finds that the certification letter included in Staff's recommendation (and attached hereto as Attachment A) fulfills the requirements of Section 33 of the PUHCA and should be sent to the SEC.

**IT IS THEREFORE ORDERED:**

1. That UtiliCorp United Inc. is hereby authorized to indirectly acquire up to and including a 35% ownership interest in United Energy in accordance with the application and this Order.
2. That UtiliCorp United Inc. is hereby authorized to take any and all other actions necessary to effectuate the stock purchase authorized in Ordered Paragraph 1.

3. That the stock purchase approved in Ordered Paragraph 1 shall be subject to the conditions specified in this Order.

4. That nothing in this Order shall be considered as a finding by the Commission of the reasonableness of the expenditures herein involved, nor of the value for ratemaking purposes of the properties herein included, nor as an acquiescence in the value placed upon said properties by UtiliCorp United Inc.

5. That the Commission reserves the right to consider the ratemaking treatment to be afforded these transactions in any later proceeding.

6. That nothing in this Order shall be considered to be precedent for any future financing cases.

7. That the Executive Secretary of the Commission shall send the letter attached hereto as Attachment A, including the recommendation of the Staff of the Commission in this case and a copy of this Order as attachments to the letter, to the Securities and Exchange Commission.

8. That this Order shall become effective on July 21, 1995.

BY THE COMMISSION



David L. Rauch  
Executive Secretary

(S E A L)

Mueller, Chm., McClure,  
and Crumpton, CC., Concur.  
Kincheloe, C., Absent.

ON COMMISSION LETTERHEAD

June 28, 1995

Securities and Exchange Commission  
450 Fifth Street, N.W.  
Washington, D.C. 20549

RE: UtiliCorp United, Inc.

Gentlemen:

UtiliCorp United, Inc. ("UtiliCorp"), doing business in the State of Missouri as a public utility through its operating division Missouri Public Service, has advised this Commission, i.e., the Missouri Public Service Commission, that UtiliCorp is considering acquiring, indirectly through a subsidiary, an interest in United Energy, an Australian electric utility. UtiliCorp proposes to bid to acquire up to and including a 35% stake in the capital stock of United Energy.

UtiliCorp has filed or will file a petition with the Securities and Exchange Commission under Section 3(b) of the Public Utility Holding Company Act of 1935, as amended ("PUHCA" or the "Act"), for a foreign utility company exemption in respect of the United Energy investment. In connection therewith, UtiliCorp has asked this Commission to provide you with the certification contemplated by the applicable provisions of PUHCA.

The Missouri Public Service Commission has jurisdiction over the retail electric and natural gas rates for Missouri Public Service in the State of Missouri and hereby certifies that it has the authority and resources to protect the ratepayers subject to its jurisdiction and that the Commission intends to exercise its authority with respect to UtiliCorp United, Inc.'s proposed investment in United Energy. This Commission notes that this certification may be revised or withdrawn prospectively as to any future acquisition. In making this certification, this Commission is relying on the belief that the Securities and Exchange Commission will enforce all sections of PUHCA which govern UtiliCorp United, Inc.'s proposed investment in United Energy for which it has jurisdiction.

Sincerely,

David L. Rauch  
Executive Secretary

DLR:bsl

cc: Mr. Robert Wason  
Securities and Exchange Commission  
Office of Public Utility Regulation  
Division of Investment Management  
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