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

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May 1, 1998

Mr. Frank DeBacker
VP - Fuel & Purchased Power
UtiliCorp United, Inc.
10750 East 350 Highway
P.O. Box 11739
Kansas City, MO 64138

Dear Mr. DeBacker:

In your letter of April 7, you asked that we call you with any comments, suggestions or questions regarding the Request for Proposal (RFP) which Missouri Public Service (MPS) / UtiliCorp United, Inc. (UtiliCorp) intends to issue on May 29, 1998. The staff of the Missouri Public Service Commission (Staff) appreciates the opportunity to review and comment on the procedures MPS is considering following to obtain additional power supply resources, and we will take this opportunity to comment. Nonetheless, we want to be very clear that this letter should not be viewed as conferring any type of pre-approval to the procedures that MPS/UtiliCorp ultimately follows and the decisions it makes.

The Staff has major concerns regarding Section I of the proposed RFP. First, if UtiliCorp is seriously considering bidding on MPS's power needs as an EWG, then UtiliCorp and MPS will not necessarily have the same interests respecting the pursuit of additional power supply resources. At the outset of going down this path, there is a need to identify: (1) the division (personnel) that will be working on the RFP as an EWG bidder as distinct from representing MPS in the issuance and evaluation of the RFP; and (2) the details of how the proposals will be evaluated and the contracts awarded.

Second, if the division (personnel) of UtiliCorp that sends out the RFP is the same division (personnel) that intends to submit a proposal in response to the RFP, at a minimum this would give the appearance of providing a bidding advantage to that division (personnel). The RFP needs to be clear about who has written the RFP, on behalf of who it is written, and that this UtiliCorp/MPS division (personnel) is not also submitting a bid. If there is an appearance of UtiliCorp providing an advantage to its own bid, UtiliCorp may find that some entities will not be willing to submit bids that otherwise would have done so.

Third, it is not clear in the RFP what "independent" means in the term "independent third party evaluator". The Staff suspects that when that phrase is followed by "approved by the Missouri Public Service Commission," you are intending to convey that independent means

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Mr. Frank DeBacker

May 1, 1998

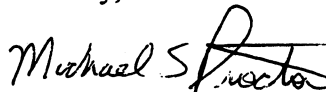
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chosen by someone other than UtiliCorp. In this regard, the Staff declines to serve as an independent third party evaluator, select the independent third party evaluator or recommend to the Commission that it approve the selection of an independent third party evaluator. The Staff is willing to discuss with UtiliCorp the criteria critical to having an "independent" evaluator. In this regard, it is not clear what "independent" means when the proposed RFP states that "UtiliCorp reserves the right to reject any or all proposals at its sole discretion." Such phrases that undermine the selection of the winning bid by the third party evaluator need to be removed from the RFP and replaced with the criteria used to determine independence.

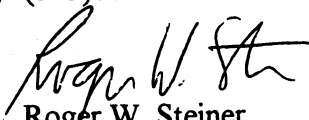
Another area of concern is that the RFP does not include a section describing how the proposals will be evaluated and how the contract(s) will be awarded. If only UtiliCorp knows how the proposals will be evaluated, this would appear to provide an advantage to any bid submitted by UtiliCorp. The Staff believes that it would make sense to wait to send out the RFP until after the third party evaluator is hired. Then the independent third party evaluator could write the description of the evaluation method/criteria and could also critique the RFP drafted by UtiliCorp before it is sent out.

A final area that the Staff believes it should comment on is the lack of innovative approaches (e.g. demand-side) reflected in the proposed RFP. If UtiliCorp is interested in allowing some of its retail customers to seek alternative providers of generation, this could also be included in the RFP. (Such an approach would require Commission approval.) If the RFP is to be expanded to solicit innovative approaches, the Staff is more than willing to discuss those approaches with UtiliCorp.

Sincerely,



Michael S. Proctor
Chief Energy Economist
Electric Department
(573)751-7518



Roger W. Steiner
Assistant General Counsel
(573)751-7434

cc: Ryan Kind, Office of the Public Counsel
John McKinney, UtiliCorp United, Inc.
David Elliott, Staff of the Missouri Public Service Commission
Steven Dottheim, Staff of the Missouri Public Service Commission