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FILED[2]
JUN 26 2000
Missouri Public
Service Commission

May 16, 2000

Public Service Commission
Truman State Office Building
Jefferson City, MO 65102

RE: *In the Matter or the Joint Application of UtiliCorp United, Inc. and St. Joseph Light & Power Company for Authority to Merge St. Joseph Light & Power Company with UtiliCorp United, Inc. and, in the Connection Therewith, Certain Other Related Transactions*

Dear Sir/Madam:

Enclosed for filing please find an original and 9 copies of Statement of Position of Intervenor Missouri Department of Natural Resources. Please stamp "filed" on the extra copy for my files. Thank you.

Sincerely,

JEREMIAH W. (JAY) NIXON
Attorney General

Shelley A. Woods/pah
SHELLEY A. WOODS
Assistant Attorney General

SAW:pah
Enclosures
c: Counsel of Record

FILED[2]

JUN 26 2000

Missouri Public Service Commission

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

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 UtiliCorp United Inc. and, in Connection Therewith, Certain Other Related Transactions	))))))	Case Nos. EM-2000-292

STATEMENT OF POSITION OF INTERVENOR MISSOURI DEPARTMENT OF NATURAL RESOURCES

COMES NOW intervenor, Missouri Department of Natural Resources and respectfully submits its Statement of Position pursuant to the Scheduling Order entered by the Commission in the above-styled case.

ISSUES

I. Does the proposed merger and related transactions and proposals satisfy the not detrimental to the public interest standard required for the approval of the mergers by the Commission?

The Merger: Companies' Overview of the Transaction and Policy

(1) Under reasonable assumptions, do estimated merger savings exceed estimated merger costs:

POSITION: MDNR does not take a position on this subissue.

(2) If under reasonable merger assumptions, estimated merger savings do not exceed estimated merger costs should the merger be approved as being not detrimental to the public interest?

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Regulatory Plan - Overall

(1) Should the Companies' proposed regulatory plan for treating merger related savings and costs in rates be adopted in total as not detrimental to the public interest?

POSITION: MDNR does not take a position on this subissue.

(2) Should SJLP be placed under a rate "moratorium" for Years 1-5 after the closing of the merger?

POSITION: MDNR does not take a position on this subissue.

Acquisition Adjustment

(1) Should the amortization of one-half of the acquisition adjustment and the return on the unamortized portion of one-half of the acquisition adjustment be treated above-the-line for rate purposes in Years 6-10 following the closing of the merger as the Companies propose?

POSITION: MDNR does not take a position on this subissue.

(2) Should the amortization of the acquisition adjustment begin at the closing of the merger between SJLP and UCU?

POSITION: MDNR does not take a position on this subissue.

(3) Should any portion of the acquisition adjustment ever be included in rates for (a) "recovery of" the acquisition adjustment (amortization of the acquisition adjustment) and (b) "return on" the acquisition adjustment (rate base component of the unamortized balance of the acquisition adjustment)?

POSITION: MDNR does not take a position on this subissue.

Estimated Merger Savings

(1) Should the Companies' estimate of merger savings and merger costs be relied upon

by the Commission in its findings regarding the Merger Application?

POSITION: MDNR does not take a position on this subissue.

(2) Does the Companies' estimate of generation/joint dispatch savings reflect only impacts directly attributable to the merger?

POSITION: MDNR does not take a position on this subissue.

(3) Does the Companies' estimate of merger savings reflect the expected operation of the UCU and SJLP pension plans following closing of the merger?

POSITION: MDNR does not take a position on this subissue.

Savings Tracking/Benchmark

(1) Should the Companies' proposal for utilizing a savings tracking system for identifying and quantifying merger related savings in Years 6-10, after the closing of the merger, be adopted?

POSITION: MDNR does not take a position on this subissue.

(2) If the Commission finds that establishing a merger savings tracking system is necessary, should this tracking system be in place for Years 1-5, as well as for Years 6-10, after the closing of the merger?

POSITION: MDNR does not take a position on this subissue.

(3) Should the Companies' proposal for establishing a guaranteed merger revenue requirement benefit to SJLP customers of at least $1.6 million for each year of Years 6-10, following the closing of the merger, be adopted?

POSITION: MDNR does not take a position on this subissue.

(4) If "yes" to question 3 above, what period of time should be used as a "baseline" for the purpose of measuring future merger savings?

POSITION: MDNR does not take a position on this subissue.

(5) Should actual or budgeted amounts be used for purposes of establishing a savings tracking "baseline"?

POSITION: MDNR does not take a position on this subissue.

(6) If a baseline using actual amounts is adopted, what baseline and what adjustments to the "baseline" are appropriate for this purpose?

POSITION: MDNR does not take a position on this subissue.

Frozen Capital Structure

(1) Should SJLP divisional customer rates in Years 6-10, after the closing of the merger, be calculated, as proposed by the Companies, using the stand-alone SJLP capital structure advocated by the Staff in Case No. ER-99-247?

POSITION: MDNR does not take a position on this subissue.

Corporate Allocations

(1) Does the Companies' allocation of escalated corporate overhead costs to the SJLP division represent a reasonable assumption as to an escalation rate to be applied to these allocated costs?

POSITION: MDNR does not take a position on this subissue.

2. Following the closing of the merger, should MPS divisional customer rates be calculated using levels of UCU corporate overhead allocated costs that assume the non-inclusion of SJLP in the UCU corporate structure?

POSITION: MDNR does not take a position on this subissue.

MPS Savings Assignment

(1) Should no or very little merger savings and costs be reflected in the MPS divisional customer rates after the closing of the merger, as proposed by the Companies?

POSITION: MDNR does not take a position on this subissue.

Electric Allocations Agreement

(1) How should the energy costs and profits from off-system sales associated with the joint dispatch of MPS and JLP power supply resources be allocated between these two post-merger UCU divisions?

POSITION: MDNR does not take a position on this subissue.

(2) Should the Electric Allocations Agreement include the specific calculations for estimating energy cost savings from joint dispatch and increased profits from off-system sales?

POSITION: MDNR does not take a position on this subissue.

Transaction Costs

(1) Should the Companies recover in rates the transaction costs associated with the merger?

POSITION: MDNR does not take a position on this subissue.

(2) If yes to question 1, over what period of time should these costs be amortized into cost of service?

POSITION: MDNR does not take a position on this subissue.

(3) If yes to question 1, what portion of transaction costs should be assigned to nonregulated operations?

POSITION: MDNR does not take a position on this subissue.

Costs to Achieve

(1) Should the Companies recover in rates the "costs to achieve" associated with executive severance payments?

POSITION: MDNR does not take a position on this subissue.

(2) Should the Companies recover in rates the costs of the "paid advisory board"?

POSITION: MDNR does not take a position on this subissue.

(3) Should the Companies recover in rates the costs associated with full funding of SJLP's Supplemental Executive Retirement Plan?

POSITION: MDNR does not take a position on this subissue.

(4) For those "costs to achieve" that are deemed eligible for rate recovery, how should they be accounted for pending consideration in a future general rate proceeding?

POSITION: MDNR does not take a position on this subissue.

Market Power

(1) Will a post-merger UCU possess more horizontal, vertical, or retail market power?

POSITION: MDNR does not take a position on this subissue.

(2) If the answer to Question 1 is yes, will the additional vertical or retail market power possessed by a post-merger UCU be detrimental to the public interest and will the risk of additional horizontal market power possessed by a post-merger UCU be detrimental to the public interest?

POSITION: MDNR does not take a position on this subissue.

(3) Will the merger allow the Companies to take valuable, limited transmission capacity necessary for other Missouri utilities to maintain deliveries under their purchased power contracts?

POSITION: MDNR does not take a position on this subissue.

Transmission Access and Reliability

(1) Have the Companies conducted and provided adequate studies of the impact of the proposed merger upon transmission facilities within, and interconnecting with, the State of Missouri, and upon all providers of electric service in the State, to prove that the proposed merger is not detrimental to the public interest?

POSITION: MDNR does not take a position on this subissue.

(2) Will the proposed merger provide the Companies the ability to gain unduly preferential priority of access to limited transmission facilities and/or exercise their post-merger transmission access anti-competitively, to the detriment of other customers in the State and therefore to the detriment of the public?

POSITION: MDNR does not take a position on this subissue.

(3) Could a post-merger UCU refunctionalize its transmission facilities in anti-competitive ways to the detriment of the public?

POSITION: MDNR does not take a position on this subissue.

(4) Do the companies being merged adhere to a single, consistent set of standards for designing and operating their transmission facilities and, if not, would not adhering to a single, consistent set of standards for designing and operating their transmission facilities be detrimental if the merger is approved?

POSITION: MDNR does not take a position on this subissue.

Stranded Costs

(1) Would ratepayers be harmed if UCU were allowed to include any portion of the

acquisition adjustment in its future calculation of stranded costs?

POSITION: MDNR does not take a position on this subissue.

Synergies In Unregulated Operations

(1) Are some of the synergies (e.g., generation) included in the 10-year merger synergy calculations likely to accrue primarily to shareholders if electric restructuring occurs in Missouri prior to the end of the 10-year period used to calculate the merger synergies?

POSITION: MDNR does not take a position on this subissue.

(2) Will UCU receive additional benefits from the proposed merger that are not reflected in the 10-year merger synergy calculations?

POSITION: MDNR does not take a position on this subissue.

Affiliate Transactions

(1) Will UCU's affiliate transactions, as a result of the proposed merger, increase in size and scope and thus become more complex and difficult to monitor, while at the same time it will become more important to monitor such transactions to ensure compliance with standards?

POSITION: MDNR does not take a position on this subissue.

Steam/Gas Service

(1) For the steam/gas customers of SJLP, does the analysis of the Companies show that the costs of the proposed merger exceed the savings of the proposed merger?

POSITION: MDNR does not take a position on this subissue.

Energy Efficiency

(1) Will the proposed merger have a detrimental impact on low-income weatherization and therefore on the public?

POSITION: Yes, the MDNR believes that unless the conditions identified as Energy Conditions in Issue II are adopted by the Public Service Commission (PSC), the proposed merger will have a detrimental impact on low-income weatherization and therefore on the public. The conditions that should be adopted by the PSC to insure that the proposed merger does not have a detrimental impact on low-income weatherization are conditions (2), (4), (5), (6), (8), (9), (10), (11) and (12).

(2) Will the proposed merger have a detrimental impact on other energy efficiency assistance and therefore on the public?

POSITION: The MDNR's position is that yes, unless certain of the conditions identified as Energy Conditions in Issue II are adopted by the PSC, the proposed merger will have a detrimental impact on other energy efficiency assistance and therefore on the public. The conditions that the PSC should adopt are (1), (2), (4), (6) and (7) to mitigate the detrimental impact of the proposed merger on energy efficiency assistance.

(3) Will the proposed merger have a detrimental impact on the use of renewable energy resources and therefore the public?

POSITION: The MDNR's position is yes, unless certain of the conditions identified as Energy Conditions in Issue II are adopted by the PSC, the proposed merger will have a detrimental impact on the use of renewal energy resources and therefore the public. The conditions the Commission should adopt to mitigate the detrimental impact of the merger on the use of renewal energy resources and therefore the public include conditions (3) and (10).

II. If the adoption of conditions by the Commission cannot in the view of particular parties eliminate in total the situation that the proposed merger is detrimental to the public

interest, but regardless of this view of particular parties, the Commission decides to approve the proposed merger, should the Commission adopt any or all of the following conditions, as part of its approval of the Companies' merger?

Stranded Costs Condition

(1) Should the Staff's proposed condition regarding elimination of the acquisition adjustment from future stranded cost calculations be adopted?

POSITION: The MDNR has no position on this condition.

Pension Funds Condition

(1) Should the Staff's proposed condition requiring maintaining the pre-merger funded status of SJLP's pension fund for calculating FAS 87 pension cost, be adopted?

POSITION: The MDNR has no position on this condition.

Access to Book and Records Condition

(1) Should the OPC's condition that the merged entity be required to allow OPC and the Staff access to its books, records, employees and officers and those of its wholly owned subsidiaries, be adopted?

POSITION: The MDNR has no position on this condition.

Affiliate Transactions Condition

(1) Should the OPC's condition that the merged entity be required to agree to comply with the Commission's affiliate transaction rules, be adopted?

POSITION: The MDNR has no position on this condition.

Income Taxes Condition

(1) Should the Staff's proposed condition regarding customer protections in the event

the merger is treated as a "taxable" transaction be adopted?

POSITION: The MDNR has no position on this condition.

Surveillance Condition

(1) Should the Staff's proposed conditions regarding continued submission of separate "surveillance" reports for UCU and SJLP, following closing of the merger, be adopted?

POSITION: The MDNR has no position on this condition.

Customer Service Indicators Condition

(1) Should the Staff's proposed conditions regarding measurement, reporting and potential imposition of remedial action concerning certain customer service indicators be adopted?

POSITION: The MDNR has no position on this condition.

Gas Supply RFP Condition

(1) Should the Staff's proposed condition regarding use of "request for proposals" for MPS and SJLP gas supply, following closing of the merger, be adopted?

POSITION: The MDNR has no position on this condition.

Gas Peak Load Study Condition

(1) Should the Staff's proposed condition regarding performance of a peak design day study for SJLP's gas operations, following closing of the merger, be adopted?

POSITION: The MDNR has no position on this condition.

Market Power Conditions

(1) Respecting vertical market power, should the Staff's condition that the Companies be required to commit to join a single regional transmission entity before the October 15, 2000 deadline of FERC Order No. 2000, be adopted?

POSITION: The MDNR has no position on this condition.

(2) Respecting horizontal market power, should the Staff's condition that at the time retail competition becomes lawful in Missouri the Companies be required to agree to submit a study showing what percentage of load throughout their merged service territory can be served from competitive generation sources, be adopted?

POSITION: The MDNR has no position on this condition.

(3) Respecting horizontal market power, should OPC's condition that, the Companies be required to agree that they will be subject to the same Horizontal Market Power Provisions that were approved by the Commission in Case No. EM-97-515 be adopted?

POSITION: The MDNR has no position on this condition.

(4) Respecting vertical market power, should OPC's condition that the Companies be required to agree to join a Regional Transmission Organization (RTO) under the same Vertical Market Power Provisions that were approved by the Commission in Case No. EM-97-515 be adopted?

POSITION: The MDNR has no position on this condition.

(5) Respecting retail market power, should OPC's condition that the Companies be required to agree that they will be subject to the same Retail Market Power Provisions that were approved by the Commission in Case No. EM-97-515 be adopted?

POSITION: The MDNR has no position on this condition.

(6) Respecting horizontal, vertical, and retail market power, should OPC's condition that the Companies be required to agree that they will be subject to the same Market Power Legislation Provisions that were approved by the Commission in Case No. EM-97-515 be

adopted?

POSITION: The MDNR has no position on this condition.

(7) Respecting transmission capacity, should Springfield's proposed conditions regarding Transmission Access and Reliability (which are set forth in detail herein under the heading "Transmission Access and Reliability Conditions") be adopted?

POSITION: The MDNR has no position on this condition.

Transmission Access and Reliability Conditions

(1)(a) Should the Commission order the Joint Applicants to conduct production cost, load flow and stability studies of the impact of the proposed merger upon transmission facilities within, and interconnecting with, the State of Missouri, and upon all providers of electric service in the State, prior to approval of the merger and if so, what should such studies contain?

(b) Should the Joint Applicants be ordered to provide these studies in hard copy and electronic form to the other parties, and should the Commission keep this case open until such time as the studies have been completed and all parties have been allowed sufficient time to review/analyze and file comments in this case on such studies?

(c) Should the Joint Applicants be required to construct and/or upgrade, at their expense, transmission facilities necessary to insure that their integrated operation will not adversely impact others?

(d) If the answer to (c) is yes, what transmission facilities?

POSITION: The MDNR has no position on this condition.

(2) Should the Commission impose conditions on the merger such that:

- The Joint Applicants be required by the Commission to commit that with respect to any and all generating resources associated with any one of their existing four control areas (including purchased generating resources) serving load in any other control area of the merging companies, the merging companies should waive or not assert: (i) native load priority on scheduling and curtailing non-firm network transmission service; (ii) the native load preference arguably accorded to bundled retail loads over wholesale loads under the decision in Northern States Power Co. v. FERC, 176 F.3d 1090 (8^{th} Cir. 1999); and (iii) use of any native load priority that will enable any one of the merging companies to import power through constrained interfaces so as to free up its local generating resources for off-system sales?

- The Joint Applicants not be allowed to combine any or all of their existing control areas without first submitting their plans for such combinations to peer group review and approval by the SPP ISO/RTO and the affected regional reliability councils?
- The merged companies be required to schedule all power flows and/or reserve transmission capacity on the relevant OASIS for purposes of carrying out any internal dispatch between what are now four geographically isolated pockets of load and generation in four separate control areas of the merging companies, to implement real-time monitoring of intra-company flows associated with internal dispatch, to report continuously the amount of such flows on its OASIS and to make all reasonable efforts to limit internal dispatch to levels at or below the transmission capacity reserved for purposes of carrying it out?
- If the burdens on Springfield attributable to internal dispatch of the Joint Applicants turn out to be substantial (i.e., a substantial increase in curtailments of Springfield's

firm schedules from Montrose), the merged company be required to reimburse Springfield for the incremental costs to Springfield of re-dispatching Springfield's generating resources that are attributable to the post-merger integrated operations of the Joint Applicants' separate systems?

- The merged company be required to put all of its transmission facilities in Missouri and Kansas under the control of the SPP ISO/RTO in a single zone under the SPP transmission tariff and that the merged company join - and maintain membership in - the SPP ISO/RTO and be required to file an integrated open access transmission tariff ("OATT") and an integrated transmission rate for their four control areas in Missouri and Kansas?
- UCU be required to (i) not set aside transmission capacity for Capacity Benefit Margins (CBM) and Transmission Reserve Margins (TRM) and (ii) to waive any future claims for CBM and TRM?

POSITION: The MDNR has no position on this condition.

(3) Should UCU be required to not seek refunctionalization of any currently categorized transmission lines of the merging companies that operate at or above 69 kV?

POSITION: The MDNR has no position on this condition.

(4) Should the Joint Applicants be required (i) to establish and implement a single standard for transmission system design and operation for the entirety of the merged company and (ii) to comply with the Southwest Power Pool Criteria?

POSITION: The MDNR has no position on this condition.

Load Research Condition

(1) Should the Staff's proposed conditions regarding production of load research data, following closing of the merger, be adopted?

POSITION: The MDNR has no position on this condition.

Tariff Condition

(1) Should the Staff's proposed condition regarding changes to SJLP's current tariffs, following closing of the merger, be adopted?

POSITION: The MDNR has no position on this condition.

Gas Safety Program Condition

(1) Should the Staff's proposed condition regarding continuation of SJLP's current gas yard line replacement program, following closing of the merger, be adopted?

POSITION: The MDNR has no position on this condition.

Fuel Energy Cost Information Condition

(1) Should the Staff's proposed condition regarding the continued provision of separate MPS and SJLP fuel and energy cost information following closing of the merger be adopted?

POSITION: The MDNR has no position on this condition.

Energy Conditions

(1) Should the Commission approve MDNR's proposed condition that UCU must enter into a partnership with MDNR and other interested parties to market and leverage funds for the development of Energy efficiency programs?

POSITION: Yes.

(2) Should the Commission approve MDNR's proposed condition that UCU must develop or retain low-income service packages to meet customer needs, reduce energy costs and

provide a return to UCU?

POSITION: Yes.

(3) Should the Commission approve MDNR's proposed condition that UCU must offer additional renewable energy options to Missouri customers?

POSITION: Yes.

(4) Should the Commission approve MDNR's proposed condition that UCU must target outreach to customers that are income eligible and encourage them to take advantage of the opportunity to reduce energy consumption and to improve home affordability?

POSITION: Yes.

(5) Should the Commission approve MDNR's proposed condition that UCU must amend the cooperative agreement between UCU and Kansas City, Missouri to permit averaging unit cost within the agreement to maximize the opportunity to assist customers?

POSITION: Yes.

(6) Should the Commission approve MDNR's proposed condition that UCU must eliminate tying the dollar amount to specific measures to maximize the energy conservation measures installed in each home?

POSITION: Yes.

(7) Should the Commission approve MDNR's proposed condition that any energy efficient measure that is deemed cost-effective as a result of computer analysis, as stated in the agreement between UtiliCorp and Kansas City, Missouri, shall be permitted?

POSITION: Yes.

(8) Should the Commission approve MDNR's proposed condition that UCU must permit

energy-efficiency assistance to all eligible households? Should the Commission approve MDNR's proposed condition that UCU must allow funds to be spent on non-electric appliances?

POSITION: Yes.

(9) Should the Commission approve MDNR's proposed condition that UCU must implement a 25-site Benefit Outreach and Screening Software (BOSS) pilot project, and must expand the program, as appropriate, if found to successfully deliver benefits to low-income customers?

POSITION: Yes.

(10) Should the Commission approve MDNR's proposed condition that UCU must implement a base load and space heating electric energy efficiency program directed toward high use payment-troubled low-income customers?

POSITION: Yes.

(11) Should the Commission approve MDNR's proposed condition that UCU must implement a pilot solar energy program directed toward high use low-income customers?

POSITION: Yes.

(12) Should the Commission approve MDNR's proposed condition that UCU must implement a periodic survey process through which the merged company will take pro-active efforts to identify which of its payment-troubled customers represent low-income households?

POSITION: Yes.

(13) Should the Commission approve MDNR's proposed condition that UCU must implement an Outcome-based Performance Reporting System (OPRS) through which the customer service outcomes to low-income customers can be systematically tracked over time?

POSITION: Yes.

The above conditions will mitigate the detrimental impact that the most proposed merger would otherwise have on the public, particularly on low-income utility customers.

OPC Regulatory Plan Condition

(1) If the Commission approves the proposed merger, should OPC's regulatory plan be approved?

POSITION: MDNR does not have a position on this condition.

Respectfully submitted,

JEREMIAH W. (JAY) NIXON

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was mailed, postage prepaid, by United States mail, this 26TH day of June, 2000, to:

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