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Association, Inc.

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THE APPLICATION)
OF UTAH POWER & LIGHT COMPANY,)
PACIFICORP DBA PACIFIC POWER &) CREDAs STATEMENT OF
LIGHT COMPANY, AND PC/UP&L MERGING) POSITION AND ISSUES,
CORP. (TO BE RENAMED PACIFICORP)) AND DISCUSSION OF
FOR AN ORDER AUTHORIZING THE) GROUPINGS AND
MERGER OF UTAH POWER & LIGHT) INTERVENTION
COMPANY AND PACIFICORP INTO PC/)
UP&L MERGING CORP. AND AUTHORIZING)
THE ISSUANCE OF SECURITIES,)
ADOPTION OF TARIFFS AND TRANSFER) Case No. 87-035-27
OF CERTIFICATES OF PUBLIC CONVEN-)
IENCE AND NECESSITY AND AUTHOR-)
ITIES IN CONNECTION THEREWITH.)

Pursuant to the October 6, 1987, Prehearing Conference Order entered by the Commission in this matter, the Colorado River Energy Distributors Association, Inc. ("CREDA") submits this statement to identify: (1) its general position in the

case, (2) the major issues as perceived by CREDA, (3) the position of CREDA with respect to said issues, (4) CREDA's proposal for grouping of parties and intervenors, and (5) CREDA's basis for status as an intervenor.

I. GENERAL STATEMENT OF POSITION

CREDA's general position in this matter is that the proposed merger of Utah Power & Light Co. ("UP&L") and PacifiCorp is contrary to the public interest, is anticompetitive, and will result in discriminatory rates, loss of effective regulation, and undue concentration of economic power and influence, contrary to state and federal policies which discourage monopolistic power and public utility holding company structures.

II. MAJOR ISSUES PERCEIVED BY CREDA

CREDA intends in this proceeding to raise issues in two primary areas of direct concern to CREDA's members and their associated systems, which include customers of UP&L for wholesale power and transmission service as well as competitors of UP&L in the wholesale and bulk power sales markets. These issues are as follows:

A. Ratemaking Issues

1. How will the proposed merger affect UP&L's revenues and cost of capital; and how will that in turn affect the retail, wholesale and wheeling rates of the merged utility in the short term and the long term?

2. Will the new company establish separate rates for the UP&L and PacifiCorp divisions for wholesale power and wheeling transactions as well as retail service? How will costs and revenues be allocated between the divisions? How will this affect the ability of the Commission to assure the reasonableness of the new company's retail rates?

B. Competition Issues

1. Will the concentration of control over the transmission systems of UP&L and Pacific Power & Light ("PP&L") be used by PacifiCorp to deny other entities wheeling or access to such transmission systems?
2. Will the concentration of control over the transmission systems of UP&L and PP&L give PacifiCorp undue influence over:
 - (a) the development of alternative transmission paths in Utah by its competitors?
 - (b) the development of future electric generating resources in the Intermountain Region?

CREDA recognizes that there are many other interests and issues implicated by the proposed merger. CREDA expects those issues and interests to be raised by other parties in this proceeding.

III. CREDA'S POSITION ON THE MAJOR ISSUES

A. General

The issues that CREDA intends to raise in this proceeding relate to those aspects of the merger which directly concern CREDA and which CREDA believes raise important regulatory questions for this Commission. Such issues are related, but not identical, to other issues outside the scope of this proceeding that CREDA intends to pursue in proceedings before the Federal Energy Regulatory Commission ("FERC") on the proposed merger.

B. Ratemaking

CREDA believes that the Utah retail rate reduction proposed by PacifiCorp cannot be supported by any certain immediate savings resulting from the merger and therefore will lead to a decrease in revenues with no sure commensurate decrease in costs. There is no reason to believe that other state commissions or the FERC will allow PacifiCorp to recover the lost revenues in other rates; consequently PacifiCorp's earnings can be expected to drop as a result of such retail rate decrease. In the short term, this will adversely affect the price of the new company's common stock, and perhaps the price of its bonds as well. This coupled with the fact that UP&L is merging with a company which has a weaker credit rating implies that UP&L's financial condition could deteriorate to some extent as a result of the merger.

If the cost savings and increased surplus sale revenues projected to occur after the merger do not materialize, PacifiCorp may have to seek rate relief within the next five years. CREDA is not in a position to predict what magnitude or time frame would be involved, but some of the burden of correcting any weakened financial position in which PacifiCorp could find itself might fall on CREDA members in the form of rate increases which the company would try to impose, directly or indirectly, on those members who are parties to, or beneficiaries of, wholesale power supply or wheeling contracts with UP&L.

CREDA will respectfully argue that the Commission should not authorize the proposed merger on the basis of an artificial rate decrease to retail customers which cannot be justified by actual, as opposed to hoped for, revenue increases or cost savings.

Furthermore, CREDA will respectfully argue that it will not be feasible to allocate all costs and revenues between the UP&L and PP&L divisions in a way that will enable this Commission to assure the reasonableness of the new company's Utah retail rates and in a way that will enable the FERC to assure the reasonableness of the new company's wholesale and wheeling rates.

C. Competition

In analyzing the "public interest," it is both appropriate and necessary for the Commission to consider the

anticompetitive effects of a proposed utility merger. As previously acknowledged by this Commission in a similar context:

To the extent that the purchase agreement involved here has an anticompetitive or monopolistic effect, we must weigh the general policies of the antitrust laws against the purposes sought to be achieved by the regulated monopoly concept. The role of the commission is to appraise the effects of any curtailment of competition which may result in this case and weigh those effects against advantages accruing from the expansion of the UP&L monopoly position.

In re CP National Corp., 43 PUR 4th 315, 322 (Utah PSC 1981) (emphasis added). The Commission further noted that it should consider "any long-range effects produced by the expansion of UP&L's regulated monopoly position in this state." Id. at 324. Because the proposed merger in this case proposes to extend the monopoly of UP&L/PP&L both inside and outside the State of Utah, the Commission should consider all potential anticompetitive effects of the merger.

Although CREDA has not yet had time to fully identify and analyze all of the anticompetitive effects of the merger, it is CREDA's general position that the merger will have anticompetitive effects both inside and outside the State of Utah. The merger will result in the creation of a much larger utility, with more concentration of economic power and more ability to control major transmission pathways into the critical bulk power markets in the southwest.

After the merger, the new company would control a strategic transmission network linking the coal-fired generating stations of the Intermountain Region with the demand market for bulk power supply in southern Nevada, Arizona and southern California, through PacifiCorp's existing interconnections in northern California and UP&L's existing interconnections at Glen Canyon and Four Corners.

By controlling the major inland transmission paths from the Pacific Northwest and the Intermountain West, the merged entity would have the power to freeze out other utilities inside and outside the State of Utah from access to supply and demand markets for bulk power supply. UP&L has historically resisted attempts of other utilities to gain access to alternative sources of power supply and to bulk power sale markets, by aggressively asserting monopoly power over high voltage electric transmission in Utah. CREDA believes that the merged utilities would make access to transmission across Utah even more difficult, by increasing the loading of the UP&L transmission system with new energy destined for resale in the Southwest, ostensibly for legitimate profit-making purposes, but also for the anticompetitive purpose of keeping electric energy sold by or to CREDA's members and associated systems off of the UP&L transmission system.

CREDA is also concerned that the new company would have little incentive to cooperate with other electric utilities in

the region to develop jointly additional transfer capability between the thermal generating stations of the Intermountain Region and the demand markets in the western United States. CREDA believes that there is a significant danger that the new company could use its monopoly power over a transmission system which is of critical strategic importance in the region to block its competitors from access to transmission corridors and to exert an inappropriate amount of control over the siting and development of future power plants in the Intermountain Region.

IV. PROPOSED GROUPING OF PARTIES

The Commission's Prehearing Conference Order proposes a grouping of those with similar interests. Although CREDA is concerned that any such grouping may have the effect of diminishing the legitimate input of entities with substantial and varied interests in the merger, if the Commission intends to pursue such groupings to ease administrative burdens, CREDA suggests that the following general groupings be considered:

1. Applicants. This category should include UP&L, PacifiCorp and the Utility Shareholders Association, all of whom have similar, if not identical, interests.

2. Retail Consumers. This category could include industrial, commercial and residential customers, as well as cities and public or private organizations representing the interests of ratepayers.

3. Governmental. This category would encompass the Division of Public Utilities and any other state agency representing the public interest generally.

4. Competitors and Wholesale Customers. This category would include competitors of UP&L and PP&L in the bulk sales market and in the distribution markets, as well as customers of UP&L for wholesale power and wheeling.

CREDA submits that the groups should not be forced to select lead counsel at this time, and that all parties should be included on service lists. Within a specified time, the groups could be required to designate lead counsel for purposes of conducting direct and cross-examination at depositions and hearings. All parties should be allowed to participate in oral arguments (with appropriate time limitations) following the hearing, and all parties should be permitted to submit written memoranda and testimony indicating their positions and testimony. CREDA submits that the only legitimate purpose for grouping interests is to avoid unnecessary duplication in discovery or Commission proceedings, and not to prevent affected parties from presenting testimony and argument concerning their positions on the important and far-reaching issues involved in this case.

V. CREDA IS ENTITLED TO INTERVENTION

Under the screening standards identified by the Commission in the Prehearing Conference Order, CREDA is entitled

to participate as an intervenor. CREDA's standing under the various screening standards is as follows:

1. Statutory Right to Intervene. While CREDA has no specific statutory authority to intervene in this case, its right of intervention arises from the right of a party to participate in governmental proceedings that may significantly affect its interests.

2. Direct Interest. CREDA's members and their associated systems, which include customers of UP&L for wholesale power and wheeling, co-owners with UP&L in certain power plants, municipal power systems and distribution cooperatives, direct competitors of UP&L and PP&L in the bulk energy markets, utilities desiring wheeling rights over UP&L and/or PP&L's transmission systems, utilities that do and will compete for transmission access and corridors, and others, will be directly affected in a variety of ways by the proposed merger. Some of CREDA's members and associated systems are dependent upon UP&L's transmission system for receipt of needed power and the sale of surplus power. Some will suffer direct competitive disadvantages from the increased concentration of economic power and the combination and resulting loading of the two transmission systems. Others will be affected by the loss of regulatory control over the systems.

3. Substantial Interest. The direct interest of CREDA is substantial. Not only would CREDA members be directly

affected by PacifiCorp's proposal to set rates which will discriminate in favor of Utah retail customers, but the very economic viability of a power system may depend, to a greater or lesser degree, on the utility's ability to acquire transmission rights or access to wheeling in order to compete effectively for bulk sales in the southwest. The merger has the ominous potential of securing an unfair competitive advantage for the merging utilities and effectively freezing certain CREDA members and associated systems out of contention for transmission and wheeling access and sales into the critical and strategic markets of the Southwest.

4. Unique Interest. No other applicant for intervention will or can represent the views and interests of CREDA. Although certain municipal and cooperative organizations, including some of CREDA's associated systems, are also seeking intervention, only CREDA can represent the whole spectrum of relevant interests of its members. Even though a grouping of CREDA and other municipal and cooperative interests may make sense from a case management perspective, it would be highly prejudicial to CREDA for these important issues to be resolved without the ability of CREDA to intervene and apprise the Commission of relevant facts and impacts to which only CREDA has access.

5. Broadening of Issues. CREDA's presence in this case will broaden the issues only so far as is appropriate and

necessary for the Commission's consideration of the relevant public interests. CREDA's presence will not unduly broaden the issues, but will add a unique and necessary perspective of the potential effects of the merger in creating conflicts between federal and state regulation of the new utility, as they affect other utilities in the region.

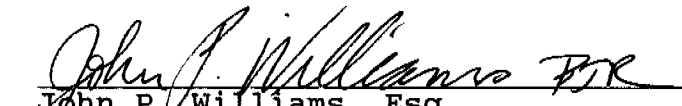
Because of the complexity of the proposed merger and the multifaceted impacts and effects that can be anticipated to result from the same, CREDA cannot state with certainty in these preliminary stages what other issues might arise or what its ultimate positions will be on all aspects of the merger. CREDA anticipates that, as the proceeding progresses and it obtains additional information and completes ongoing analyses of the proposed merger, it will refine and identify more completely its positions and the nature of its opposition to the merger.

DATED this 15th day of October, 1987.

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing "CREDA's Statement of Position and Issues, and Discussion of Groupings and Intervention", was mailed, postage prepaid, this 15th day of October, 1987, to the following:

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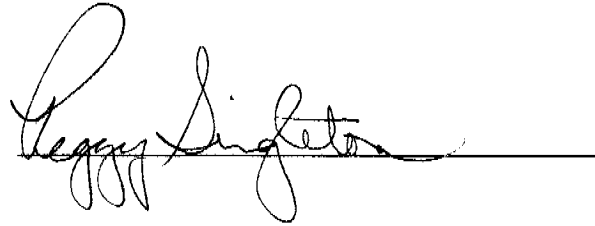
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A handwritten signature in cursive script, appearing to read "Peggy Singleton", is written over a solid horizontal line.