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May 18, 2000

BRIAN D. KINKADE  
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Director, Research and Public Affairs

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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

FILED<sup>3</sup>

MAY 18 2000

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

Missouri Public  
Service Commission

**RE: Case No. EM-2000-506**

Dear Mr. Roberts:

Enclosed for filing in the above-captioned case are an original and eight (8) conformed copies of the **SUPPLEMENTAL STAFF RECOMMENDATION**.

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,

Nathan Williams  
Assistant General Counsel  
(573) 751-8702  
(573) 751-9285 (Fax)

NW/lb  
Enclosure  
cc: Counsel of Record

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

FILED<sup>3</sup>  
MAY 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. EM-2000-506

SUPPLEMENTAL STAFF RECOMMENDATION

COMES NOW the Staff of the Missouri Public Service Commission (Staff) and for its supplemental recommendation states:

1. On May 9, 2000, the Staff filed its Recommendation in this case recommending that the Commission approve, subject to conditions, the Application as filed. Although UtiliCorp had related to the Staff that it planned to file an amendment to the Application restructuring the transaction to add a holding company—New Co—between UtiliCorp and UtiliCorp Canada Corp. in the proposed transaction and reallocate a portion of the acquisition debt to this company, the Staff was unaware UtiliCorp had filed an amendment to its Application on May 9, 2000, until the Staff already had filed its recommendation in this case.

2. The Staff has reviewed the amendment. It conforms to the representations UtiliCorp made to the Staff as to how UtiliCorp planned to restructure the transaction, and as indicated in its Recommendation filed May 9, 2000, the Staff does not oppose the amendment. Therefore, in the attached Memorandum, which is labeled Appendix A, the Staff recommends that the Missouri Public Service Commission ("Commission"), subject to certain conditions,

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approve UtiliCorp United Inc.'s ("UtiliCorp") Amended Application to acquire TransAlta Corporation's ("TransAlta") electric utility distribution and retail business in Canada. The Commission is to grant an application to acquire the stock of a public utility if the acquisition is not detrimental to the public interest. See § 393.190.2, RSMo. 1994, and 4 CSR 240-2.060(12)(C).

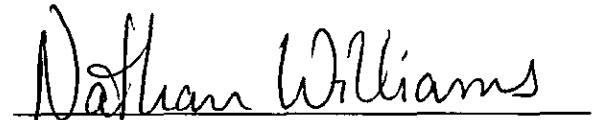
3. The Staff recommends the same conditions for the acquisition that it recommended in its initial recommendation filed May 9, 2000. UtiliCorp states, in paragraph no. 4 of its May 11, 2000 filing made in response to the Staff's original recommendation, that "it has no objection to the conditions suggested by Staff." The Staff's proposed acquisition conditions for this transaction are the following:

- 1) That nothing in the Commission's order shall be considered a finding by the Commission of the value of this transaction for rate-making purposes, and that the Commission reserves the right to consider the rate-making treatment to be afforded these financing transactions in any later proceeding.
- 2) That the Commission's order shall not be deemed to be precedent for any future financing, even if the facts may be similar.
- 3) That any adverse financial effects of this acquisition, including all merger and merger-related costs be borne by UtiliCorp's stockholders and not its Missouri customers.
- 4) Corporate cost allocations to Missouri utility operations will not increase as a result of this transaction.
- 5) That all records pertaining to these transactions be maintained at UtiliCorp's headquarters and made available to the Staff as the Staff deems necessary.
- 6) That UtiliCorp be prepared to provide documentation of proper cost allocations to nonregulated entities.
- 7) That UtiliCorp include the cost of any assistance provided to TransAlta from its other operations in its monthly surveillance reports it makes to the Staff.

**WHEREFORE**, the Staff recommends that the Commission grant UtiliCorp United Inc. approval to acquire TransAlta Corporation's electric utility distribution and retail business in Canada by means of the transactions proposed in its Application as amended and subject to the specific conditions enumerated in paragraph no. 3 above.

Respectfully submitted,

DANA K. JOYCE  
General Counsel



Nathan Williams  
Assistant General Counsel  
Missouri Bar No. 35512

Attorney for the Staff of the  
Missouri Public Service Commission  
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### **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 18<sup>th</sup> day of May, 2000.



MEMORANDUM

TO: Missouri Public Service Commission Official Case File,  
Case No. EM-2000-506, UtiliCorp United Inc.

FROM: David P. Broadwater, Financial Analysis Department *DB*

*Ronald L. Bille* 5/15/2000  
\_\_\_\_\_  
Project Coordinator/Date

*Steven Dotson* 5/18/00  
\_\_\_\_\_  
General Counsel's Office/Date

*NW 5/15/00*

SUBJECT: Staff Supplemental Recommendation Regarding UtiliCorp United Inc.'s  
Application to acquire TransAlta's electric utility distribution and retail  
business.

DATE: May 15, 2000

On May 9, 2000, the Missouri Public Service Commission Staff (Staff) filed its Recommendation for approval with the Missouri Public Service Commission (Commission) in Case No. EM-2000-506. Also on May 9, 2000, UtiliCorp United Inc. (UtiliCorp) filed a revised Appendix 1 to its Application with the Commission. Staff advised the Commission in its recommendation that it was aware that UtiliCorp would be filing revised Appendix 1 and stated "UtiliCorp must make an amended filing and the Staff must review that filing and report to the Commission the result of its review."

The Staff has reviewed the revised Appendix 1 and found that the changes proposed do not change the Staff Recommendation. The changes included in the revised Appendix 1 include New Co as a holding company for UtiliCorp Canada Corp. and as a subsidiary of UtiliCorp. The financing for this acquisition has not changed in total, but New Co will now carry \$63 million of the \$270 million in long-term debt. The Staff has reviewed this new structure and finds that it does not change the essence of the purchase.

The Staff reviewed the Company's Application as revised and believes that with the conditions previously recommended by Staff, the transaction described will not be detrimental to the Missouri customers of UtiliCorp. Therefore, the Staff recommends that the Commission, subject to the conditions following, approve UtiliCorp's Application to acquire TransAlta's electric utility distribution and retail business:

- 1) That nothing in the Commission's order shall be considered a finding by the Commission of the value of this transaction for rate-making purposes, and that the

Commission reserves the right to consider the rate-making treatment to be afforded these financing transactions in any later proceeding.

- 2) That the Commission's order shall not be deemed to be precedent for any future transaction, even if the facts may be similar.
- 3) That any adverse financial effects of this acquisition, including all merger and merger-related costs be borne by UtiliCorp's stockholders and not its Missouri customers.
- 4) Corporate cost allocations to Missouri utility operations will not increase as a result of this transaction.
- 5) That all records pertaining to these transactions be maintained at UtiliCorp's headquarters and made available to the Staff as the Staff deems necessary.
- 6) That UtiliCorp be prepared to provide documentation of proper cost allocations to nonregulated entities.
- 7) That UtiliCorp include the cost of any assistance provided to TransAlta from its other operations in its monthly surveillance reports it makes to the Staff.

**Service List for**  
**Case No. EM-2000-506**  
**May 18, 2000**

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