

1 Q: Please state your name and positions previously held with Utah Power & Light
2 Company?

3 A: My name is Frank Davis. I was previously President and Chief Executive Officer of Utah
4 Power and Light Company. My general background is attached to this testimony as
5 Attachment 1.

6 Q: Were you President and Chief Executive Officer of Utah Power & Light Company at the
7 time the Company was merged into PacifiCorp?

8 A: Yes.

9 Q: What capacity are you appearing and testifying in this case?

10 A: I am appearing as a witness for the State of Utah through its Department of Community
11 and Economic Development.

12 Q: What is your interest in the present merger proposal of Scottish Power with PacifiCorp?

13 A: First of all, it is not my intent to oppose the merger of PacifiCorp and Scottish Power.
14 My intent is to be constructive in support of the interests of PacifiCorp, its shareholders,
15 employees and customers. Also, I support a strong presence of Utah Power and increased
16 support of business and economic development activities in Utah.

17 Q: Do you feel there is a potential for the economic well being of the State to be adversely
18 effected?

19 A: Probably not if substantial cost reductions are achieved and more can be done to enhance

1 the economic well being by a strong Utah Power presence.

2 Q: Was your goal achieved in the PacifiCorp-Utah Power merger in regard to ratepayer's
3 benefits?

4 A: Yes, the merger was a resounding success in regard to the benefits for ratepayers.

5 Q: Was the economy of the State of Utah enhanced by the PacifiCorp-Utah Power merger?

6 A: The large rate reductions, of course, had significant benefits for the overall economy of
7 the State of Utah. However, I believe we could have done more to enhance Utah Power's
8 presence in Utah and support Utah economic development and local businesses.
9 Historically Utah Power had a strong presence in Utah and throughout its service area
10 with a tradition of employees contributing in public service activities. In the merger
11 negotiations an organization was mutually agreed upon which I believed would assist in
12 maintaining this strong presence. For example, this organization provided that the
13 Presidents of Pacific Power and Utah Power would report to PacifiCorp together with the
14 Presidents of the non-electric PacifiCorp subsidiaries. Organization charts were given to
15 the Utah Public Service Commission and company employees. Over the years this
16 organization has been modified as a part of the efforts to reduce costs. I'm sure Utah
17 Power employees have continued the tradition in public service. I am personally aware of
18 the efforts of Verl Topham, Fritz Reed and Tom Forsgren. However, from what I am
19 hearing, the public perceives there is a undesirable reduction of Utah Power presence in

1 Utah.

2 In my opinion, it would be in the best interest of PacifiCorp and the proposed merger to
3 have an increased presence of Utah Power in its service area. The strong desire of Utah
4 citizens to have a strong Utah Power presence may not be fully understood. I am
5 convinced of this in trying to persuade business and government people that the
6 PacifiCorp-Utah Power merger should be supported. I think this strong desire might be
7 best illustrated by reviewing some opinions and actions of the Utah Public Service
8 Commission at the PacifiCorp-Utah Power merger hearings.

9 At this time they formed conditions to the merger considered in the public interest. Those
10 conditions are contained in a copy of the order of this Commission dated September 28,
11 1988. On page 123 of the Public Utility Reports, which sets out the Commission
12 decision, the Commission conditioned its decision on certain conditions regarding fair
13 treatment of employees (including a condition that promotions occur with reasonable
14 proportionality between the Utah and Pacific Divisions). The Commission further stated
15 “15) The Commission further expects the merged company to operate in such a way as to
16 benefit the State of Utah, its citizens and its general economy, specifically: . . . d).
17 Further, the Commission expects proportionate use of local businesses where appropriate
18 and finds that applicant’s commitment to promote economic development in Utah
19 includes the assumption that a company will support the industries and businesses in this

1 State.”

2 Q: Did you testify concerning certain of these conditions?

3 A: Yes.

4 Q: Do you recall the nature of your testimony?

5 A: Yes, Attachment 2 contains my testimony and that of Mr. Bolender who was President of
6 Pacific Power at the time, concerning the employment situation.

7 Q: Have the conditions imposed by the Commission in regard to the areas you mentioned
8 been satisfied?

9 A: In my opinion, no.

10 In regard to employment provisions, I believe it is accurate to say that some employees
11 were terminated in a manner contrary to the promises made by Dave Bolender and me.

12 For this, I am deeply sorry and concerned. I expect the managers who made those
13 personnel decisions would probably maintain that their actions were not merger related.

14 However, this is not the Utah Power employee’s perception.

15 In regard to the support for Utah businesses, from the unsolicited feedback I have
16 received from Utah business people, it appears we could have better addressed their

17 concerns. I have reviewed my perception of all these concerns in the hope that my

18 observations will be received in the spirit which they are given, that is, that an objective

19 look at the past will provide lessons to guide us in the future.

1 Q: Do you have any detail on the transfers and displacements and their effect on the
2 economy of the State?

3 A: No. I do not have details. The direct effect on the economy of the State with job loss can
4 be readily determined by the economists on the PSC staff. Intangible costs, such as the
5 effects on employee morale could not be quantified.

6 Q: Do you believe the conditions in the Utah Order to which you have testified should be
7 imposed in this merger?

8 A: I would prefer Scottish Power, PacifiCorp and appropriate representatives of the State of
9 Utah discuss and arrive at mutually agreeable solutions to the following concerns:

- 10 1. A strong local presence of Utah Power
- 11 2. Proportionate representation from the Utah Power service area on the
12 Scottish Power Board of Directors.
- 13 3. Increased support of business interests in the Utah Power service area.
- 14 4. Increased support of economic development in the Utah Power service
15 area.

16 I believe it is important to fully recognize, and have solutions reflect, the change in the
17 structure of PacifiCorp as non-electric subsidiaries are eliminated. Certainly the Utah
18 Power service area is much more important in terms of revenue and the success of
19 PacifiCorp than previously was the case.

1 I also believe the Commission should consider adopting procedures to assure that the
2 agreements reached will be carried out for the economic well-being of the Utah Power
3 service area.

4 Q: Does this conclude your testimony?

5 A: It does.

ATTACHMENT 1

BACKGROUND OF FRANK DAVIS

(To be submitted when Mr. Davis returns from California)

ATTACHMENT 2