

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION
JEFFERSON CITY
January 27, 2000**

CASE NO: EM-2000-358

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Enclosed find certified copy of an ORDER in the above-numbered case(s).

Sincerely,



Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office
in Jefferson City on the 27th
day of January, 2000.

In the Matter of the Application of UtiliCorp)
United Inc. for Authority to Acquire,)
Indirectly, an Ownership Interest in Compania)
Energetia De Pernambuco, an Electric Utility) Case No. EM-2000-358
Distribution Business Located in Brazil, and)
to Take All Other Actions Reasonably Necessary)
to Effectuate Said Transaction.)

ORDER APPROVING APPLICATION

On December 3, 1999, UtiliCorp United, Inc. (UtiliCorp), filed an application with the Commission requesting authority to act through its Brazilian subsidiary, UtiliCorp Brazil Energy Holdings, through a bid process, to acquire the capital stock of Compania Energetia De Pernambuco (CELPE). CELPE is a state-owned electric utility located in Brazil. Due to the bidding timetable for the transaction, UtiliCorp has requested the Commission's expedited action on its application so that UtiliCorp would be in a position to submit its bid no later than February 15, 2000.

The requirement of a hearing has been fulfilled when all those having a desire to be heard are offered an opportunity to be heard. If no proper party is granted intervention and neither the Commission's Staff nor the Office of the Public Counsel requests a hearing, the Commission may determine that a hearing is not necessary and that the applicant may submit its evidence in support of the application by verified statement. State

ex rel. Rex Deffenderfer Enterprises, Inc. v. Public Service Commission,
776 S.W.2d 494, 496 (Mo. App. 1989). No applications for intervention were
filed. Neither the Commission's Staff nor the Office of the Public Counsel
has requested a hearing.

On January 21, 2000, the Staff filed a memorandum to the official
case file reviewing the application and proposed acquisition and making a
recommendation to approve the application with conditions.

UtiliCorp submitted its application pursuant to Section 393.190,
RSMo 1994, and 4 CSR 240-2.060(9). The Commission may approve the
acquisition of the stock of a public utility by UtiliCorp so long as the
transaction would not be detrimental to the public interest. The Staff's
memorandum reviewing the application identifies areas of concern but also
proposes conditions so that the transaction would not be detrimental to the
public interest. Staff indicates that UtiliCorp was provided a copy of the
Staff memorandum and that UtiliCorp indicated that it would not file a
response. Thus, UtiliCorp has not objected to the conditions recommended
by Staff.

Based upon the application and the Staff memorandum, since 1995,
the Brazilian government has taken steps to privatize its electrical power
industry. CELPE is a state-owned electric utility that serves approxi-
mately 1.8 million industrial, commercial and residential customers in the
northeast region of Brazil. UtiliCorp, through its Brazilian subsidiary,
will acquire an approximate 50 percent ownership interest in CELPE if its
proposal is accepted. UtiliCorp's direct investment could be as much as

\$425 million. If the purchase price is higher, it will be made up by UtiliCorp's partners in its Brazilian subsidiary.

The Staff reviewed the current and pro forma financial statements submitted with the application to consider the transactions impact on UtiliCorp. Staff also reviewed the reports of commercial rating agencies concerning the financial condition and credit rating of UtiliCorp. Staff also reviewed these matters with UtiliCorp's Director of Corporate Finance. According to the Director, the Company is committed to maintaining its credit quality and maintaining a capital structure of approximately 55 percent debt and 45 percent equity.

The Staff stated that the transactions presented in the application would not be detrimental to public interest. Staff recommended approval of the application with specific conditions.

The Commission finds that the transactions presented in UtiliCorp's application are not detrimental to the public interest and may be approved with the specific conditions recommended by Staff. Those conditions are ordered below.

IT IS THEREFORE ORDERED:

1. That the application of UtiliCorp United, Inc., requesting authority to act through its Brazilian subsidiary, UtiliCorp Brazil Energy Holdings, through a bid process, to acquire the capital stock of Companhia Energetia De Pernambuco, is hereby approved.

2. That UtiliCorp United, Inc., may take the actions necessary and as authorized in this proceeding to carry out the transactions as described in the application.

3. That nothing in this order shall be considered a finding by the Commission of the value of this transaction for rate making purposes, and that the Commission reserves the right to consider the rate making treatment to be afforded these financing transactions in any subsequent proceeding.

4. That the Commission's order shall not be deemed to be precedent for any future financing even if the facts may be similar.

5. That any adverse financial effects of this acquisition are borne by the shareholders of UtiliCorp United, Inc.

6. That all records pertaining to these transactions be maintained at UtiliCorp United, Inc.'s headquarters and made available to the Commission's Staff, as Staff deems necessary.

7. That UtiliCorp United, Inc., provide documentation of proper cost allocations to nonregulated entities.

8. That UtiliCorp United, Inc., include any costs borne by Missouri Public Service related to the nonregulated subsidiaries in monthly surveillance reports sent to the Commission's Staff.

9. That UtiliCorp United, Inc., file status reports in this proceeding beginning 60 days from the date of this order and each 30 days thereafter advising of the status of the transaction so that the Commission may be apprised of the status of the transactions presented in this case and when this case may be closed.

10. That this order shall become effective on February 7, 2000.

BY THE COMMISSION

A handwritten signature in cursive script that reads "Dale Hardy Roberts".

Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

(S E A L)

Lumpe, Ch., Crumpton, Drainer,
Murray, and Schemenauer, CC., concur.

Thornburg, Regulatory Law Judge

Alt/Secy:

Theraburg / Pope

Date Circulated

1-27

CASE NO. EM-2000-358

Lumpke, Chair

Crumpkott, Commissioner

Murray, Commissioner

Schenenauer, Commissioner

Drainer, Vice-Chair

Agenda Date

1-28

Action taken:

5-0 AS

Must Vote Not Later Than

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

I have compared the preceding copy with the original on file in this office and

I do hereby certify the same to be a true copy therefrom and the whole thereof.

WITNESS my hand and seal of the Public Service Commission, at Jefferson City,
Missouri, this 27TH day of January 2000.

Dale Hardy Roberts

Dale Hardy Roberts

Secretary/Chief Regulatory Law Judge

