

-BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH-

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In the Matter of the Application of	)	Docket 98-2035-04
PACIFICORP and SCOTTISH POWER	)	Division of Public Utilities
PLC for an Order Approving the Issuance	)	Rebuttal Testimony of Ronald L. Burrup
of PACIFICORP common stock	)	Exhibit No. DPU 3.0R (RLB)

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July 16, 1999

1 Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 A My name is Ronald L Burrup, I am employed by the Utah Division of Public  
3 Utilities (Division) as a Technical Consultant.

4 Q HAVE YOU PREVIOUSLY TESTIFIED IN THIS CASE?

5 A Yes.

6 Q WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

7 A There are three purposes, first I explain why the proposed merger condition of Mr.  
8 Carl N. Stover regarding establishing a fixed A&G allocation factor of 34.24% for the  
9 Hunter II ownership and management agreement is not in the public interest. Second, in  
10 response to the testimony of Mr. David B. Winder, regarding corporate citizenship, I  
11 propose a condition regarding procurement policy and competitive bidding. Finally, I  
12 concur with some merger conditions proposed by Mr. Maruice Brubaker regarding  
13 dividend payment policy and assumption of obligations. These new conditions are shown  
14 separately on Exhibit No. DPU RLB 3.1R.

15 Q WHAT ARE YOUR COMMENTS REGARDING MR. STOVER'S TESTIMONY?

16 A Mr. Stover's statement that the merger should not be approved because there is no  
17 net benefit is not correct. There is a benefit to PacifiCorp customers because the A&G  
18 expenses paid by Deseret reduce coal costs for PacifiCorp customers. If the formula is  
19 frozen then Utah Power customers will be harmed if A&G expenses increase. Likewise if  
20 A&G expenses fall, Deseret will be harmed because they will not share in the benefit of

1 any reduction. The formula was set by contract between the two parties, it should be  
2 allowed to change as the contract terms dictate. Freezing the A&G expense formula is  
3 not in the public interest.

4 Q PLEASE COMMENT ON THE TESTIMONY OF MR. DAVID B. WINDER.

5 A Mr. Winder's testimony discusses economic development, support of Utah  
6 industries and businesses, and local control issues. In this regard the Division again  
7 reviewed the prior merger order referred to by Mr. Winder, and found that a merger  
8 condition relating to procurement policy and competitive bidding had not been included.  
9 The Division recommends that the Commission include the following as a merge  
10 condition.

11 **PacifiCorp shall continue to comply with the procurement policy and**  
12 **competitive bidding requirements approved by the Commission on January**  
13 **16, 1991 in Docket 90-2035-05.**  
14

15 Q PLEASE COMMENT ON THE TESTIMONY OF MR. MAURICE BRUBAKER

16 A My original testimony expressed a concern of the Division that dividend payments  
17 not interfere with the capital requirements of the utility. I recommended a condition that  
18 required a cash flow statement with each dividend report. Mr. Brubaker's testimony  
19 recommends similar conditions. In addition, Mr. Brubaker recommends a condition  
20 regarding PacifiCorp's assumption of other's obligations which I also believe is  
21 appropriate. The Division adopts some of Mr. Brubaker's concepts in the following two  
22 proposed conditions.

1           **For two years following the merger, PacifiCorp shall file a cash flow**  
2           **summary (or other evidence) with its dividend reports, showing that service**  
3           **will not be impaired by payment of the dividend, and shall comply with the**  
4           **provisions of Utah Code Ann. 54-4-27. In addition, an officer of PacifiCorp**  
5           **shall be satisfied and shall formally certify to the Commission that**  
6           **PacifiCorp has adequate capital to meet all of its outstanding commitments**  
7           **and carry out its public service obligations in the State of Utah.**  
8

9           **PacifiCorp shall not, without the approval of the Commission, assume any**  
10          **obligation or liability as guarantor, endorser, surety or otherwise for**  
11          **ScottishPower or its affiliates provided that this condition shall not prevent**  
12          **PacifiCorp from assuming any obligation or liability on behalf of a**  
13          **subsidiary of PacifiCorp. ScottishPower shall not pledge any of the assets of**  
14          **the regulated business of PacifiCorp as backing for any securities which**  
15          **ScottishPower or its affiliates (but excluding PacifiCorp and its subsidiaries)**  
16          **may issue.**  
17

18          Q       DOES THAT CONCLUDE YOUR REBUTTAL TESTIMONY?

19          A.     Yes.