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these businesses, UCU may also bid to acquire up to 50% of certain natural gas pipeline and storage businesses. Because the sale of all of these businesses is through competitive bidding, UCU is not able at this point to determine precisely in which of the businesses, if any, it will ultimately invest. UCU asks the Commission to generally approve its investment in these businesses without requiring it to file for and receive specific regulatory approval to bid on each business. UCU asserts that, because of the timing of the bidding process, requiring it to receive specific regulatory approval to bid on each business would effectively preclude it from bidding at all.

UCU, in its amended application, states that it is presently engaged in a process designed to lead to the indirect acquisition of up to an 80% ownership interest in Power New Zealand Limited (PNZ). UCU states that a New Zealand corporation that owns a substantial block of the shares of PNZ wants to sell them. UCU, through current or new subsidiaries, proposes to acquire that block as well as other shares on the open market so that it will hold up to an 80% share of PNZ. UCU asserts that this increased share will allow it to gain operating control of PNZ and increase business efficiency.

UCU contemplates that its direct financial obligations in the Australian gas business(es) and PNZ will not exceed \$500 million, and that it will likely be required to directly or indirectly guarantee some portion of the financing of its subsidiaries' purchases. UCU contends that the investments will have no adverse effect on its Missouri customers, and consequently are not detrimental to the public interest.

UCU intends to petition the Securities and Exchange Commission for an order exempting it from the requirement to register as a holding

company because of the acquisitions. For such a petition, UCU requests that the Commission certify to the SEC that it has the authority and resources to protect ratepayers subject to its jurisdiction and that it intends to exercise that authority.

UCU also affirmatively states that there are no stock purchase agreements relating to either the Australian or the New Zealand acquisitions, and requests the Commission waive the requirement in 4 CSR 240-2.060(9)(A) that such an agreement be included with the application. UCU's affirmative statement that there are no such agreements meets the requirements of that rule.

On July 7, the Staff filed its memorandum in which it recommends approval of the application. Staff states that UCU is currently rated BBB by Standard and Poor's (S & P), and notes that this is the lowest rating considered to be "investment grade." Staff calculates that if UCU were to commit the \$500 million contemplated in the application, its capital structure would be at the limit of the range for a BBB rating. Staff believes that, based on its review of pro forma financial data, UCU's interest coverage ratio would remain reasonable for attracting capital.

Nonetheless, Staff does express concerns about UCU's future credit rating and its ability to attract capital. Staff notes that S & P's credit report for UCU in August 1997 considered UCU's credit rating outlook to be "Stable." That report cautioned, however, that UCU must take steps necessary to strengthen financial performance and reduce leverage. Staff spoke with the author of S & P's credit report, and he indicated that UCU has taken steps to reduce its debt level since the report was published. In an initial public offering in May 1998, UCU

netted \$390 million, part of which was used to pay down some subordinated debt. UCU also plans to sell its majority interest in Aquila Gas Pipeline Corporation and is expected to use proceeds from the sale to reduce debt.

Staff states that these facts and expectations for the future, taken together, buffer its concerns regarding the highly leveraged capital structure that may result if UCU succeeds in investing an additional \$500 million in Australia and New Zealand. Staff concludes that the transactions proposed in the amended application will not be detrimental to the ratepayers of UCU's Missouri Public Service division. Staff recommends approval with the following conditions:

(A) That nothing in the Commission's order shall be considered a finding by the Commission of the value of this transaction for ratemaking purposes, and that the Commission reserves the right to consider the ratemaking treatment to be afforded these financing transactions in any later proceeding.

(B) That the Commission's order shall not be deemed to be precedent for any future financing even if the facts may be similar.

(C) That any adverse financial effects of these acquisitions shall be borne by UCU's stockholders and not by Missouri ratepayers.

(D) That all records pertaining to these transactions shall be maintained at UCU's headquarters and made available to the Staff as the Staff deems necessary.

(E) That UCU shall be prepared to provide documentation of proper cost allocations to non-regulated entities.

(F) That UCU shall include any costs borne by Missouri Public Service related to these non-regulated subsidiaries in the monthly

surveillance reports sent to the Staff. This detail should also include the "reasonable remuneration" (Deed, Article 6.7 and 6.8) which the receiving party is required to pay to the entity providing the service as well as the account where such remuneration is booked.

No party other than Staff filed a response to the application, and no party filed a response to the Staff memorandum.

The Commission finds that, with the conditions recommended by Staff, allowing the transactions proposed in the application will not be detrimental to Missouri ratepayers. Reserving ratemaking treatment will ensure that the transactions are examined in an appropriate case along with all other relevant factors. Limiting any adverse effects to UCU shareholders rather than MPS ratepayers will align the risk of the transactions with the possible benefits, and is consistent with the treatment afforded other UCU foreign investments. Maintaining records and documents and preparing reports in accordance with the conditions proposed by Staff will allow the Staff to confirm that no adverse effects of the transactions are borne by Missouri ratepayers. The Commission will accordingly grant the application subject to those conditions.

IT IS THEREFORE ORDERED:

1. That UtiliCorp United Inc., d/b/a/ Missouri Public Service is hereby authorized to acquire, through a subsidiary, up to and including 50% of the capital stock of one of three Australian gas businesses, up to and including 50% of the capital stock of the Australian pipeline and storage business, as described in the amended application filed June 29, 1998, and to do such other acts as are necessary to consummate the transaction contemplated in the application.

2. That UtiliCorp United Inc., d/b/a/ Missouri Public Service, or its controlled subsidiary, is hereby authorized to acquire up to and including 80% of the capital stock of Power New Zealand Limited, as described in the amended application filed June 29, 1998, and to do such other acts as are necessary to consummate the transaction contemplated in the application.

3. That the authority granted in paragraphs 1 and 2 above is subject to the following conditions:

(A) That nothing in this order shall be considered a finding by the Commission of the value of this transaction for ratemaking purposes, and that the Commission reserves the right to consider the ratemaking treatment to be afforded these financing transactions in any later proceeding.

(B) That this order shall not be deemed to be precedent for any future financing even if the facts may be similar.

(C) That any adverse financial effects of these acquisitions be borne by UCU's stockholders and not by Missouri ratepayers.

(D) That all records pertaining to these transactions shall be maintained at UCU's headquarters and made available to the Staff as the Staff deems necessary.

(E) That UCU shall be prepared to provide documentation of proper cost allocations to non-regulated entities.

(F) That UCU shall include any costs borne by Missouri Public Service related to these non-regulated subsidiaries in the monthly surveillance reports sent to the Staff.

4. That the Secretary of the Commission shall certify to the Securities and Exchange Commission, by a letter substantially similar to

that attached to the application, that the Commission has the authority, resources, and intent to protect Missouri ratepayers.

5. That this order shall become effective on July 31, 1998.

BY THE COMMISSION

A handwritten signature in black ink, reading "Dale Hardy Roberts". The signature is written in a cursive, slightly slanted style.

Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

(S E A L)

Lumpe, Ch., Murray, and Drainer, CC., concur.
Crumpton and Schemenauer, CC., dissent.

Mills, Deputy Chief Regulatory Law Judge