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- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

UTAH PUBLIC
SERVICE COMMISSION

In the Matter of the Application)
of UTAH POWER & LIGHT COMPANY and)
PC/UP&L MERGING CORP. (to be)
renamed PacifiCorp) for an Order)
Authorizing the Merger of Utah)
Power & Light Company and)
PacifiCorp into PC/UP&L Merging)
Corp. Authorizing the Issuance)
of Securities, Adoption of Tariffs)
and Transfer of Certificates of)
Public Convenience and Necessity)
and Authorities in Connection)
Therewith.)

CASE NO. 84-035-27

GENERAL STATEMENT OF ISSUES

by the

DIVISION OF PUBLIC UTILITIES

The Division of Public Utilities (DPU) submits this
general statement of issues in this proceeding:

1. On October 6, 1987 the Public Service Commission (PSC) issued its pre-hearing conference order. In that order the Commission requested each party to file brief written statements of their general position on the case and identify what said petitioner perceives to be the major issues in the case and their position on those issues. This filing will attempt to delineate the DPU's general statement of issues in the proceeding. The Division will attempt to state these issues in broad regulatory terminology. This filing is not an attempt by the Division to outline in detail each issue or sub-issue of the general regulatory objectives stated herein. Rather, this statement is submitted to provide only a broad perspective to the proceeding. The PSC letter to UP&L of

September 15, 1987 provides a more detailed statement of this perspective. The DPU supports the letters of the PSC dated September 15, 1987 and October 6, 1987, wherein the deficiencies in the direct testimony of UP&L are defined. As a initial matter in this proceeding the Commission should receive a clear statement from UP&L regarding their intent to resolve the deficiencies in their filing in a positive manner. It is difficult if not impossible for parties to proceed with a substantive evaluation of the application until additional filings are made.

2. The DPU is not at this time attempting to delineate its position on the major issues in this proceeding. The DPU believes it is not in a position to state its position on the proceeding until it completes its investigation into the cost and benefits of the proposed merger. The Division will approach this proceeding pursuant to the objectives for the Division set forth in Section 54-4a-6 which include:
 - a. Promotion of the safe, healthy, economic, efficient, and reliable operation of all public utilities and their service, instrumentalities, equipment, and facilities;
 - b. Provision for just, reasonable, and adequate rates, charges, classifications, rules, regulations, practices, and services of public utilities;
 - c. Ensuring that the regulatory process as simple and understandable as possible so that it is acceptable to the public; feasible, expeditious, and efficient to apply; and designed to minimize controversies over interpretations and application;

- d. For purposes of guiding the activities of the Division of Public Utilities, the phrase "just reasonable, and adequate" encompasses, but is not limited to the following criteria:
- 1) Maintain the financial integrity of public utilities by assuring a sufficient and fair rate of return;
 - 2) Promote efficient management and operation of public utilities;
 - 3) Protect the long-range interest of consumers in obtaining continued quality and adequate levels of service at the lowest cost consistent with the other provisions of subsection (4).
 - 4) Provide for fair apportionment of the total cost of service among customer categories and individual customers and prevent undue discrimination in rate relationships.
 - 5) Promote stability in rate levels for customers and revenue requirements for utilities from year to year; and
 - 6) Protect against wasteful use of public utility services.

After the completion of its investigation of the merger, the DPU will file its position on the merger in testimony. That position will evaluate the issues stated herein and will be developed consistent with the DPU statutory objectives.

3. Statement of Issues.

- a. The standard of regulatory review: There are numerous standards which could be adopted by the Commission in order to determine the reasonableness of the merger. These could include a "no harm test" or a "positive benefit test."
- b. The scope of regulatory review: As specified in the PSC's letter of September 15, 1987, the application of any appropriate review standard should occur in the context of a 'joint scenario' review methodology. In this format, merged utility operational and

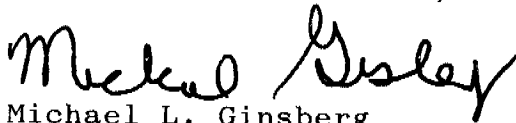
organizational structures would be evaluated against independent operational and organizational scenarios.

- c. Is the merged company ready, willing and able to provide electric utility service? This would include an analysis of service reliability, power supply availability and cost, quality of service, and resource availability of the combined system.
- d. Is the merged company able to attract capital at reasonable rates? This would include the various elements of the cost of capital with and without a merger and the benefit and risk associated with capital cost as a result of the merger.
- e. Many of the criteria necessary to issue a Certificate of Convenience and Necessity will need to be examined in transferring UP&L's current Certificate to PacifiCorp.
- f. Will the impact on rates as a result of the merger be positive or negative and will the merged companies rates be just and reasonable? This would include an analysis of the impact in Utah on changes in retail, wholesale, wheeling and jurisdictional cost allocations on Utah rates. This analysis would look at both an evaluation of the short and long term impacts.
- g. Will the merged company honor or alter existing obligations of UP&L with respect to such items as labor, or other contractual obligations such as wheeling, etc.?
- h. Will the proposed merger have a positive or negative impact on the State as a whole? This issue includes analyses of whether the merger would assist in attracting new businesses to Utah, stimulating employment growth and resource development, or generally furthering the State's economic development policies and objectives.
- i. Determination of the overall costs and benefits of the merger both in the short and long run. This would include direct costs of the merger itself, indirect costs, and/or other short and long run costs impacting UP&L as a result of the merger. The benefits of the merger whether they be financial or otherwise should be evaluated to include benefits, changes in power supply, quality of service, cost of capital, and overall rates.
- j. The impact of the proposed merger on the financial viability of the merged company and its return to stockholders should be evaluated.

- k. The nature and extent of affiliated company transactions resulting from the merger, and the impact such transactions will have upon UP&L customers.
- l. The nature and extent of any incremental financial and operational risks that will be faced by the ratepayers and investors of UP&L as result of the merger.

This preliminary statement of issues has been provided without the opportunity of discovery and without the opportunity of supplemental testimony by UP&L supporting its application. The Division does not feel bound to limit its review of this proceeding to the issues stated herein and will respond to other issues that may arise as a result of discovery or additional testimony or other issues raised by other parties.

Respectfully Submitted,



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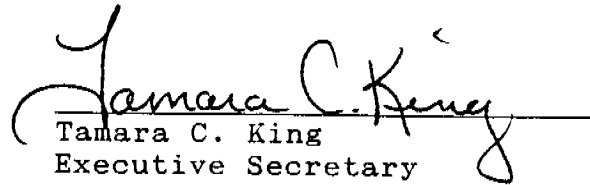
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CERTIFICATE OF SERVICE

I hereby certify a true and correct copy was mailed to the individuals on the attached Service List.


Tamara C. King
Executive Secretary