

STATE OF IOWA  
DEPARTMENT OF COMMERCE  
UTILITIES BOARD

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IN RE:  UTILICORP UNITED INC.	DOCKET NO. WRU-00-11-225
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**ORDER GRANTING WAIVER**

(Issued March 22, 2000)

On February 22, 2000, UtiliCorp United Inc. (UtiliCorp) filed with the Utilities Board (Board) an application for partial waiver of 199 IAC 32.2(4). In particular, UtiliCorp seeks a waiver for calendar year 2000 of the \$500 million annual limit on foreign acquisitions. For 2000 UtiliCorp requests permission to expend up to \$1.25 billion on foreign acquisitions without filing a request for reorganization or request for waiver with respect to each transaction. The \$1.25 billion figure includes one foreign acquisition completed this year of electric distribution assets in Canada with a value of approximately \$450 million. The Consumer Advocate Division of the Department of Justice filed a response on March 6, 2000, stating that it did not object to granting the partial waiver.

In support of its request, UtiliCorp states there are unique buying opportunities in Australia, Canada, and New Zealand because of electric and gas reform. Due to time constraints, UtiliCorp states bids on properties cannot be made contingent on regulatory approval.

The Board has statutory authority to waive the requirements of the reorganization statutes if Board review is not necessary in the public interest. Iowa Code § 476.77(4) (1999). The Board by rule has exempted certain classes of transactions, such as fuel purchases and other transactions in the ordinary course of business. 199 IAC 32.2(3). The rule was adopted to avoid the time and expense, both for utilities and the Board, involved with processing waiver requests for routine transactions.

Rule 32.2(4) is an extension of this policy because it exempts certain transactions by utilities that do not have a significant amount of their total business in Iowa. Transactions by such utilities, at least until certain thresholds are met, are likely to have little impact on Iowa ratepayers. UtiliCorp does business in Iowa through one of its operating divisions, Peoples Natural Gas Company (Peoples).

There are several thresholds before the rule 32.2(4) exemption applies. First, the utility cannot receive more than 10 percent of its gross revenues from Iowa operations. Second, the exemption does not apply if the utility expends more than \$500 million per year on foreign acquisitions. Third, the value of the utility's foreign acquisitions after January 1, 1996, cannot exceed 30 percent of the net book value of the utility's assets.

UtiliCorp seeks waiver of only the \$500 million limit for year 2000. The other thresholds of the rule are satisfied. UtiliCorp's gross revenues from Iowa operations are \$96 million, or 0.51 percent of total revenues of \$18.6 billion. In the event UtiliCorp expends \$1.25 billion on foreign acquisitions in 2000, foreign acquisitions will represent a little more than 28 percent of UtiliCorp's net book value of \$7.6 billion.

Since the rules were adopted, UtiliCorp's average annual foreign acquisition expenditures have been below \$500 million. In fact, if UtiliCorp spends \$1.25 billion in 2000, its average per year since January 1, 1996, will be approximately \$407 million, below the \$500 million annual limit on an average basis. The Board notes that in 1999 the Board issued a waiver authorizing UtiliCorp to expend up to \$1 billion on foreign acquisitions without filing a request for waiver or reorganization with respect to each transaction. UtiliCorp United Inc., "Order Granting Waiver," Docket No. WRU-99-9 (March 19, 1999). UtiliCorp in fact expended \$407 million on foreign acquisitions in 1999, under the \$500 million limit.

The Board will grant the current waiver request. UtiliCorp has extensive experience in New Zealand and Australia and the opportunities presented in 2000 appear to be unique. The Board notes, however, that if \$1.25 billion is expended, UtiliCorp will be approaching the 30 percent threshold. In the event UtiliCorp subsequently asks to exceed the 30 percent threshold, the Board at that time will need to determine what impact, if any, this will have on Peoples and Iowa ratepayers.

**IT IS THEREFORE ORDERED:**

The "Application for Partial Waiver" filed by UtiliCorp United Inc. on February 22, 2000, is granted.

**UTILITIES BOARD**

/s/ Allan T. Thoms

/s/ Susan J. Frye

ATTEST:

/s/ Raymond K. Vawter, Jr.  
Executive Secretary

Dated at Des Moines, Iowa, this 22<sup>nd</sup> day of March, 2000.