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February 18, 2000

**FILED<sup>2</sup>**

FEB 18 2000

Missouri Public  
Service Commission

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

**Re: In the Matter of the Acquisition of 860023 Alberta Ltd.  
by UtiliCorp United Inc.  
Case No. EF-2000-506**

Dear Mr. Roberts:

On behalf of UtiliCorp United Inc., I deliver herewith an original and fourteen (14) copies of an Application to be filed with the Commission. A copy is also being hand-delivered to The Office of the Public Counsel this date.

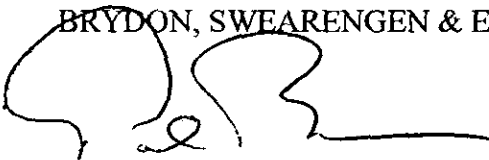
I have also enclosed an extra copy of the Application which I request that you stamp "Filed" and return to the person delivering same to you.

Thank you for your attention in this matter.

Sincerely,

BRYDON, SWEARENGEN & ENGLAND P.C.

By

  
Paul A. Boudreau

PAB/aw

Enclosures

cc: The Office of Public Counsel

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

**FILED<sup>2</sup>**

**FEB 18 2000**

**Missouri Public  
Service Commission**

In the Matter of the Application of )  
UtiliCorp United Inc. for authority to )  
acquire, indirectly, the capital stock of )  
860023 Alberta Ltd., and to take all )  
other actions reasonably necessary )  
to effectuate said transaction. )

Case No. EF-2000-506

**APPLICATION**

COMES NOW UtiliCorp United Inc. ("UtiliCorp"), pursuant to § 393.190 RSMo 1994, and 4 CSR 240-2.060(9) and for its Application to the Missouri Public Service Commission ("Commission") states that:

1. UtiliCorp is a Delaware corporation, in good standing in all respects, with its principal office and place of business at 20 West Ninth Street, Kansas City, Missouri 64105-1704. 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 services in its service areas subject to the jurisdiction of the Commission as provided by law. UtiliCorp's Certificate of Incorporation and Amended Certificate of Authority as a Foreign Corporation have been filed with the Commission in Case No. EM-87-6 and said documents are incorporated herein by reference, collectively, in accordance with 4 CSR 240-2.060(2)(e), and made a part hereof for all purposes.

2. Pleadings, notices, orders and other correspondence and communications concerning this Application should be addressed to:

Mr. Jon Empson  
UtiliCorp United Inc.  
1815 Capitol Avenue, 2<sup>nd</sup> Floor  
Omaha, NE 68102  
Telephone (402) 221-2375

Mr. Paul Perkins  
UtiliCorp United Inc.  
20 West Ninth Street  
Kansas City, MO 64105-1704  
Telephone (816) 467-3577

James C. Swearengen  
Mr. Paul A. Boudreau  
Brydon, Swearengen & England, P.C.  
312 East Capitol Avenue  
P.O. Box 456  
Jefferson City, MO 65102  
Telephone (573) 635-7166

3. UtiliCorp is presently engaged in a process designed to lead to the indirect acquisition by it of all of the capital stock of an electric utility distribution and retail business located in Canada. On January 21, 2000, UtiliCorp submitted to TransAlta Corporation ("TransAlta") an indicative bid to acquire TransAlta's electricity distribution and retail business (the "Business"). On February 2, 2000, UtiliCorp was selected by TransAlta as the winning bidder. TransAlta is a corporation organized and existing under and by virtue of the laws of Canada and has its principal office and place of business at P.O. Box 1900, Station M., 110 12<sup>th</sup> Street S.W., Calgary, Alberta T2P2M1. TransAlta currently operates an electric utility located in the Canadian Province of Alberta serving areas surrounding the communities of Calgary and Edmonton through its subsidiary TransAlta Utilities Corporation. It has nearly 4500 megawatts of coal-fired and hydroelectric capability and substantial transmission assets in addition to nearly 54,000 miles of distribution lines. TransAlta serves over 350,000 industrial, commercial and residential customers located in the Province of Alberta.

4. UtiliCorp, indirectly through a to-be-formed special purpose acquisition subsidiary of its wholly-owned subsidiary, UtiliCorp Canada Corp., proposes to purchase and acquire all of the

capital stock 860023 Alberta Ltd., a to-be-formed indirect, wholly-owned subsidiary of TransAlta, into which the Business will, on the closing date, be transferred by TransAlta. UtiliCorp's investment in the Business, through UtiliCorp Canada Corp., will be approximately C\$650 million, or \$450 million (U.S.), assuming an exchange rate of .69, plus a working capital contribution. The actual purchase price will be determined as a function of the book value of the Business at closing. It is likely that UtiliCorp will be required to directly or indirectly guarantee the financing of UtiliCorp Canada Corp.'s acquisition. A diagram of the proposed investment structure is attached hereto, marked Appendix 1, and made a part hereof for all purposes.

5. Following the announcement of the acquisition, both Duff and Phelps Credit Rating Company and Standard & Poor's reaffirmed UtiliCorp's credit ratings. Copies of those news wire reports are attached hereto as Appendix 2.

6. UtiliCorp anticipates that all other preconditions for closing, including any Canadian regulatory approvals, will be satisfied by July 1, 2000. Accordingly, UtiliCorp requests that the Commission issue an order approving this Application by June 1, 2000, bearing an effective date of June 13, 2000.

7. The proposed acquisition of the Business will have no adverse effect on the Missouri customers of UtiliCorp and, consequently, is not detrimental to the public interest. 860023 Alberta Ltd. will be operated as a totally separate entity from UtiliCorp. UtiliCorp's customers will see no change in their day-to-day utility service or rates and said customers will continue to be served effectively and efficiently. Further, the proposed transaction will have no impact on the tax revenues of the Missouri political subdivisions in which any of the structures, facilities or equipment of MPS is located.

8. The following appendices are attached hereto and made a part of this Application for all purposes:

- Appendix 3 Copy of Resolutions of the Board of Directors of UtiliCorp  
Appendix 4 Financial statements showing the pro forma financial effects of UtiliCorp's investment in 860023 Alberta Ltd., on a consolidated basis

WHEREFORE, UtiliCorp requests that the Commission issue an Order by June 1, 2000, bearing an effective date of no later than June 13, 2000:

- (1) authorizing the acquisition by UtiliCorp, through its subsidiary, UtiliCorp Canada Corp., of up to and including 100% of the capital stock of 860023 Alberta Ltd.;
- (2) authorizing UtiliCorp to execute and perform in accordance with the terms of all documents and to take or cause to be taken any and all other actions reasonably necessary to effectuate the transaction described herein;
- (3) finding that the proposed transaction is not detrimental to the public interest; and
- (4) granting such other relief deemed by the Commission to be just and proper in the circumstances.

Respectfully submitted,



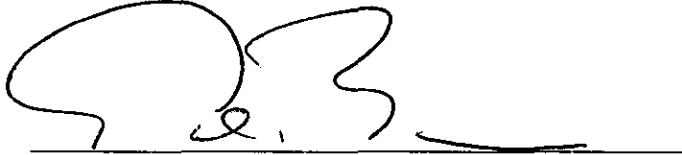
James C. Swearengen #21510  
Paul A. Boudreau #33155  
BRYDON, SWEARENGEN & ENGLAND P.C.  
P.O. Box 456  
Jefferson City, MO 65102-0456  
(573) 635-7166

Attorneys for UtiliCorp United Inc.

Certificate of Service

I hereby certify that a true and correct copy of the above and foregoing document was sent by U.S. Mail, postage prepaid, or hand-delivered, on this 18<sup>th</sup> day of February, 2000, to:

The Office of the Public Counsel  
Truman Building, Room 250  
P.O. Box 7800  
Jefferson City, MO 65102-7800

A handwritten signature in black ink, appearing to be "R. B.", is written over a horizontal line.

**AFFIDAVIT**

State of Nebraska )  
 ) ss  
County of Douglas )

I, Jon Empson, having been duly sworn upon my oath, state that I am the Sr. Vice President of UtiliCorp United Inc., that I am duly authorized to make this affidavit on behalf of UtiliCorp United Inc. and that the matters and things stated in the foregoing Application and appendices thereto is true and correct to the best of my information, knowledge and belief.

Jon Empson  
Jon Empson

Subscribed and sworn before me this 14 day of February, 2000.

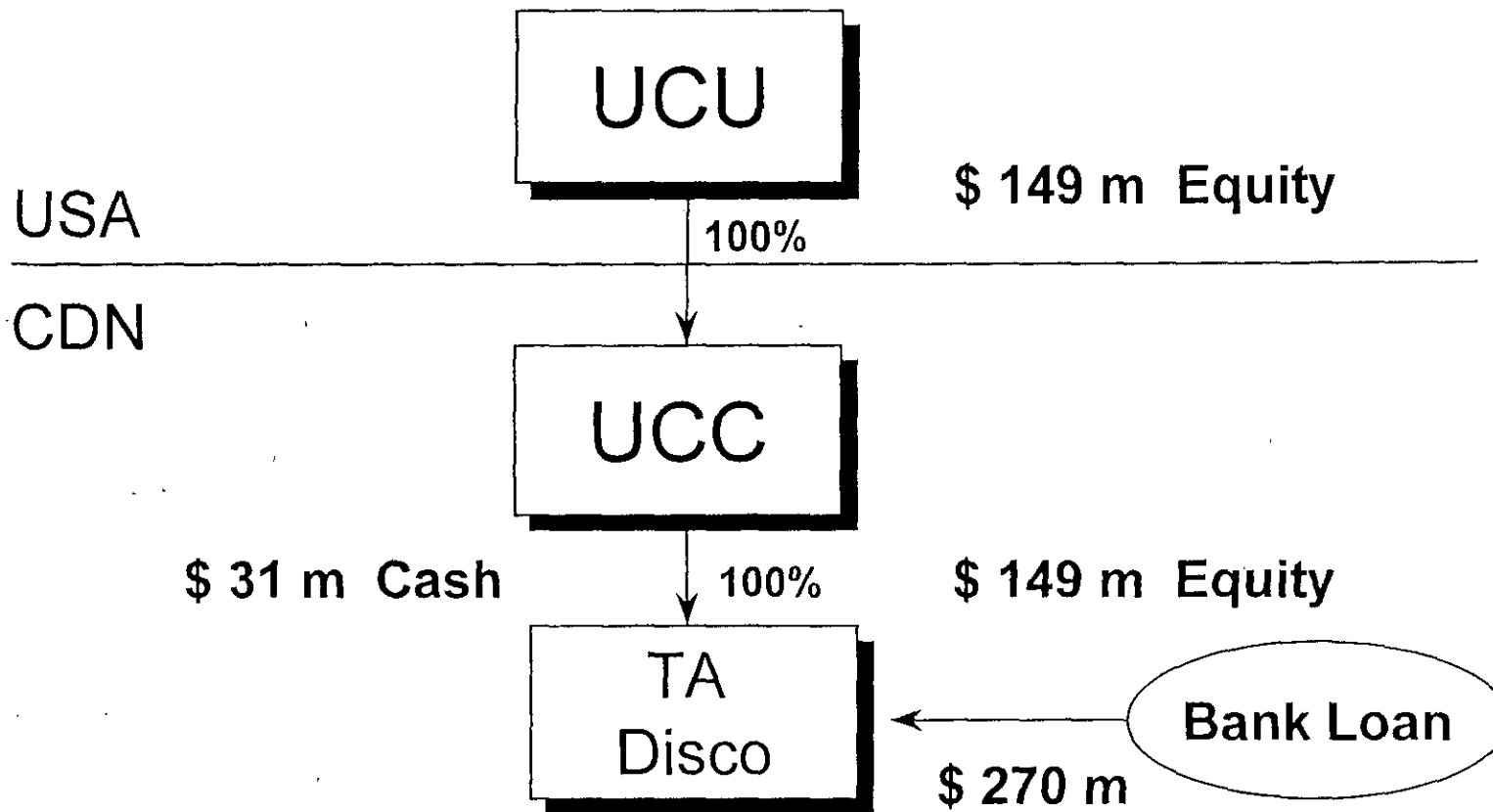


Sheila A. Nelson  
Notary Public

My Commission expires:

# TransAlta Transaction Structure Diagram

(\$ Millions - U.S.)



## Acquisition Funding

L.T. Debt	\$ 270 m
Cash - UCC	31 m
UCU Equity Issuance	<u>149 m</u>
Total	<u>\$ 450 m</u>

\*Acquisition will be funded with \$31 m of cash from UCC (UtiliCorp Canada)



Duff & Phelps Credit Rating Co. (DCR) has reaffirmed the credit ratings of **UtiliCorp United Inc. (UCU)** following today's announcement that it will acquire the distribution and retail assets of TransAlta Corporation in Alberta, Canada. UCU's ratings are as follows: unsecured senior notes at 'BBB' (Triple-B); premium equity participation security units (PEPS) and monthly income preferred securities (MIPS) at 'BBB-' (Triple-B-Minus); and commercial paper at 'D-2' (D-Two). The Rating Outlook is Stable.

UCU intends to acquire the assets for C\$645 million (\$450 million). Closing is expected in the third quarter pending regulatory approvals. TransAlta serves about 350,000 customers across southern Alberta but not including the cities of Calgary or Edmonton. UCU will not acquire TransAlta's generation assets. UCU will fund the acquisition with a combination of debt at the utility level in Canada and an equity contribution primarily consisting of cash.

DCR views the acquisition as commensurate with UCU's international strategy that is focused primarily on low-risk distribution operations in countries with low sovereign risk profiles. UCU already has a well-operated, but smaller, vertically integrated utility in West Kootenay Power located in British Columbia. Regulatory uncertainty exists given potential industry restructuring in Alberta in the near term. Longer-term, UCU can be expected to further expand its Canadian presence, including both distribution as well as even possible generation investments as markets become deregulated. Funding for the acquisition as currently structured is in line with UCU's past acquisition financing practices and will not materially impact its credit protection measures.

UCU's credit profile continues to benefit from highly stable cash flow from its core domestic utility operations, a risk-neutral acquisition strategy, improving performance from its international operations, geographic diversity and nominal stranded cost exposure. Primary rating issues include inherent energy trading risks, potential acquisitions to grow its existing interests in the more-volatile midstream gas markets and a potentially growing nonregulated domestic electric generation portfolio.

UCU serves 1.2 million electric and gas utility customers in seven states across the northern United States. Pending acquisitions will add approximately 210,000 domestic customers. UCU, directly or indirectly, serves 2.1 million international customers in New Zealand, Canada, Australia and the UK. Nonregulated interests are in midstream gas assets and energy marketing and trading through Aquila Energy.

DCR is a leading global rating agency with 34 local market offices providing ratings and research on debt issues and insurance claims paying ability in more than 50 countries.

Standard & Poor's Monday affirmed the ratings of **UtiliCorp United Inc.** in the wake of the company's agreement to purchase the Alberta, Canada, electric distribution and retail assets of TransAlta Corp. for about C\$645 million. The outlook is stable.

The addition of more regulated operations to UtiliCorp 's mix of businesses should increase the stability of the company's earnings and cash flows, S&P said, "helping to offset the weakening of its business risk profile, engendered by the growth in the company's unregulated activities."

TransAlta's Calgary-area system will complement UtiliCorp 's existing regulated utility operations in British Columbia and the company's Canadian-based energy marketing and trading activities, S&P said. The acquisition is expected to be financed with a combination of debt and common equity that won't erode UtiliCorp 's consolidated financial risk profile, it added.

The ratings for UtiliCorp reflect its average business position and gradually improving financial profile, S&P said. "The regulated utility operations are supported by sales and earnings stability derived from geographic and economic diversity," it added.

The stable outlook reflects moderate utility spending needs and sound utility operations, S&P said, offset by the company's need to continually strengthen financial measures in response to a changing business profile as growth in higher-risk, unregulated ventures continues.

RESOLUTION  
ADOPTED BY THE BOARD OF DIRECTORS OF  
UTILICORP UNITED INC. ON FEBRUARY 2, 2000

APPENDIX 3

Acquisition of TransAlta Utilities

WHEREAS, TransAlta Utilities Corporation ("TransAlta") intends to sell its electricity distribution and retail business in Alberta, Canada (collectively, the "Business"); and

WHEREAS, UtiliCorp United Inc. (the "Company") proposes to acquire the Business on its own or through a consortium; and

WHEREAS, the Company proposes to structure its acquisition of the Business through existing or-to-be-created domestic and/or foreign subsidiaries of the Company (the "Subsidiaries"); and

WHEREAS, in order for the Subsidiaries to fund the cost of acquiring the Business, the Company may enter into certain agreements to guarantee or otherwise provide credit support for Canadian dollar denominated loans to be made to the Subsidiaries by one or more syndicates of commercial banks; be it

RESOLVED, that the Company (or, if applicable, the consortium on behalf of the Company) be, and hereby is, authorized to acquire the Business for a purchase price of 1.52 times the book value of the TransAlta electricity distribution and retail assets at closing, which Company and/or its Subsidiaries will be expected to fund (by way of equity or debt finance for the purpose of providing acquisition funding and working capital), guarantee or otherwise provide credit support (a) if the Company acquires the Business on its own, for all of said amount plus any amounts required for working capital purposes (less any amounts borrowed directly by the acquired Business for the purpose of facilitating the acquisition and obtaining working capital) or (b) if the Company acquires the Business as part of a consortium, for its proportionate part (calculated by dividing the amount invested by the Company in such consortium by the amount invested by all partners of the consortium) of said entire amount plus any amounts required for working capital purposes (less any amount borrowed directly by the acquired Business for purposes of facilitating the acquisition and obtaining working capital), and

RESOLVED FURTHER, that the officers and directors of the Company be, and they hereby are, authorized and empowered in the name of and on behalf of the Company to negotiate, prepare, execute, and deliver the acquisition agreement and other such agreements, affidavits, certificates and documents, and to take or cause to be taken such actions (including, without limitation, obtaining governmental and regulatory approvals from any and all foreign, federal, state or local governmental agencies or bodies) as may be necessary or desirable to consummate the transactions contemplated herein and to do and perform all such other acts and things as they, in their sole discretion, consider necessary, advisable or appropriate to carry out the Company's obligations under any such agreements, and to carry out the purpose and intent of the foregoing resolutions.

# Pro-Forma UCU / TransAlta Income Statement

(\$ millions - U.S.)

	UCU 1999 Actual	Adjustments TransAlta Acquisition	Pro-Forma UCU / TransAlta
Sales	\$ 18,622	\$ 804	\$ 19,416
EBIT	414	51	465
Earnings Available	<u>\$ 160</u>	<u>\$ 19</u>	<u>\$ 179</u>

\* Exchange Rate equals .69 / 1.00 - US\$ / CDN\$

## Pro-Forma UCU / TransAlta Balance Sheet

(\$ millions - U.S.)

	UCU Sept. 1999 Actual	Adjustments TransAlta Acquisition	Pro-Forma UCU / TransAlta
Cash	\$ 181	\$ (31)*	\$ 150
Other Current Assets	3121	---	3121
Total Current Assets	<u>3302</u>	<u>(31)</u>	<u>3271</u>
Property, Plant & Equipment (net)	3672	300	3972
Other Assets	1524	150	1674
Total Assets	<u>\$ 8498</u>	<u>\$ 419</u>	<u>\$ 8917</u>
Current Liabilities	\$ 3510	\$ ---	\$ 3510
L.T. Debt	2234	270	2504
Other Liabilities	896	---	896
Total Liabilities	<u>\$ 3130</u>	<u>\$ 270</u>	<u>\$ 3400</u>
Preferred Stock	350	---	350
Common Equity	1508	149	1657
Total Liabilities & Shareholder Equity	<u>\$ 8498</u>	<u>\$ 419</u>	<u>\$ 8917</u>

\* The acquisition will be funded in part by \$31 m of cash currently invested in short term Canadian securities.