

LAW OFFICES
BRYDON, SWEARENGEN & ENGLAND

PROFESSIONAL CORPORATION

312 EAST CAPITOL AVENUE

P.O. BOX 456

JEFFERSON CITY, MISSOURI 65102-0456

TELEPHONE (573) 635-7166

FACSIMILE (573) 635-0427

DAVID V.G. BRYDON
JAMES C. SWEARENGEN
WILLIAM R. ENGLAND, III
JOHNNY K. RICHARDSON
GARY W. DUFFY
PAUL A. BOUDREAU
SONDRA B. MORGAN
CHARLES E. SMARR

DEAN L. COOPER
MARK G. ANDERSON
TIMOTHY T. STEWART
GREGORY C. MITCHELL
RACHEL M. CRAIG
BRIAN T. MCCARTNEY
DALE T. SMITH

OF COUNSEL
RICHARD T. CIOTONE

December 3, 1999

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

Re: Case No. EM-2000-292

FILED²
DEC 3 1999
Missouri Public
Service Commission

Dear Mr. Roberts:

Enclosed for filing on behalf of UtiliCorp United Inc. and St. Joseph Light & Power Company, please find an original and fourteen copies of Response of UtiliCorp and SJLP.

Would you please see that this filing is brought to the attention of the appropriate Commission personnel.

I thank you in advance for your cooperation in this matter.

Sincerely yours,

BRYDON, SWEARENGEN & ENGLAND P.C.

By:


James C. Swearngen

JCS/lar

Enclosure

cc: Parties of Record

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

In the matter of the Joint Application of)
UtiliCorp United Inc. and St. Joseph Light)
& Power Company for authority to merge)
St. Joseph Light & Power Company with)
and into UtiliCorp United Inc. and, in)
connection therewith, certain other related)
transactions.)

Case No. EM-2000-292

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Service Commission

RESPONSE OF UTILICORP AND SJLP

COME NOW UtiliCorp United Inc. ("UtiliCorp") and St. Joseph Light & Power Company ("SJLP"), by counsel, and for their response to the Office of the Public Counsel ("OPC") Motion to Require Market Power Study (filed November 19, 1999), OPC Response to Motion to Establish Procedural Schedule (filed November 22, 1999), Commission Staff ("Staff") Response to Commission Notice (filed November 24, 1999), City of Springfield Response (filed November 24, 1999), and Missouri Department of Natural Resources Response (filed November 24, 1999), respectfully state as follows to the Missouri Public Service Commission ("Commission"):

I. Market Power Study Issue

Market power and Regional Transmission Organization ("RTO") formation are both important issues which involve significant policy matters of great interest to all stakeholders in the electric utility industry. From the perspective of UtiliCorp and SJLP, however, the "Market Power" issue now before the Commission in this case can be simply stated as follows:

Is this the proper time to undertake a Retail Market Power Study and is the Commission the proper jurisdiction to consider Wholesale Market Power issues?

Regardless as to what may or may not have been said several years ago by parties in other

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proceedings with respect to transmission access and market power, UtiliCorp's position in this case has been made clear at pages 29-31 of the direct testimony of John McKinney filed on October 19, 1999.

Simply stated:

- Wholesale market power is an important issue and the Commission should present its views on this subject, if it so desires, to the Federal Energy Regulatory Commission ("FERC") during the FERC's review of the UtiliCorp/SJLP merger
- Retail market power is an important issue which should be reviewed by the Commission when retail competition becomes a reality in Missouri
- Because retail competition does not now exist in Missouri, no meaningful retail market power study can be accomplished at this time. UtiliCorp will perform such a study when the Commission deems it appropriate

UtiliCorp and SJLP included a complete market power study with their merger filing made with the FERC on November 23, 1999. A copy of that filing has been served on the Commission and copies have been provided to the Staff and will be provided to other parties in this case upon request. That study addresses market power for the competitive wholesale market which now exists. Presently, the nature of the electric retail market in Missouri which might exist when retail competition becomes a reality is not known. Consequently, any "retail" study completed at this time by UtiliCorp and SJLP would simply be a copy of the market power study filed at the FERC.

In addition, under the proposed regulatory plan in this case, rates for SJLP customers will be frozen for a period of five years after the effective date of the merger. Thereafter, rates will continue to be regulated by the Commission and as a consequence, UtiliCorp will not be able to exert retail market power. Furthermore, the market power studies completed by Union Electric Company and Western

Resources, Inc./Kansas City Power & Light Company ("Western/KCPL") did not result in any substantive action by the Commission. Instead, in the cases involving those companies, the Commission, in essence, approved a deferral of any retail market power study. That is what UtiliCorp and SJLP propose for purposes of this proceeding. In other words, at that future point in time when the Commission determines that because of legislative requirements or the commencement of retail electric competition in Missouri or for any other reason UtiliCorp should file a retail market power study, UtiliCorp will do so in conformance with the Commission's directions. Pending that Commission mandate, however, UtiliCorp does not agree that it would be appropriate to establish any retail market power conditions at this time.

Finally, the joining of an RTO is not an issue for the merged company. UtiliCorp has been a strong advocate of the formation of RTOs since the early 1990's and will join the RTO that is responsible for the area where its transmission facilities are located. UtiliCorp wants to be sure that as RTOs form, it joins the one that best serves its customers and ensures that the transmission grid remains open to all that want access. The conditions in the Western/KCPL settlement addressing the RTO issue are generally acceptable to UtiliCorp and SJLP.

2. The Effect of the Merger on UtiliCorp and SJLP Operations

The Joint Application of UtiliCorp and SJLP is in compliance with the relevant Missouri statutes and Commission rules. Furthermore, the direct testimony filed in support of the Joint Application demonstrates that UtiliCorp is fully qualified, in all respects, to provide electric, natural gas and industrial steam service in the service territory of the combined entity and that the merger will have no detrimental impact on the Missouri operations and customers of UtiliCorp or SJLP, thus meeting the standard for approval of this transaction. As an accommodation to the Commission and all parties, the following are

references to the previously filed direct testimony which discusses the merger and the operations of UtiliCorp and SJLP:

Terry Steinbecker direct testimony: page 6, lines 10-23; page 7, lines 1-13.

Robert Green direct testimony: page 8, lines 2 through 14.

John McKinney direct testimony: page 6, line 6 through page 7, line 17.

Vern Siemek direct testimony: The entire synergy study sponsored by Mr. Siemek addresses savings that are shared among SJLP's electric, gas and steam operations. Some of the savings are electric only and are so identified.

Vicki Heider direct testimony: Ms. Heider's Transition Team testimony applies to all operations.

Steve Pella direct testimony: Mr. Pella's testimony discusses how the combined company will operate the electric and gas distribution systems.

As a further accommodation, filed simultaneously herewith is the Supplemental Direct Testimony of John W. McKinney which addresses operations. To the extent questions remain concerning this subject matter, UtiliCorp and SJLP will respond through discovery requests.

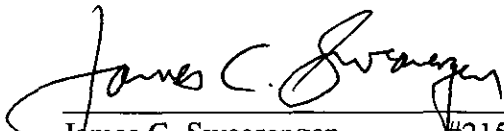
3. Procedural Schedule

UtiliCorp and SJLP have proposed a reasonable schedule for processing this case. The Joint Application should not be held hostage pending the filing of the UtiliCorp/Empire District Electric Company ("Empire") application or any other application. The UtiliCorp/SJLP transaction and the UtiliCorp/Empire transaction are two separate and distinct matters. Each will likely have its own separate and unique facets and each must be decided on its own merits. Either, neither or both may be consummated and they should be dealt with accordingly. To expedite the processing of the two applications, to the extent appropriate, discovery in one case should be utilized in the other. Issues

common to the two transactions need only be litigated one time, namely in the context of the UtiliCorp/SJLP filing and procedural schedule. The UtiliCorp/SJLP Joint Application and direct testimony have been on file since October 19, 1999. The UtiliCorp/SJLP procedural schedule should be established now.

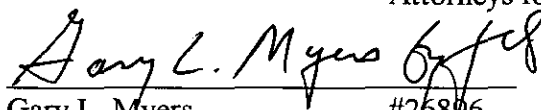
WHEREFORE, UtiliCorp and SJLP respectfully urge the Commission to issue its order (a) deferring any retail market power study until such time as the Commission deems such study to be meaningful and appropriate and (b) approving the procedural schedule as proposed by UtiliCorp and SJLP on October 19, 1999.

Respectfully submitted,


James C. Swearengen #21510
Paul A. Boudreau #33155
Brydon, Swearengen & England P.C.
P.O. Box 456
Jefferson City, MO 65102-0456
Telephone (573) 635-7166
Facsimile (573) 635-0427
E-Mail PBoudreau@mail.ultraweb.net

Karl Zobrist #28325
Christine Egbarts #45773
Blackwell Sanders Peper Martin LLP
Two Pershing Square, 2300 Main, Suite 1100
Kansas City, MO 64108
Telephone (816) 983-8000
Facsimile (816) 983-8080
E-Mail Kzobrist@bspmlaw.com

Attorneys for UtiliCorp United Inc.


Gary L. Myers #26896
Vice President, General Counsel
and Secretary
St. Joseph Light & Power Company
520 Francis Street
P.O. Box 998
St. Joseph, MO 64502
Telephone (816) 233-8888
Facsimile (816) 387-6332
E-Mail Gmyers@sjlp.com

Mark W. Comley #28847
601 Monroe Street
Jefferson City, MO 65101
Telephone (573) 634-2266
Facsimile (573) 636-3306
E-Mail Comley@ncrpc.com

Attorneys for St. Joseph Light & Power Company