



Commissioners

SHEILA LUMPE
Chair

M. DIANNE DRAINER
Vice Chair

CONNIE MURRAY

ROBERT G. SCHEMENAUER

KELVIN L. SIMMONS

Missouri Public Service Commission

POST OFFICE BOX 360
JEFFERSON CITY, MISSOURI 65102
573-751-3234
573-751-1847 (Fax Number)
<http://www.psc.state.mo.us>

June 26, 2000

BRIAN D. KINKADE
Executive Director

GORDON L. PERSINGER
Director, Research and Public Affairs

WESS A. HENDERSON
Director, Utility Operations

ROBERT SCHALLENBERG
Director, Utility Services

DONNA M. KOLILIS
Director, Administration

DALE HARDY ROBERTS
Secretary/Chief Regulatory Law Judge

DANA K. JOYCE
General Counsel

FILED³

JUN 26 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: Case No. EM-2000-292 – 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

Dear Mr. Roberts:

Enclosed for filing in the above-captioned case are an original and eight (8) conformed copies of a **STAFF'S STATEMENT OF POSITIONS**. An electronic copy is being e-mailed to the Regulatory Law Judge Morris Woodruff.

This filing has been mailed or hand-delivered this date to all counsel of record.

Thank you for your attention to this matter.

Sincerely yours,

Steven Dottheim
Chief Deputy General Counsel
(573) 751-7489
(573) 751-9285 (Fax)

Enclosure
cc: Counsel of Record

BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

FILED³
JUN 26 2000

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 and into)
UtiliCorp United Inc. and, in connection)
therewith, certain other related transactions.)

Case No. EM-2000-292

STAFF'S STATEMENT OF POSITIONS

The Staff positions track the issues identified in the List Of Issues that was filed on May 25, 2000. The Staff has endeavored to answer the questions posed in said List Of Issues with a one-word response and then provide a one or two sentence explanation. The Staff has attempted to be non-argumentative and at the same time provide information that will help frame the issue. The List Of Issues filed on May 25, 2000 stated that the descriptions of the issues contained therein were provided for the convenience of the Commission and no party was necessarily bound by said descriptions, which were not intended to constitute evidence. The List Of Issues further stated that all parties submitting that document agreed that said document delineated all areas of disagreement which existed among the parties as of the date of filing that document, which predated the filing of surrebuttal and cross-surrebuttal testimony and schedules. That is also true for this document, since surrebuttal and cross-surrebuttal testimony and schedules are required to be filed by today, June 26, 2000. Thus, it was related in the List Of Issues, which also identified the witnesses for each issue, that since parties may not have decided by May 25, 2000 whether they would file surrebuttal or cross-surrebuttal testimony respecting certain issues/conditions, the List Of Issues being submitted may not reflect a decision yet to be made whether to file or not to file surrebuttal or cross-surrebuttal testimony and who would be the parties' surrebuttal or cross-surrebuttal witnesses. As a consequence, all parties reserved the right to inquire into and establish a position concerning any issue which is pertinent to the proceedings and which arises during the course of the proceedings as a new issue based on matters which could not reasonably have been contemplated based on the filings and pleadings in Case No. EM-2000-292 as of May 25, 2000.

In addition, the List Of Issues stated as follows:

Although conditions are set out as separate categories below with their own lists of witnesses, it is the intention of the parties that the conditions will be presented to the Commission at the same time that the subject areas giving rise to the conditions will be presented to the Commission. Conditions under Roman numeral II. may constitute an issue without there being a corresponding subject area set out under Roman numeral I below.

The parties anticipate providing the Commission with revisions of this List of Issues, including revisions of the hearing schedule, at the earliest possible time, as further developments occur.

84

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 mergers by the Commission?

The Merger: Companies' Overview of the Transaction and Policy¹

COMPANIES

Steinbecker

Green

Merger Costs/Benefits

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

Staff Position: No, when appropriate adjustments are made to the Companies' estimates of merger savings and costs, estimated merger savings do not exceed estimated merger costs.

- (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?

Staff Position: No. Mergers should not be approved when there is no reasonable expectation that merger savings will exceed merger costs, as is the case with this proposed merger.

<u>COMPANIES</u>	<u>Staff</u>	<u>AgP</u>
McKinney	Oligschlaeger Traxler	Brubaker

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?

Staff's Position: No. Adoption of the Companies' proposed regulatory plan would be detrimental to the public interest.

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

Staff Position: No. The proposed moratorium is part of the Companies' overall regulatory plan, which should be rejected.

<u>COMPANIES</u>	<u>STAFF</u>	<u>OPC</u>	<u>AgP</u>
McKinney	Oligschlaeger Featherstone Traxler Proctor Williams	Trippensee Burdette Robertson Kind	Brubaker

¹ As a courtesy to the Companies, Messrs. Green and Steinbecker will stand cross-examination on all of their direct and surrebuttal testimony at the commencement of the evidentiary hearings. Messrs. Green and Steinbecker have submitted direct testimony respecting various issues listed below. Witnesses who have filed rebuttal testimony to Messrs. Green and Steinbecker will stand cross-examination when those discrete issue areas are heard as indicated below. The agreement of the parties to permit Messrs. Green and Steinbecker to testify at one time on the entirety of their testimony and not at that time put on the stand their witnesses that have filed responsive testimony should not be viewed as anything other than as a courtesy extended by the other parties.

McKiddy

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?

Staff Position: No. The proposed recovery of one-half of the acquisition adjustment directly from ratepayers (also referred to as above-the-line treatment) is part of the Companies' overall regulatory plan, which should be rejected in entirety.

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

Staff Position: Yes, and the amortization should be booked below-the-line so that none of the acquisition adjustment is directly recovered from ratepayers.

- (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)?

Staff's Position: No. Any direct recovery of acquisition adjustments from ratepayers is detrimental to the public interest.

COMPANIES	STAFF	OPC	AgP
McKinney	Oligschlaeger	Robertson	Brubaker
	Featherstone	Kind	
	Hyneman		
	Fischer		
	Broadwater		
	Proctor		

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?

Staff Position: No, merger savings and merger cost estimates are inherently speculative and subject to error, as is true for the Companies' estimate of merger savings and merger costs.

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

Staff Position: No. The Company restricted off-system sales opportunities in its estimate of pre-merger energy costs and profits from off-system sales. This restriction resulted in an overly optimistic estimate of savings for the jointly dispatched systems.

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

Staff Position: No. As a result, the Companies' estimated net merger savings in the pension/benefits area are overstated.

COMPANIES	STAFF	OPC	AgP
Siemek	Fischer	Robertson	Brubaker
DeBacker	Harris	Kind	

Heider
Browning
Kreul

Traxler
Lin
Proctor

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?

Staff Position: No. Tracking merger savings is not practical or practicable.

- (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?

Staff Position: Yes.

- (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?

Staff Position: No. The guaranteed merger revenue requirement benefit is dependent upon the ability to track merger savings, which the Staff does not believe is practical or practicable.

- (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?

Staff Position: If the Commission's decision for question 3 above is yes, the Staff's updated cost of service calculation for SJLP, based on a 1998 test year, updated through the end of 1999, should be used as a baseline.

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

Staff Position: Actual amounts should be used as a baseline, if a savings tracking system is employed.

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

Staff Position: The Staff's updated cost of service calculation should be used as the baseline, if a baseline using actual amounts is adopted. The Staff's proposed baseline already reflects adjustments to remove the impact of non-recurring, abnormal and unusual expenses.

COMPANIES	STAFF	OPC	AgP
Myers	Fischer	Robertson	Brubaker
DeBacker	Oligschlaeger		
Siemek	Featherstone		
McKinney	Traxler		
	Proctor		
	Broadwater		
	Lin		
	Pyatte		
	Mantle		

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?

Staff Position: No. After merger closing, SJLP divisional rates should reflect the prudent actual costs of financing the SJLP division; i.e., UCU's actual capital structure, assuming it is prudent.

<u>COMPANIES</u>	<u>STAFF</u>	<u>OPC</u>
McKinney	Broadwater Featherstone	Burdette

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?

Staff Position: No. The Companies are using a 2.5% inflation rate to escalate (a) savings from consolidation, (b) costs transferred from SJLP to UCU and (c) UCU corporate overhead costs allocated back to SJLP during the 10-year period following the closing of the merger. An escalation factor more in line with the MPS' recent experience with corporate overhead cost increases should be used to project SJLP's future experience with corporate overhead costs.

- (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?

Staff Position: No. After the merger closing, MPS divisional rates should reflect that portion of actual corporate overhead allocated costs that are deemed necessary and beneficial to MPS customers. The allocation of corporate overhead costs should reflect the SJLP merger and other UCU merger and acquisition transactions.

<u>COMPANIES</u>	<u>STAFF</u>	<u>OPC</u>	<u>AgP</u>
McKinney	Traxler	Robertson	Brubaker

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?

Staff Position: No. MPS should receive a fair allocation of merger savings and prudent merger costs for ratemaking purposes after the merger closing.

<u>COMPANIES</u>	<u>STAFF</u>	<u>AgP</u>
McKinney	Oligschlaeger Proctor	Brubaker

Electric Allocations Agreement:

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

Staff Position: The energy costs and profits from off-system sales should be allocated between SJLP and MPS in proportion to the stand-alone energy costs and profits from off-system sales using the identical assumptions for power supply costs, availabilities and off-

system purchase/sale opportunities as are used for the jointly dispatched systems.

- (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?

Staff Position: If the Commission approves a sharing of energy-cost related opportunities between shareholders and ratepayers for a limited period of time, then an attachment to the Electric Allocations Agreement should be included that indicates how these energy-cost related opportunities are to be calculated and allocated.

<u>COMPANIES</u>	<u>STAFF</u>
DeBacker	Proctor

Transaction Costs:

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

Staff Position: No. Transaction costs should be tracked for the sole purpose of being treated as part of the acquisition adjustment, and should be booked below-the-line.

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

Staff Position: If the Companies are permitted to recover in rates the transaction costs associated with the merger (yes to question 1), these costs should be amortized into cost of service over 40 years, the same period as the Companies propose that the acquisition adjustment should be amortized.

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

Staff Position: If the Companies are permitted to recover in rates the transaction costs associated with the merger (yes to question 1), half of the transaction costs should be assigned to non-regulated operations, in the absence of adequate information from the Companies as to perceived non-regulated benefits of the merger.

<u>COMPANIES</u>	<u>STAFF</u>	<u>OPC</u>
Siemek	Russo Hyneman	Robertson

Costs to Achieve:

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

Staff Position: No.

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

Staff Position: No.

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

Staff Position: No.

- (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?

Staff Position: These costs should be charged to expense as incurred.

<u>COMPANIES</u>	<u>STAFF</u>	<u>OPC</u>	<u>AgP</u>
Siemek	Russo	Robertson	Brubaker
McKinney	Hyneman		
Browning			
Pella			
DeBacker			

Market Power

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

Staff Position: The post-merger UCU will possess more vertical market power through the control of the joint transmission systems (either MPS-SJLP or MPS-SJLP-EDE). The horizontal market power with respect to transmission constraints that could potentially isolate portions of the merged entities' system from the competitive supply of power is yet to be determined.

- (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?

Staff Position: Additional vertical market power should be mitigated by requiring the merged entity (either MPS-SJLP or MPS-SJLP-EDE) to turn over the control of its transmission system to a FERC approved Regional Transmission Organization (RTO).

- (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?

Staff Position: This needs to be determined through a study to be performed by the Southwest Power Pool (SPP) that includes the assumptions for connecting MPS, SJLP and EDE.

<u>COMPANIES</u>	<u>STAFF</u>	<u>OPC</u>	<u>SPF</u>
McKinney	Proctor	Kind	Russell

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?

Staff Position: No.

- (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?

Staff Position: Staff takes no position.

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

Staff Position: Staff takes no position.

- (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?

Staff Position: Staff takes no position.

<u>COMPANIES</u>	<u>STAFF</u>	<u>SPF</u>
Kreul	Proctor	Russell
McKinney		

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?

Staff Position: Yes. No part of the acquisition adjustment should be considered to be "stranded" in the future for any reason.

<u>COMPANIES</u>	<u>STAFF</u>	<u>OPC</u>
McKinney	Oligschlaeger	Robertson

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?

Staff Position: Staff supports OPC's position, and believes that Staff addresses this item in its position respecting the acquisition adjustment.

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

Staff Position: Staff supports OPC's position, and believes that Staff addresses this item in its position respecting the acquisition adjustment.

OPC
Kind

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?

Staff Position: Staff supports OPC's position.

OPC
Kind

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?

Staff Position: If the costs of the proposed merger exceed the savings of the proposed merger, then the merger is detrimental to the public interest.

AgP
Brubaker

Energy Efficiency

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

Staff Position: Staff takes no position.

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

Staff Position: Staff takes no position.

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

Staff Position: Staff takes no position.

<u>COMPANIES</u>	<u>DNR</u>
Pella	Randolph
McKinney	Colton
	Jackson

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?

Staff Position: Yes.

<u>COMPANIES</u>	<u>STAFF</u>
McKinney	Oligschlaeger

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?

Staff Position: Yes. The Companies must agree to maintain SJLP's pre-merger funded status for FAS 87 pension cost calculations or they must reduce their estimated savings from benefits conversion by \$ 25 million in order to reflect their intended use of a "combined" pension fund asset assumption after the merger. Staff also addresses this item in item "3" under the issue "Estimated Merger Savings."

<u>COMPANIES</u>	<u>STAFF</u>
Browning	Traxler

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?

Staff Position: Staff supports OPC.

COMPANIES

McKinney

OPC

Kind

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?

Staff Position: Staff supports OPC.

COMPANIES

McKinney

OPC

Kind

Income Taxes Condition

- (1) Should the Staff's proposed condition regarding customer protection in the event the merger is treated as a "taxable" transaction be adopted?

Staff Position: Yes.

COMPANIES

Karlin

STAFF

Hyneman

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?

Staff Position: Yes. UCU should be required to continue providing "surveillance" reports for UCU on a total company basis and surveillance reports should be required to be provided for MPS and SJLP on a stand-alone division basis.

COMPANIES

McKinney

STAFF

McKiddy

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?

Staff Position: Yes, so as to help ensure that the customers of SJLP and MPS do not experience deterioration in service as a result of the merger.

COMPANIES

Pella

STAFF

Bernsen

Niemeyer

Ketter

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?

Staff Position: Yes, the Staff's proposed condition regarding use of "request for proposals" for MPS and SJLP gas supply, following closing of the merger, should be adopted. Such RFPs provide a benefit to both gas local distribution companies and ratepayers.

<u>COMPANIES</u>	<u>STAFF</u>
Pella	Allee

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?

Staff Position: Yes, the Staff's proposed condition regarding performance of a peak design day study for SJLP's gas operations, following closing of the merger, should be adopted. The peak design day study measures the adequacy of a gas local distribution company's portfolio to meet firm requirements given extreme conditions.

<u>COMPANIES</u>	<u>STAFF</u>
Pella	Allee

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?

Staff Position: Yes.

- (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?

Staff Position: Yes.

- (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?

Staff Position: Yes. Specifically, the merged entity (either MPS-SJLP or MPS-SJLP-EDE) should be required to determine the potential horizontal market power from transmission constraints that could potentially isolate portions of the merged entity's system from the competitive supply of generation (i.e., Case No. EM-97-515 Market Power Condition 13.a.iv.).

- (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?

Staff Position: Yes. Staff supports OPC.

- (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?

Staff Position: Staff takes no position.

- (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?

Staff Position: Staff takes no position.

- (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?

Staff Position: See Staff Positions below.

<u>COMPANIES</u>	<u>STAFF</u>	<u>OPC</u>	<u>SPF</u>
McKinney	Proctor	Kind	Russell

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?

Staff Position: (a) The Commission should order the Joint Applicants to have the SPP perform a study of its proposals to connect the MPS, SJLP and EDE systems. This load-flow study should assume the joint dispatch of MPS, SJLP and EDE power supply resources and should determine detrimental impacts to the regional transmission system. (b) Yes. (c) Yes, but the costs of these upgrades placed on the Joint Applicants should not require it to pay for benefits to other users of the transmission system that result from the upgrades. (d) The facilities to be upgraded would be determined by the results of the SPP study.

- (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 (8th 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?

Staff Position: Staff takes no position.

- 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?

Staff Position: Staff takes no position.

- 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?

Staff Position: Staff takes no position.

- 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?

Staff Position: Staff takes no position.

- 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?

Staff Position: Yes, either under the control of the SPP or the Midwest Independent System Operator (Midwest ISO or MISO).

- 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?

Staff Position: Staff takes no position.

- (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?

Staff Position: Staff takes no position.

- (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?

Staff Position: (i) Yes. (ii) Yes.

<u>COMPANIES</u>	<u>SPF</u>
Kreul	Russell
McKinney	

Load Research Condition

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

Staff Position: Yes.

<u>COMPANIES</u>	<u>STAFF</u>
Pella	Mantle

Tariff Condition

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

Staff Position: Yes.

<u>COMPANIES</u>	<u>STAFF</u>
McKinney	Beck
Pella	

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?

Staff Position: Yes.

<u>COMPANIES</u>	<u>STAFF</u>
Pella	Beck

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?

Staff Position: Yes, pursuant to 4 CSR 240-20.080.

STAFF
Lin

Energy Conditions

- (1) Should the Commission approve DNR'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?

Staff Position: Staff takes no position.

- (2) Should the Commission approve DNR'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?

Staff Position: Staff takes no position.

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

Staff Position: Staff takes no position.

- (4) Should the Commission approve DNR'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?

Staff Position: Staff takes no position.

- (5) Should the Commission approve DNR'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?

Staff Position: Staff takes no position.

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

Staff Position: Staff takes no position.

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

Staff Position: Staff takes no position.

- (8) Should the Commission approve DNR'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?

Staff Position: Staff takes no position.

- (9) Should the Commission approve DNR'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?

Staff Position: Staff takes no position.

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

Staff Position: Staff takes no position.

- (11) Should the Commission approve DNR'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?

Staff Position: Staff takes no position.

- (12) Should the Commission approve DNR'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?

Staff Position: Staff takes no position.

<u>COMPANIES</u>	<u>DNR</u>
Pella	Randolph
McKinney	Colton
	Jackson

OPC Regulatory Plan Condition

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

Staff Position: Staff takes no position.

COMPANIES
McKinney

OPC
Trippensee

ORDER OF CROSS-EXAMINATION

Witness:

UCU	SJLP	Staff	OPC	AgP	SPF	DNR
_____	_____	_____	_____	_____	_____	_____

Cross:

SJLP	UCU	DNR	DNR	DNR	DNR	AgP
UE	UE	AgP	AgP	SPF	AgP	SPF
DNR	DNR	SPF	SPF	OPC	OPC	OPC
AgP	AgP	OPC	Staff	Staff	Staff	Staff
SPF	SPF	UE	UE	UE	UE	UE
OPC	OPC	UCU	UCU	UCU	UCU	UCU
Staff	Staff	SJLP	SJLP	SJLP	SJLP	SJLP

UCU requested that it be shown as a separate party than SJLP for purposes of cross-examination. This matter has not been discussed by the parties and UCU readily acknowledges that no party has agreed or acquiesced to UCU's request.

Staff Position: The Staff is opposed to UCU and SJLP being treated as separate parties for purposes of cross-examination.

Schedule Of Issues

Monday, July 10, 2000

Companies' Overview and Policy
Merger Costs/Benefits
Regulatory Plan – Overall
OPC Regulatory Plan

Tuesday, July 11, 2000

OPC Regulatory Plan (continued)
Acquisition Adjustment
Frozen Capital Structure
Stranded Costs
Synergies In Unregulated Operations
Energy Efficiency
Affiliated Transactions

Wednesday, July 12, 2000

Energy Efficiency (continued)
Corporate Allocations
MPS Savings Assignment
Steam/Gas Service

Electric Allocations Agreement
Estimated Merger Savings

Thursday, July 13, 2000

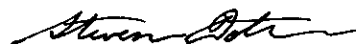
Savings Tracking/Benchmark
Customer Service
Access To Books and Records
Gas Supply RFPs
Gas Peak Load Study
Load Research
Surveillance
Transaction Costs
Costs To Achieve

Friday, July 14, 2000

Costs To Achieve Costs (continued)
Fuel Energy Cost Information
Income Taxes
Gas Safety
Tariff Language
Transmission Access and Reliability
Market Power

Respectfully submitted,

DANA K. JOYCE
General Counsel



Steven Dottheim
Chief Deputy General Counsel
Missouri Bar No. 29149

Attorney for the Staff of the
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102
(573) 751-7489 (Telephone)
(573) 751-9285 (Fax)

Certificate of Service

I hereby certify that copies of the foregoing have been mailed or hand-delivered to all counsel of record as shown on the attached service list this 26th day of June 2000.



**Service List for
Case No. EM-2000-292
June 26, 2000**

Office of the Public Counsel
P.O. Box 7800
Jefferson City, MO 65102

James Swearengen/Paul Boudreau
Brydon, Swearengen & England, PC
PO Box 456
Jefferson City, MO 65102

Karl Zobrist/Christine Egbarts
Blackwell Sanders Peper Martin LLP
Two Pershing Square, 2300 Main, Ste. 1100
Kansas City, MO 64108

Stuart Conrad
Finnegan, Conrad & Peterson, LC
3100 Broadway, Ste. 1209
Kansas City, MO 64111

Shelley Woods/Jeremiah Nixon
Assistant Attorney General
PO Box 899
Jefferson City, MO 65102

Jeffrey Keevil
Stewart & Keevil, LLC
1001 Cherry St., Ste. 302
Columbia, MO 65201

William Niehoff
Ameren Services Company
1901 Chouteau Ave., PO Box 66149 (MC1310)
St. Louis, MO 63166-6149

Gary Myers, Vice President, General Counsel, &
Secretary
St. Joseph Light & Power Company
PO Box 998
St. Joseph, MO 64502

Mark Comley
601 Monroe St., Ste. 301
Jefferson City, MO 65101