



Public Service Commission of Utah

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JAMES M. BYRNE
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DOUGLAS C. W. KIRK
COMMISSION SECRETARY
STEPHEN C. HEWLETT

August 6, 1987

Mr. Frank Davis, President
Utah Power and Light Company
P.O. Box 899
Salt Lake City, Utah 84110

HAND DELIVERED

Dear Mr. Davis: *Frank*

As you well know, we are very interested in the organization and structure of any electric utility certificated to provide service in Utah. Potential impact on future rates and conditions of service must be analyzed by the Commission before approval of any organizational change. The Commission's August 3, 1987 letter to you indicated we will request the information necessary to analyze the public policy and public interest implications of structural change. In addition, we requested and now reiterate that it would be helpful to receive the studies you have performed and the criteria that will guide your decisions. We recognize management prerogatives, as well as the potential proprietary nature of specific studies for individual companies or proposals, but the general criteria for analysis can and should be provided as soon as it is available.

If an organizational change is brought to the Commission, we will request answers to the following general questions:

- Why?
- What are the options? Are there competing options? Which one is best and why?
- What are the costs and benefits? To the Company? To ratepayers? To shareholders? To the state, i.e. jobs, etc.?

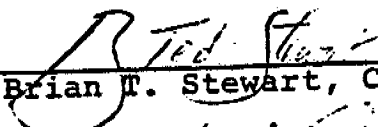
We have asked our staff to do a preliminary list (attached for your information) of issues which, although it must be refined and clarified, will give you a preliminary idea of the

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breadth of information the Commission will need. Our staff will be refining this list and would be happy to meet with your staff at the appropriate time.

Thanking you in advance for your cooperation in this matter.

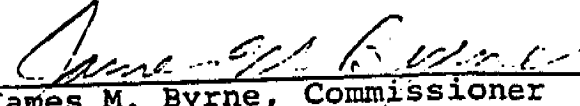
Sincerely,



Brian T. Stewart, Chairman



Brent H. Cameron, Commissioner



James M. Byrne, Commissioner



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DRAFT

TO: Commission
FROM: Staff
DATE: August 6, 1987

The Commission should give very serious consideration to the impact on UP&L's current ratepayers of any proposed merger. In order to approve or disapprove a merger proposal, we suggest requiring the information set out below, to be provided in detail at the earliest possible date. (The list was prepared without full analysis and may not be complete or may include issues which should be deleted entirely or are duplicative. We plan to refine it.)

A large number of informational categories are set out below. Response to each should, as much as possible, take the form of comparisons of four cases:

- a. Sketch of UP&L's history and current condition.
- b. Sketch of other corporate entity's history and current conditions.
- c. Projection of UP&L's future condition without the merger.
- d. Projection of the merged entity's future with explicit identification of the impacts on current UP&L ratepayers.

Also in responding, highlight the specific issues and problems which motivate the merger.

Information requested is as follows:

1. LOADS
 - a. Jurisdictional loads and forecasts
 - b. Customer class mix

- c. Diversity of load shapes and opportunities arising therefrom
- d. How UP&L and the other corporate entity complement each other
- e. Other

2. RESOURCES

- a. Each company's resource mix (current and projected)
- b. Type i.e.: base, intermediate, peak
- c. Energy source (coal, gas, hydro, nuclear)
- d. Technical operating characteristics
- e. Reserve capacity (required, current, projected)
- f. Industrial/commercial self-generation
- g. Cogeneration and small power production under PURPA
- h. Other

3. TRANSMISSION

- a. Intrasystem utilization
- b. Opportunities and limitations for surplus sales
- c. Opportunities and limitations for power purchases
- d. Transmission access for other entities
- e. Other

4. MARKET ISSUES

- a. Impact of industrial bypass
- b. Impact of industrial/commercial self-generation
- c. Impact of cogeneration and small power production under PURPA

- d. Impact of changing energy prices (electricity, nat gas, coal, oil)
 - in end-use markets
 - in the cost of generation
- e. Public vs private power
- f. Competition vs regulation
- g. Effects of excess capacity
- h. Other

5. FINANCIAL

- a. Components of capital structure
- b. Rates of return to components of capital
- c. Financial ratios
- d. Stock price histories
- e. Dividend policies and payout ratios
- f. Bond rating impacts
- g. Cost of capital implications due to changes in risk resulting from merger/diversification
- h. Tax considerations
- i. Other

6. ORGANIZATIONAL STRUCTURE OF THE FIRM

- a. Describe the relative merits (including risk considerations) of alternative organizational structures that have been considered.
- b. Describe the proposed structure in complete detail and explain why it was selected.
- c. Other

7. LEGAL

- a. Describe the regulatory and statutory framework with respect to regulation with respect to merger
- b. What state commission approval is necessary. Can this be accomplished in concurrent time frame or should the state proceed first.
- c. What does Federal law or FERC rules and approvals require? Timing?
 - 1) Public Utility Company Holding Act implications
- d. Other

8. JURISDICTION

- a. Which agency regulates what?
Utah PSC, other states' PSC, FERC
- b. How is the determination of jurisdictional revenue responsibility to be determined?
- c. Other

9. COSTS AND BENEFITS

- a. What are the current and future costs and benefits to:
 - 1) ratepayers of UP&L
 - 2) shareholders of UP&L
 - 3) employees of UP&L
 - 4) state of Utah in general, i.e., jobs
 - 5) other

10. PROBLEMS

Are there specific or potential legal, regulatory or other issues involving either entity which must be analyzed? (i.e., law suits, etc.)