UTAH POWER & LIGHT COMPANY

1407 WEST NORTH TEMPLE STREET

SALT LAKE CITY, UTAH 84140

LEGAL DEPARTMENT
THOMAS W. FORSGREN
ATTORNEY AT LAW
ASSISTANT VICE PRESIDENT
ASSISTANT CORPORATE SECRETARY
801-220-4261

'88 APR 22 P4:34

SERVICE COMMISSION

April 22, 1988

Chairman Brian T. Stewart
Public Service Commission of Utah
Heber M. Wells Building
160 East 300 South
Fourth Floor
Salt Lake City, Utah 84111

Re: Merger Agreements and Orders

Dear Chairman Stewart:

As requested, we are transmitting herewith the following agreements and policy positions which have been arrived at in connection with the merger case:

1. Agreement Respecting Transmission Facilities and Services between PacifiCorp, Utah Power & Light and PC/UP&L Merging Corporation and Idaho Power Company.

2. Energy Purchase and Transmission Service Agreement between PC/UP&L Merging Corp. and The Montana Power Company.

3. PacifiCorp Wheeling Policy as filed with the Federal Energy Regulatory Commission.

4. Stipulation entered into between the Staff of the Public Utility Commission of Oregon and PC/UP&L Merging Corp.

5. Agreement for Mitigation of Major Loop Flow between Pacific Gas and Electric Company, PacifiCorp, Southern California Edison Company and Utah Power & Light Company and Memorandum Agreement to the above agreement.

Commitments made by Utah Power & Light Company and Pacific Power & Light Company at the hearings held before the Federal

Energy Regulatory Commission are enumerated on the attached Appendix B which is a part of the Company's Brief filed in the FERC proceeding.

Additionally, as requested, please find a copy of Orders that have been issued in the Idaho, Wyoming and Montana jurisdictions. Please note that the Montana Order deals with the issuance of securities only and is subject to the Commission's ultimate decision on the merger.

If you have questions regarding these documents or wish further information, please contact us at your convenience.

Very truly yours,

THOMAS W. FORSGREN

TWF:hlr
Attachments

AGREEMENT RESPECTING TRANSMISSION FACILITIES AND SERVICES

This Agreement Respecting Transmission Facilities and Services ("Agreement") dated the _____ day of _____, 1988, is entered into between and among PacifiCorp, dba Pacific Power & Light Company ("Pacific"), a Maine Corporation, Utah Power & Light Company ("Utah"), a Utah Corporation, and PC/UP&L Merging Corp., an Oregon Corporation referred to as the "Merged Company," and Idaho Power Company ("Idaho"), a Maine Corporation. Pacific, Utah, Merged Company, and Idaho are collectively referred to as the "Parties." If the proposed merger of Utah and Pacific is consummated, any reference herein to Utah or Pacific shall be deemed to refer to the Merged Company.

SECTION 1 - OUTSTANDING PROCEEDINGS

A. In return for the mutual commitments set forth in this Agreement, and subject to the provisions of Section 5 herein, Idaho will (a) not offer any testimony or additional exhibits except to the extent requested by the Presiding Judge or otherwise required to do so by legal process, cross-examine any witnesses, or submit any briefs or arguments in opposition to positions taken by the Applicants in pending Federal Energy Regulatory Commission ("FERC") Docket No. EC88-2-000 after the date of this Agreement; (b) file, within three working days after the date of this Agreement, with the Idaho Public Utilities Commission ("IPUC"), a copy of this Agreement together with a motion to withdraw from the IPUC proceeding on the proposed

merger of Pacific and Utah, IPUC Case Nos. U-1152-1, U-1009-184, and U-1046-161, indicating that this Agreement adequately addresses Idaho's concerns raised in that proceeding.

B. In the event the testimony of Idaho witnesses Collingwood, Casazza, and Crowley (pp. 25, 1.4 through 35, 1.7) is not admitted as evidence in FERC Docket No. EC88-2-000, Pacific and Utah shall put forth their best efforts to withdraw from the record in that Docket the rebuttal testimony of Rodney M. Boucher in that Docket at page 31, line 8 thru page 56, line 7, including all of Mr. Boucher's rebuttal exhibits referenced therein and the rebuttal testimony of James D. Tucker at page 24, line 3 thru page 30, line 17. None of the Parties to this Agreement shall refer to any of the above testimony, in any pleading or brief filed with the Presiding Judge or the Commission, or in any appellate proceeding relating to the merger, nor shall any of them seek, in Docket No. EC88-2-000 or appellate proceedings related thereto, a resolution of any of the issues related to the TSA and Pacific's transmission rights on Idaho's system that were raised by Idaho in that Docket and that the Parties have agreed herein to submit for binding and conclusive arbitration, if necessary; provided, however, that nothing in this Agreement is intended to prevent Pacific, Utah or the Merged Company from using this Agreement in these proceedings. Pacific, Utah, and the Merged Company covenant that none of them will contend or assert, in any forum (including an arbitration panel), that Idaho is bound, prejudiced, or in any

way estopped, as a result of any determination, conclusion or finding of the FERC in Docket No. EC88-2-000 or of an appellate court in any appellate proceedings related thereto.

C. Idaho and Pacific shall jointly file the executed Settlement Agreement, attached to this Agreement as Appendix A, pursuant to Rule 602 of the FERC's Rules of Practice and Procedure, within 14 days following the execution of this Agreement. Upon final acceptance by FERC of this Settlement Agreement, Idaho Power shall file to withdraw, with prejudice, its request for review in the D.C. Circuit, of the FERC Orders relating to Midpoint 500 kV Substation ownership jurisdictional issues and for a dismissal, with prejudice, and without costs to either party, of Idaho Power Company v. PacifiCorp, Case No. 88875, in the Fourth Judicial District of the State of Idaho on and for the County of Ada. Idaho and Pacific further agree to move jointly for stays of the above-described U.S. Court of Appeals and Idaho State Court proceedings pending FERC review of the Settlement Agreement.

SECTION 2 - INTERIM OPERATING ARRANGEMENTS

A. The Parties agree to the Interim Operating Arrangements related to the transmission services provided under the 1980 Transmission Services Agreement ("TSA") by Idaho for Pacific set forth below. Such Interim Operating Arrangements shall commence upon the execution of this Agreement and shall continue in effect until the earlier of (i) the effective date of a Post-Merger

Interconnection Agreement, or (ii) the issuance date of the arbitrators' decision called for in Section 3 of this Agreement. Such Interim Operating Arrangements are as follows:

(i) Pacific's share of the Jim Bridger Project generation and the Jim Bridger 345 kV transmission system between Jim Bridger and Borah, Kinport, and Goshen Substations shall remain in Pacific's western control area.

(ii) Pacific shall provide Idaho with both an hourly preschedule of the transfers of up to 1600 megawatts, providing for Pacific's share of the Jim Bridger Project, as well as Pacific's other Wyoming generation (limited to Dave Johnston and Pacific's share of Wyodak), delivered in a westerly direction under the TSA, as well as an hourly preschedule of the net transfer between the Jim Bridger Project and Pacific's Wyoming system across the interchange point at the Jim Bridger 345/230 kV transformers.

(iii) Pacific shall provide such preschedules to Idaho daily by 1300 hours (Pacific Time) on the last workday (Monday-Friday, excluding holidays) observed by Pacific and Idaho prior to the day of delivery.

(iv) Pacific's dispatchers shall provide Idaho's dispatchers with any changes to such preschedules at least 30 minutes prior to the schedule hour, unless, due to emergency conditions beyond the control of Pacific, advance notification is impossible to provide, in which case the notification shall be provided as soon as practicable before the schedule change is to take place.

(v) As soon as possible after the schedule hour, Pacific shall provide Idaho with the adjusted schedules for the transfers associated with the preschedules. Such adjusted schedules shall be derived by integrating the actual dynamic schedules for the schedule hour. Pacific shall, however, limit any change in the power scheduled at any instant during the schedule hour across the interchange point at the Jim Bridger 345/230 kV transformers resulting from Pacific's use of any dynamic scheduling (as related to dynamic overlay control) between Bridger and its Wyoming system to a maximum of plus or minus 50 MW from the prescheduled amounts provided pursuant to subsections (ii) and (iv) above.

(vi) Pacific shall supply to Idaho throughout the year losses in the amounts of (1) four percent (4%) of the amount of the westerly transfers scheduled

across the Idaho system to Pacific's western system under the TSA that are in excess of 1000 MWh per hour, or (2) five percent (5%) of the difference between 1000 MWh per hour and the amount of the westerly transfers scheduled across the Idaho system from Pacific's Wyoming system to Pacific's western system in the event such schedule is less than 1000 MWh.

(vii) The Merged Company shall provide to Idaho hourly schedule information, including schedules showing Goshen area transfers associated with the Transmission Facilities Agreement dated June 1, 1974 ("TFA") and the Agreement for Interconnection and Transmission Services between Utah and Idaho dated March 19, 1982, and the transfers between the Merged Company's Wyoming and Utah areas. Schedules showing such transfers shall be provided hourly upon request by Idaho.

(viii) The energy to be transferred across the Idaho system from Pacific's Wyoming system (including the Bridger Plant) to Pacific's western system shall be delivered to Idaho over the three Jim Bridger 345 kV transmission lines at the Kinport and Borah Substations, in accordance with the TFA.

(ix) As soon as practicable following execution of this Agreement, Pacific shall provide Idaho, at Pacific's cost, with the means to monitor, in real time, the dynamic schedule across the interchange point at the Bridger 345/230 kV transformers.

B. The Interim Operating Arrangements set forth in this Section 2 do not reflect either Pacific's or Idaho's interpretation of the services to be provided under the TSA but represent a compromise on an interim basis pending implementation of a Post-merger Interconnection Agreement or the issuance of the arbitrators' decision called for in Section 3 of this Agreement regarding the services to be provided under the TSA.

C. The Parties agree to commence, as soon as possible following the execution of this Agreement, to perform such studies as are reasonably necessary to determine the effects of those services the Merged Company desires from Idaho in a Post-Merger Interconnection Agreement replacing the TSA, the Transmission Facilities Agreement among the Parties dated June 1, 1974, and the Agreement for Interconnection and Transmission Services between Utah and Idaho dated May 19, 1982, and with respect to the construction of a tap on the Midpoint-Summer Lake 500 kV line at the Mayfield structure or any other point mutually agreed upon by the Parties.

SECTION 3 - ARBITRATION

Pacific and Idaho agree to attempt to negotiate, execute and implement a "Post-Merger Interconnection Agreement" superseding the TSA, the TFA among the Parties dated June 1, 1974, and the Agreement for Interconnection and Transmission Services between Utah and Idaho dated March 19, 1982, on or before September 30, 1988. In the event the proposed merger of Pacific and Utah is not consummated, or the Parties have not executed and implemented a Post-Merger Interconnection Agreement on or before September 30, 1988, Pacific and Idaho agree to submit to conclusive and binding arbitration, in the manner provided below, regarding the question of the services to be provided under the TSA.

a. Legal Representatives

Pacific:

George M. Galloway, Esq.
Stoel, Rives, Boley, Jones & Grey
900 SW Fifth Ave., Suite 2300
Portland, OR 97204
(503) 224-3380

Idaho:

David B. Raskin, Esq.
Newman & Holtzinger, P.C.
1615 L Street, N.W.
Suite 1000
Washington, D.C. 20036
(202) 955-6624

Should a legal representative resign, die, withdraw, be disqualified or be unable to perform the duties of legal representative, the party whose legal representative is unavailable shall select a replacement legal representative.

b. Selection and Qualifications of Arbitrators

(1) This matter shall be settled by binding arbitration before three arbitrators, one of whom shall be selected by Mr. Galloway, one by Mr. Raskin, and the third selected by the two arbitrators appointed by Mr. Galloway and Mr. Raskin. If either Mr. Galloway or Mr. Raskin fails to select an arbitrator within 30 days following September 30, 1988, the other party shall have the right to appoint an arbitrator for the party failing to timely select an arbitrator, and the ones thus chosen shall then select the third arbitrator. The appointment of the third arbitrator, if not agreed upon within 20 days from the appointment of the second arbitrator, shall be made by the Chief Judge then sitting in the United States District Court for the District of Columbia.

(2) No arbitrator shall be eligible for selection or appointment who is biased with respect to the subject matter of this arbitration, or who is not neutral and impartial as to the Parties, meaning in the latter respect that the person shall not have had any past or present business relationship with Pacific or Idaho prior to, or at the time of their selection, or any proposed such relationship in the future. Each arbitrator shall be an engineer or an attorney with experience in electric utility matters. In addition, the third arbitrator chosen by the two arbitrators selected by Mr. Raskin and Mr. Galloway shall

have substantial experience in electrical transmission and interconnections and shall be highly regarded professionally in this area of expertise.

(3) Should an arbitrator resign, die, withdraw, be disqualified or be unable to perform the duties of arbitrator, the replacement arbitrator shall be selected or appointed in the same manner the unavailable arbitrator was selected or appointed and shall satisfy the qualifications for arbitrators set forth herein.

c. Ruling Documents

The evidence to be considered by the arbitrators, in addition to arguments and briefs by the legal representatives and responses and cross-responses to any questions submitted to the parties by the arbitrators, shall be limited to documents, contracts, letter agreements, pleadings, pre-filed testimony and transcripts of testimony and cross-examination all existing as of the date of this Agreement (including testimony, exhibits and workpapers submitted but not offered into evidence or withdrawn in FERC Docket No. EC88-2-000, but excluding cross-examination in that Docket and Exhibits offered into evidence during such cross examination) (hereinafter the "Ruling Documents"). Within ten days of the submission of the Joint List and the submission of Additional Questions, the Parties shall identify all Ruling Documents upon which they intend to rely.

d. Procedures

(1) Before proceeding with examination of the evidence or the hearing, the Arbitrators shall take an oath of office. The evidence to be considered by the Arbitrators, in addition to the Ruling Documents, shall be oral arguments by the legal representatives, briefs by the legal representatives, and the responses and cross responses to any questions submitted to the Parties by the Arbitrators. The Arbitrators shall take no oral testimony.

(2) The issue to be set for arbitration is the scope of the services under the TSA except for matters that have been finally resolved in the Settlement Agreement attached as Appendix A. After the September 30, 1988 date, the parties will spend 30 days attempting to agree upon the list of questions to be submitted to the Arbitrators for determination (Joint List). In the event the parties are unable to agree upon the questions to be submitted to the Arbitrators in the Joint List, each party will have the right to submit a list of additional questions ("Additional Questions") to the Arbitrators for determination. Based upon the Additional Questions submitted to them, the Arbitrators shall prepare a consolidated list stating all of the questions to be resolved in the arbitration proceeding, which shall become the Joint List of questions in the proceeding. The Arbitrators shall attempt to include in such Joint List all of the questions submitted by the Parties and reasonably encompassed within the issue of services provided under the TSA.

(3) The Arbitrators shall fix the date, time and place of hearing and shall notify the parties of such in writing at least three (3) weeks in advance of the hearing date. The hearing shall be limited to oral argument by the parties' legal representatives based upon the evidence to be considered by the arbitrators set forth above. The Arbitrators shall make the necessary arrangements for the taking of a stenographic record. The decision(s) of the arbitrators shall be by majority. The legal representatives shall be permitted to file initial briefs within three (3) weeks following the conclusion of the hearing, and reply briefs within one week thereafter. Once reply briefs are submitted, the Arbitrators shall declare the hearing closed. Once closed, the Arbitrators may not reopen the hearing. The decision of the Arbitrators shall be in writing and shall be made promptly following the closing of the hearing, and in no event more than sixty (60) days following the receipt of the parties' briefs. The decision shall be signed by each Arbitrator and shall include a date representing the date of issuance.

(4) There shall be no communications between the parties and the Arbitrators except through their respective legal representatives and no communication with the Arbitrators by the parties' legal representatives shall be ex parte. In the event the Arbitrators wish to ask questions of the parties prior to the hearing, such questions shall be addressed in writing to the legal representatives of the respective parties. Each question shall be submitted in writing to the parties. Responses to the

question(s) shall be in writing given within ten (10) working days following receipt of the question(s). Responses shall be mailed to the other parties as well as to the Arbitrators. Each party shall have the right to comment on the other's response. These cross-responses shall be in writing given within seven (7) working days following receipt of the other's response. Cross-responses shall be mailed to the other Parties as well as the Arbitrators. All mailings shall be made by overnight mail.

(5) In their initial briefs submitted to the Arbitrators, the Parties shall submit proposed responses to each question on the Joint List. The arbitrators shall be required to select the entire proposed response of one of the parties as to each question presented, as the final and binding resolution of that question.

(6) The decision of the Arbitrators shall be final and binding upon Pacific and Idaho and may be enforced in any federal or state court and any federal or state regulatory or administrative agency. Neither party shall contest or seek to modify, in any way, the decision of the Arbitrators in any forum or subsequent proceeding at FERC or elsewhere, or assist any other party in contesting or seeking to modify such decisions.

(7) Each party shall be responsible to pay the fees and expenses of its legal representative. All other costs shall be borne by Pacific and Idaho on an equal basis.

e. Arbitration Regarding Interim Operating Arrangements

Pacific and Idaho agree that the questions to be decided by the Arbitrators shall include whether the Interim Operating Arrangements contained in Section 2 hereof are services within or outside the scope of services provided under the TSA; provided, however, the Arbitrators shall not determine the costs associated with providing any services outside the TSA or a price or methodology for pricing such services. In the event the arbitrators determine that certain of the Interim Operating Arrangements are not services under the TSA, the following shall occur:

(i) Subject to the provisions of (ii) below, Idaho shall continue to provide such services outside the TSA pursuant to scheduling practices and monitoring provisions that Idaho reasonably determines are required in order for it to provide such services. Such scheduling practices and monitoring provisions shall be submitted to Pacific by Idaho in writing.

(ii) Beginning immediately after the Arbitrators' decision, the parties shall attempt to negotiate the rates, terms and conditions under which such services shall be provided in the future. In the event the parties have not reached agreement thereon within 60 days after the Arbitrators' decision, Idaho shall file unilaterally with the FERC, pursuant to Section 205 of

the Federal Power Act, a rate schedule for such services containing rates and terms and conditions of such services. Idaho shall request waiver of the 60-day notice provision to permit such rate schedule to take effect upon acceptance by FERC of the filing and shall request that the proposed rates and terms and conditions take effect subject to refund after a one-day suspension. Pacific shall be free to contest and seek modification of any or all of such rates and terms and conditions, provided that Pacific shall not request any modification that would be inconsistent with the Interim Operating Arrangements contained in Section 2 or with paragraph (i) above.

f. Effect of Merger

The provisions of this Section 3, including the decision of the Arbitrators, shall be binding upon the Parties whether or not the proposed merger of Pacific and Utah is completed.

SECTION 4 - TRANSMISSION SERVICES

This Section 4 shall take effect only if the proposed merger of Pacific and Utah is consummated.

A. Firm Transmission

(i) The Merged Company will deliver capacity and energy from Idaho's point(s) of interconnection with the Merged Company listed in Section 1.7 of

the Agreement for Supply of Power and Energy between Idaho and Washington City dated July 6, 1987, to such delivery points on the Merged Company's system as are required to implement the above-named Agreement with Washington City, Utah, and Idaho's Agreement for Supply of Power and Energy to the Utah Associated Municipal Power Systems dated February 10, 1988 (UAMPS), so that Washington City and UAMPS may take delivery of such capacity and energy for use in Washington City's system and the systems of the UAMPS members. The Merged Company's obligation to provide such service shall be consistent with the contract demand limitations in Idaho's contracts with Washington City and UAMPS but not to exceed 15 MW for Washington City and 65 MW for UAMPS, and shall, subject to the provisions of Paragraph (iv), extend in each case for the entire term of Idaho's contracts to provide wholesale service to UAMPS and Washington City. The Merged Company shall attempt to agree upon firm transmission service agreements with UAMPS and Washington City embodying the rates and terms and conditions for such service. However, if such transmission service agreements have not been consummated by a date thirty days following consummation of the

merger between Pacific and Utah, then the Merged Company shall unilaterally file with FERC proposed firm transmission service agreement(s) with UAMPS and Washington City, which provide for the services described herein, and which contain the Merged Company's proposed rates and terms and conditions of such service, none of which shall be inconsistent with the provisions of this Section 4.A. In such event, the Merged Company shall request waiver of the sixty-day notice provision to permit the service to take effect upon acceptance by FERC of the filing and shall request that the proposed rates and charges take effect subject to refund following a one day suspension. Idaho shall be free to contest and seek modification of any or all of such rates and terms and conditions, provided that Idaho shall not request any modification that would be inconsistent with the terms of this Section 4.A.

(ii) The Parties agree in principle that a component representing opportunity costs may be included in the firm transmission service rates for service to UAMPS and Washington City hereunder provided that the Merged Company is able to demonstrate that such opportunity costs will be incurred and the level of such costs; provided, however, that

nothing in this Agreement shall be construed as agreement by Idaho that there will in fact be opportunity costs associated with providing firm transmission service to UAMPS and Washington City hereunder or agreement by Idaho to any specific methodology for calculating opportunity costs. The Parties do agree, however, that opportunity costs in this instance shall not include lost revenues or profits to the Merged Company resulting from loss of current or future electric sales to Washington City and UAMPS members served within the State of Utah. Washington City and UAMPS have agreed to the principles contained in this Paragraph (ii), and shall not take a position contrary to these principles in FERC proceedings relating to firm transmission service agreements filed pursuant to this Section 4.A, as shown in the letters attached as Appendices B and C to this Agreement. The Merged Company agrees that the rates for firm transmission service negotiated with UAMPS and Washington City, or filed unilaterally pursuant to Paragraph (i) above, shall not, during the first five years that such rates are in effect, be greater than 150% of Utah's firm transmission service rate established by the final order of the FERC in Docket No. ER84-571, as

applied to UAMPS and Washington City's scheduling profile characteristics; it being understood that the Merged Company is agreeing to this five-year cap in consideration of the other provisions of this Agreement and reserves the right to seek a higher transmission rate for other transactions not covered by this Agreement.

(iii) In connection with the firm transmission service provided hereunder, the Merged Company shall file to include Idaho (or replacement resources) as a resource pursuant to Exhibit B of the Agreement Respecting Wheeling Service, Scheduling and Accounting For Such Service and Operating Procedures dated June 1987 between Utah, UAMPS and Deseret, as amended ("UAMPS-Utah Agreement"); provided, however, that the Merged Company shall not be required to provide transmission service to UAMPS and Washington City under the rates stated in the UAMPS-Utah Agreement. In addition, the Merged Company shall offer load following and load control service for UAMPS and Washington City under an agreement filed with the FERC and placed into effect on the same date as the transmission service agreement required to be filed pursuant to Paragraph (i) above.

(iv) In the event the FERC rejects the principle of including opportunity costs in firm transmission service rates (as opposed to rejecting the Merged Company's proposed methodology or level of such opportunity costs), the firm transmission service provided hereunder to UAMPS and Washington City shall be limited to a term not to exceed fifteen (15) years.

(v) Utah currently has pending before the Supreme Court of the State of Utah an appeal of a lower court decision holding that UAMPS is a valid and lawful entity capable of entering into certain electric power sales purchase agreements. In the event that it is ultimately held that UAMPS is not authorized to enter into such agreements, Utah shall file with FERC, within thirty days after it is so held, a new firm transmission service agreement to provide firm transmission service to those existing municipal electric systems ("Cities") listed on Exhibit A of the UAMPS-Utah Agreement under rates, terms, and conditions consistent with all of those contained in this Section 4.A and shall request the earliest possible effective date for such service agreement so as to prevent, if possible, any interruption of transmission service to the Cities.

(vi) Idaho agrees that, if it is requested to do so in writing by the Merged Company prior to January 1, 1993, it will deliver capacity and energy from Pacific's existing interconnection with Idaho at Enterprise to Idaho's existing interconnections with the C.P. National Corporation. Idaho's obligation to provide transmission service hereunder shall not exceed 60 MW and shall terminate in 2015. The Merged Company shall attempt to agree upon a firm transmission service agreement with Idaho. However, if such an agreement has not been executed within 90 days of the date that the service is first requested, then Idaho shall, within 60 days thereafter, unilaterally file with FERC, pursuant to Section 205 of the Federal Power Act, a proposed firm transmission service agreement which contains Idaho's proposed rates and terms and conditions for such service. In such event, Idaho shall request waiver of the sixty-day notice provision to permit the service to take effect upon acceptance by FERC of the filing and shall request that the proposed rates and charges take effect subject to refund. The Merged Company shall be free to contest and seek modification of any or all of such rates and terms and conditions,

provided that the Merged Company shall not request any modification that would be inconsistent with this Paragraph (vi) and Paragraph (vii) below.

(vii) The Parties agree in principle that a component representing opportunity costs may be included in the firm transmission service rates for the service described in Paragraph (vi) provided that Idaho is able to demonstrate that such opportunity costs will be incurred and the level of such costs; provided, however, that nothing in this Agreement shall be construed as agreement by Pacific or the Merged Company that there will be opportunity costs associated with providing such firm transmission service or agreement by Pacific or the Merged Company to any specific methodology for calculating opportunity costs. The Parties do agree, however, that opportunity costs in this instance shall not include lost revenues or profits to Idaho resulting from loss of current or future electric sales to C.P. National Corporation.

B. Non-Firm Transmission

(i) The Merged Company will grant Idaho access for non-firm transfers as capacity exists between Idaho's system and Utah's existing point of interconnection at Four Corners and Utah's proposed point of interconnection with Nevada Power

Company. Within 30 days after consummation of the merger, the Merged Company shall file with the FERC, pursuant to Section 205 of the Federal Power Act, and consistent with Paragraph (ii) below, a proposed agreement for such non-firm service, containing rates and terms and conditions of service that are consistent with this Subsection B. Idaho shall be free to contest and seek modification of any or all of such rates and terms and conditions, provided that Idaho shall not request any modification that would be inconsistent with the terms of Paragraph (ii) below.

(ii) The Parties agree that the rates for non-firm transmission service hereunder should be designed to approximate, to the extent feasible, an equal three-way sharing of the savings among the selling, buying, and wheeling parties, with total savings calculated based on the difference between the seller's incremental cost and the buyer's decremental cost. The Merged Company shall put forth its best efforts to develop a non-firm transmission service rate for Idaho to be filed pursuant to Paragraph (i) above recognizing that the buyer's decremental costs may not be available to the transacting parties. Idaho shall agree to make available for any transaction subject to such rate its incremental costs (including incremental operation costs plus incremental transmission costs) to enable an estimate of an equal three-way sharing of the savings to be determined. Idaho shall have the right to contest the rate level contained in the Merged Company's non-firm transmission service proposal solely on

the basis that such proposal does not provide a fair and reasonable proxy for a three-way sharing of the savings as defined above. The Merged Company shall have the right to propose an appropriate methodology for calculating Idaho's incremental cost and Idaho may contest such proposal.

SECTION 5 - REGULATORY APPROVAL

It is the intent and belief of the Parties that this Agreement shall be a binding and enforceable contract upon its execution by the Parties and that this Agreement (with the exception of Appendix A) is not subject to filing with or approval by FERC under the Federal Power Act or FERC's regulations thereunder. It is the Parties intent that this Agreement shall be binding and enforceable regardless of any action or inaction of any regulatory body. In the event FERC determines that this Agreement is subject to such filing and/or approval, the Parties agree to put forth their best efforts to have this Agreement approved by FERC without modification or condition so as to preserve the balance of consideration herein. The Parties agree to support this Agreement in its entirety before any court or agency in any proceeding, state or federal.

SECTION 6 - MISCELLANEOUS

It is intended, in addition to any rights that may be available in law or equity, that the provisions of this Agreement, including, without limitation, the obligations of the parties to enter into the "Midpoint Sale and Transfer Agreement"

appended hereto and the Merged Company's obligation to provide transmission service and to make timely implementary filings with FERC, shall be specifically enforceable.

No Party, in executing this Agreement, shall be deemed to have accepted, agreed, or consented to any theory or principle not agreed to herein; to have waived any claim or right which it may otherwise have with respect to any matters not expressly provided herein, nor be deemed to have waived, compromised, or be foreclosed in any manner from making any contentions in any future proceeding or investigation with respect to any matters not expressly provided for herein.

SECTION 7 - EXECUTION BY COUNTERPART

This Agreement may be executed by counterparts, and upon execution by the Parties each executed counterpart shall have the same force and effect as an original instrument and as if all the Parties had signed the same instrument. Any signature page of this Agreement may be detached from any counterpart of this Agreement without impairing the legal effect of any signatures thereon, and may be attached to another counterpart of this Agreement identical in form hereto but having attached to it one or more signature page.

WITNESS WHEREOF, the Parties have executed this Agreement Respecting Transmission Facilities and Services effective as of the date first written above.

ATTEST:

PACIFICORP dba Pacific Power & Light Company

_____

By _____
David F. Bolender,
President

ATTEST:

PC/UP&L MERGING CORP.

_____

By _____
A.M. Gleason,
President

ATTEST:

UTAH POWER & LIGHT COMPANY

_____

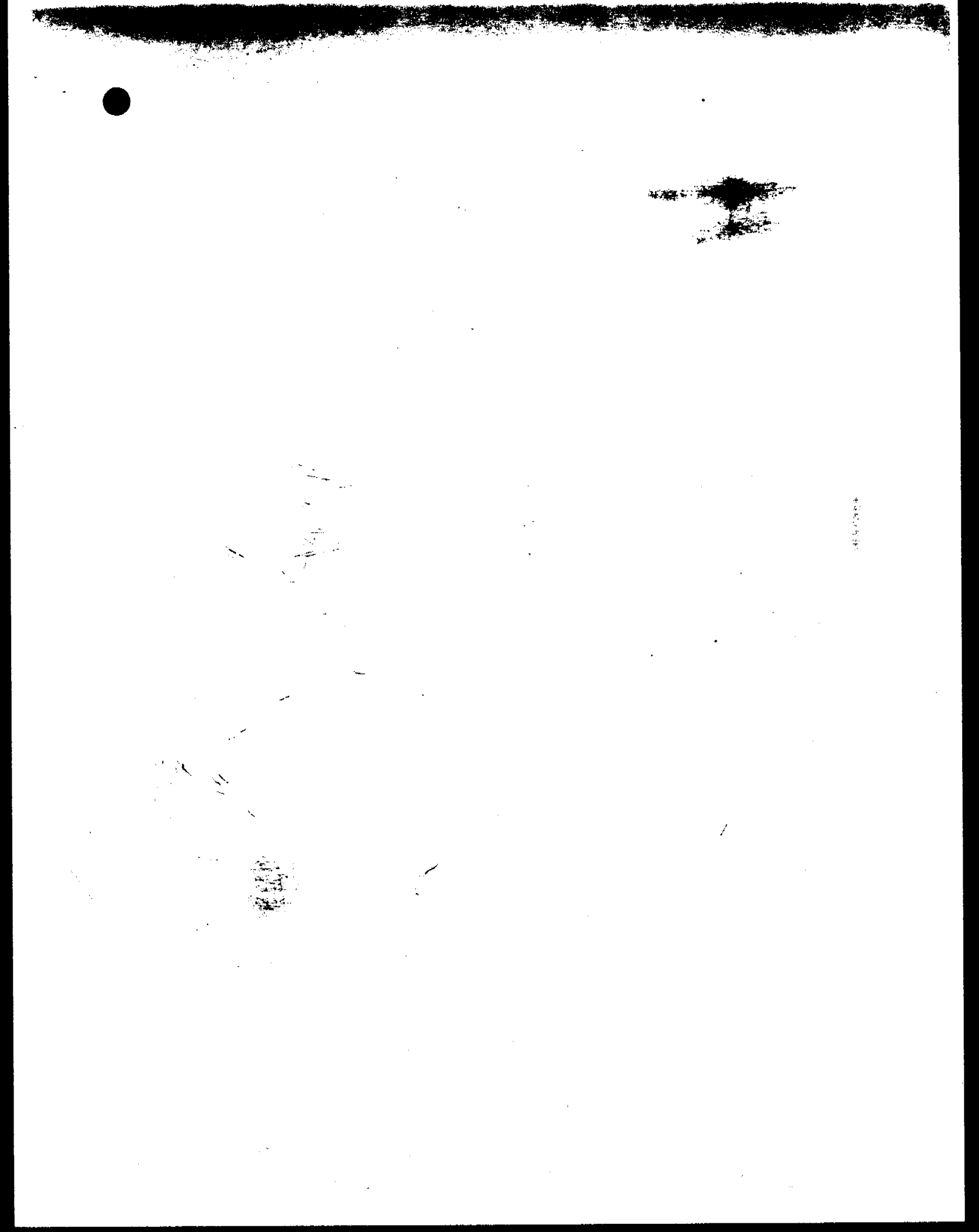
By _____
Frank N. Davis,
President & Chief Executive Officer

ATTEST:

IDAHO POWER COMPANY

_____

By _____ DBR
Robert J. O'Connor
Chairman of the Board and
Chief Executive Officer



APPENDIX A

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Idaho Power Company	)	Docket No. ER86-570-002
	)	
Pacific Power & Light Company	)	Docket No. EL87-8-001
	)	EL87-8-003
	)	
Idaho Power Company and	)	Docket No. ER87-107-002
Utah Power & Light Company	)	ER87-107-003

SETTLEMENT AGREEMENT

Pursuant to Rule 602 of the Commission's Rules of Practice & Procedure, 18 CFR § 385.602, Idaho Power Company (Idaho Power) and Pacific Power & Light Company (Pacific) hereby file this Settlement Agreement in the above-captioned proceedings. This Settlement Agreement resolves all the issues in these proceedings in accordance with its terms.

ARTICLE I

Background

On August 14, 1986 Idaho Power filed revisions to its rates for non-firm transmission service for signatories to the Intercompany Pool (ICP) agreement among Idaho Power, Pacific and other utilities located in the western United States. Pacific intervened and protested the applicability of these rates to non-firm transmission service provided through the Midpoint Substation.

The Commission accepted Idaho Power's proposed rates for filing effective August 15, 1986 except for that portion of the rates that would be applied to non-firm transmission service provided by Idaho Power for Pacific through the 345kV Midpoint Substation. The Commission accepted for filing and suspended the rate for non-firm transmission service provided by Idaho Power for Pacific through the Midpoint 345kV Substation to become effective on October 15, 1986 subject to refund and set for hearing the justness and reasonableness of Idaho Power's rates for that non-firm transmission service provided by Idaho Power for Pacific. Idaho Power Company, et al., 37 FERC ¶ 61,013 (1986). Hearings have been held and briefs submitted in that proceeding; and the matter is pending initial decision.

On November 14, 1986 Idaho Power submitted for filing a September 10, 1980 Agreement for Transmission Services between Idaho Power and Pacific (TSA). Pacific intervened and requested that the Commission find that the terms and conditions for the sale and transfer of ownership of the 500 kv line terminal and transformation at the Midpoint Substation (500 kv facilities) are subject to the Commission's jurisdiction under Part II of the Federal Power Act. Pacific further requested that a hearing be held concerning the delivery points for service under the TSA.

The Commission accepted the TSA for filing to become effective, without suspension or investigation, on September 10, 1980. It set for hearing, in the same Docket that had been designated to hear issues related to the justness and reason-

ableness of Idaho Power's non-firm rate, the question whether the Midpoint 345 kv Substation is a point of delivery to Pacific's western system under the TSA. It further found, over Idaho Power's objection, that it has jurisdiction over the dispute involving Pacific's obligation to transfer ownership of the 500 kv facilities to Idaho Power under the TSA. Idaho Power Company, et al., 39 FERC ¶ 61,032 (1987). The Commission set for hearing the issue of the ownership rights in the 500 kv facilities that Idaho Power and Pacific each claim pursuant to the terms of the TSA. Idaho Power Company, 41 FERC ¶ 61,252 (1987). Prehearing conferences have been held in that proceeding; but no testimony has been submitted or evidentiary hearings held in that proceeding.

This Settlement Agreement is intended to resolve the issues in the above-described Commission proceedings which are pending before The Honorable Alexander M. Argerakis, Presiding Administrative Law Judge, in accordance with its terms.

ARTICLE II

Midpoint 500kV Substation Transfer

The Parties shall enter into an agreement to be titled "Midpoint Sale and Transfer Agreement" and shall execute and deliver such agreement on a schedule that will complete transfer of the 500kV Midpoint Substation by Pacific to Idaho on or before July 1, 1988. It is the intent of the Parties that this Settlement Agreement represents an irrevocable obligation on the

part of Pacific to sell and transfer all of Pacific's rights, title and interest in the 500kV Midpoint Substation to Idaho. Pacific shall file and the Parties shall support, without condition, approval of this Midpoint Sale and Transfer Agreement pursuant to Section 203 of the Federal Power Act, it being understood that Idaho Power does not, by entering into this Settlement Agreement, agree to any principle respecting Section 203 jurisdiction over this transaction.

The Midpoint Sale and Transfer Agreement shall be in accord with the following principles:

a. In consideration of the mutual benefits, promises, covenants and conditions hereinafter set forth and of the payment to Pacific by Idaho Power of $14,595,134 less accumulated depreciation from December 31, 1987 through the transfer date and other good and valuable consideration described in this Settlement Agreement, Pacific shall sell and transfer to Idaho its ownership interest in the 500kV Midpoint Substation. In connection with said sale and transfer, Idaho Power shall not assume any of the rights or obligations of Pacific under the terms of a Tax Benefit Transfer Agreement Pacific entered into in 1981 which included, among other pieces of property, the Midpoint Substation.

b. Pacific is granted an option to contract for twenty percent (20%) of the transfer capability of the first major transmission line constructed by or on behalf of Idaho Power in a generally southerly direction out of the 345kV or

500kV Midpoint Substations. In the event Pacific exercises this option, the northern terminus of this line shall become an additional point of delivery under the 1980 Transmission Services Agreement between Pacific and Idaho Power ("TSA") or a successor agreement, up to the amount of Pacific's transmission rights on such new line. Provided, however, that Pacific shall be required to pay such additional charges for deliveries to and from this additional point of delivery as are consistent with the principles set forth below. If the parties are unable to agree upon charges for such deliveries, Idaho Power shall be entitled to file, pursuant to Section 205 of the Federal Power Act, any charges for such additional deliveries as are appropriate in light of the following principles:

(i) That such transfer rates will reflect the cost of providing such service to Pacific recognizing any unique circumstances, including the fact that Pacific is entitled under existing agreements to the delivery of up to 1,600 megawatts west through Idaho's system to Pacific's western system at Idaho Power's existing western interconnections including Pacific's Midpoint-Medford 500kV line.

(ii) That such rates will be compensatory to Idaho Power and approved by FERC.

(iii) That the rates should be simple to implement and administer so as to allow Pacific to be able to predict its costs for such transfers.

(iv) That Idaho Power's rates to Pacific shall not be preferential or discriminatory.

c. The Parties agree to negotiate an agreement setting forth the terms and conditions of Pacific's participation in such first transmission line which shall include, among other terms and conditions, an obligation for Pacific to pay for its contract participation based upon 20% of all costs to plan, construct, license, operate and maintain (including without limitation, taxes, depreciation and administrative overhead costs) the new transmission line, and to support, by written testimony if requested by Idaho Power, the licensing and construction of such line in all forums. The agreement shall afford to Pacific rights at the southern terminus of the line equivalent (except as to quantity) to Idaho's Power's rights. In the event Pacific does not exercise its option under subsection b, regardless of the reason(s), Pacific shall not oppose construction of the first major transmission line south out of Midpoint in any forum or proceeding except to the extent Pacific determines that there are significant adverse electrical effects on its system for which it is not being compensated.

d. The Midpoint Sale and Transfer Agreement shall contain the following operation and maintenance provisions to ensure the Midpoint 500kV Substation continues to be operated in a manner that safeguards Pacific's delivery rights under the TSA or any superseding agreement.

(i) The Midpoint 500kV Substation will be operated and maintained in a comparable manner as Idaho Power operates and maintains other bulk power transmission facilities owned and operated by Idaho;

(ii) Operation and maintenance, excluding emergency repairs, shall be mutually scheduled if such operation and maintenance will result in restrictions to Pacific's transfer capability as provided in the TSA or superseding agreement. Such mutual consent regarding scheduling of maintenance shall not be unreasonably withheld;

(iii) In the event of emergency repairs that limit transfers under the TSA or superseding agreement, Idaho Power will dispatch personnel to effect the inspection/repairs within a reasonable time to expedite the return to normal operating status of the equipment;

(iv) Idaho Power shall use its best efforts to operate and maintain the Midpoint 500kV Substation so as not to restrict Pacific's transfer rights under the TSA or superseding agreement.

ARTICLE III

Deliveries At The Midpoint 345kV Substation

As a complete resolution of the dispute between Idaho and Pacific in FERC Docket No. ER86-570 concerning whether the Midpoint 345kV Substation is a point of delivery under the TSA, and the related dispute in that Docket concerning the just and reasonable rate for non-firm transfers to Sierra Pacific Power Company ("Sierra Pacific") at the Midpoint 345kV Substation, the Parties hereby agree: (1) that the rate for non-firm transfers to Sierra Pacific at the 345kV Midpoint Substation shall be Idaho Power's effective Intercompany Pool (ICP) non-firm transfer rate or the effective non-firm transfer rate under a successor agreement; and (2) that the Midpoint 345kV Substation is not a point of delivery under the TSA. The resolution of these issues shall not be regarded as precedent with respect to the establishment of any charges for deliveries pursuant to Article II, Section 2.b herein.

ARTICLE IV

Enforceability

The provisions of this Settlement Agreement shall be binding upon Pacific and Idaho whether or not the proposed merger of Pacific and Utah is completed. In the event the merger between Pacific and Utah is consummated, references herein to Pacific shall be deemed to be references to the Merged Company.

The provisions of this Settlement Agreement are intended to be binding and specifically enforceable before any court or agency having jurisdiction over the matters contained herein.

ARTICLE V

Reservations

This Settlement Agreement, including this Article V, represents a compromise to conclude these proceedings, and neither Pacific nor Idaho, in joining this Settlement Agreement, shall be deemed to have accepted, agreed or consented to any theory or principle. Neither Pacific nor Idaho shall be deemed to have waived any claim or right which it may otherwise have with respect to any matters not expressly provided herein. Neither Pacific nor Idaho, in joining this Settlement Agreement, shall be deemed to have waived, compromised, or be foreclosed in any manner from making any contention in any future proceeding or investigation with respect to any matters not expressly provided herein. This Settlement Agreement is submitted pursuant to Rule 602 of the Commission's Rules of Practice and Procedure and, if not approved in its entirety without conditions, is privileged, and the terms hereof shall be null and void, of no effect, and may not be used in any way to prejudice any party's litigation position in any proceeding.

ARTICLE VI

Execution By Counterpart

This Agreement may be executed by counterparts, and upon execution by the Parties each executed counterpart shall have the same force and effect as an original instrument and as if all the Parties had signed the same instrument. Any signature page of this Agreement may be detached from any counterpart of this Agreement without impairing the legal effect of any signatures thereon, and may be attached to another counterpart of this Agreement identical in form hereto but having attached to it one or more signature page.

WITNESS WHEREOF, the Parties have executed this Settlement Agreement effective as of the date first written above.

ATTEST:

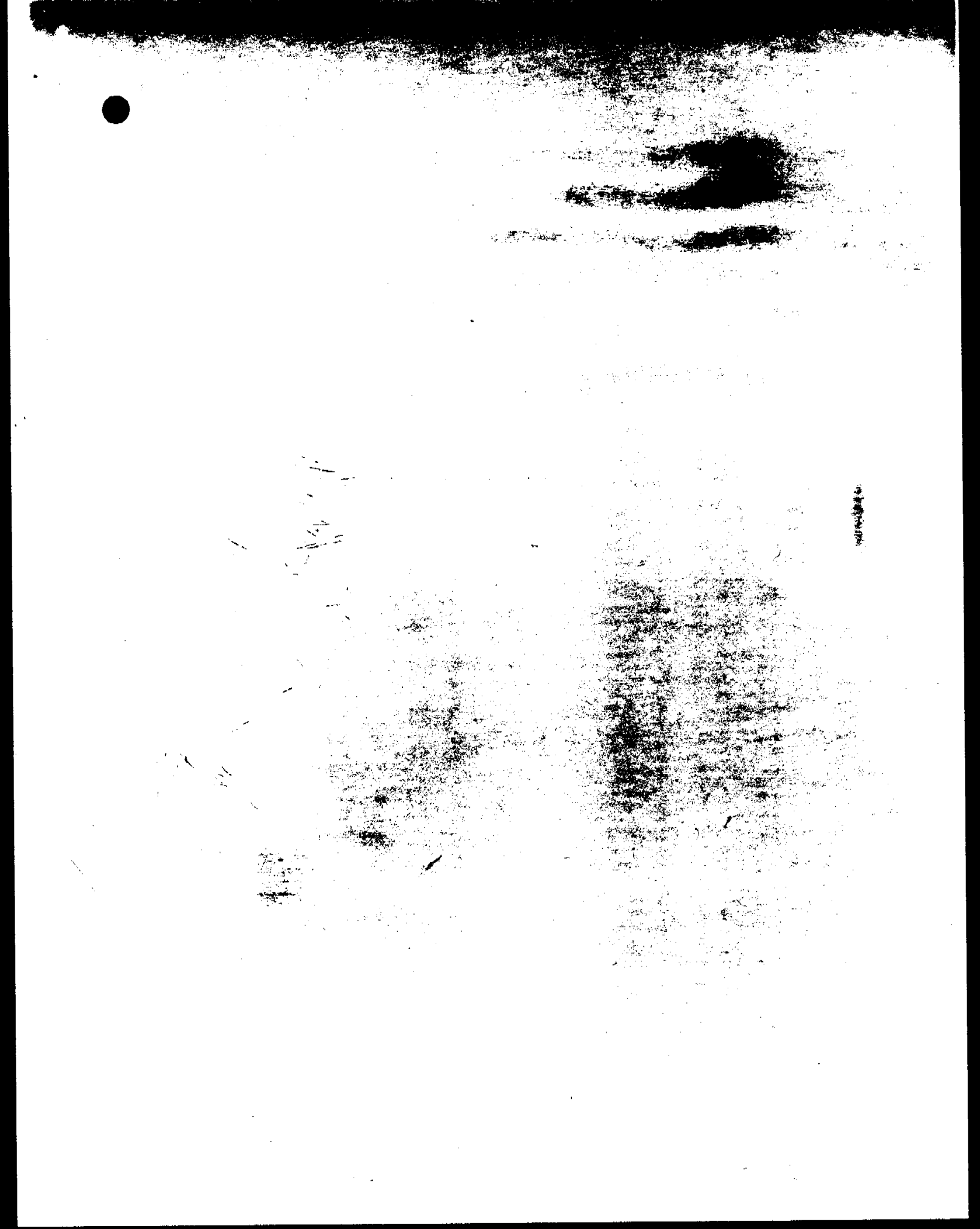
PACIFICORP dba
Pacific Power & Light Company

By_____
David F. Bolender, President

ATTEST:

IDAHO POWER COMPANY

By_____
Robert J. O'Connor,
Chairman of the Board and
Chief Executive Officer



APPENDIX B

March 17, 1988

Mr. Verl Topham
Utah Power & Light Company
1407 West North Temple
Salt Lake City, Utah 84111

Dear Mr. Topham:

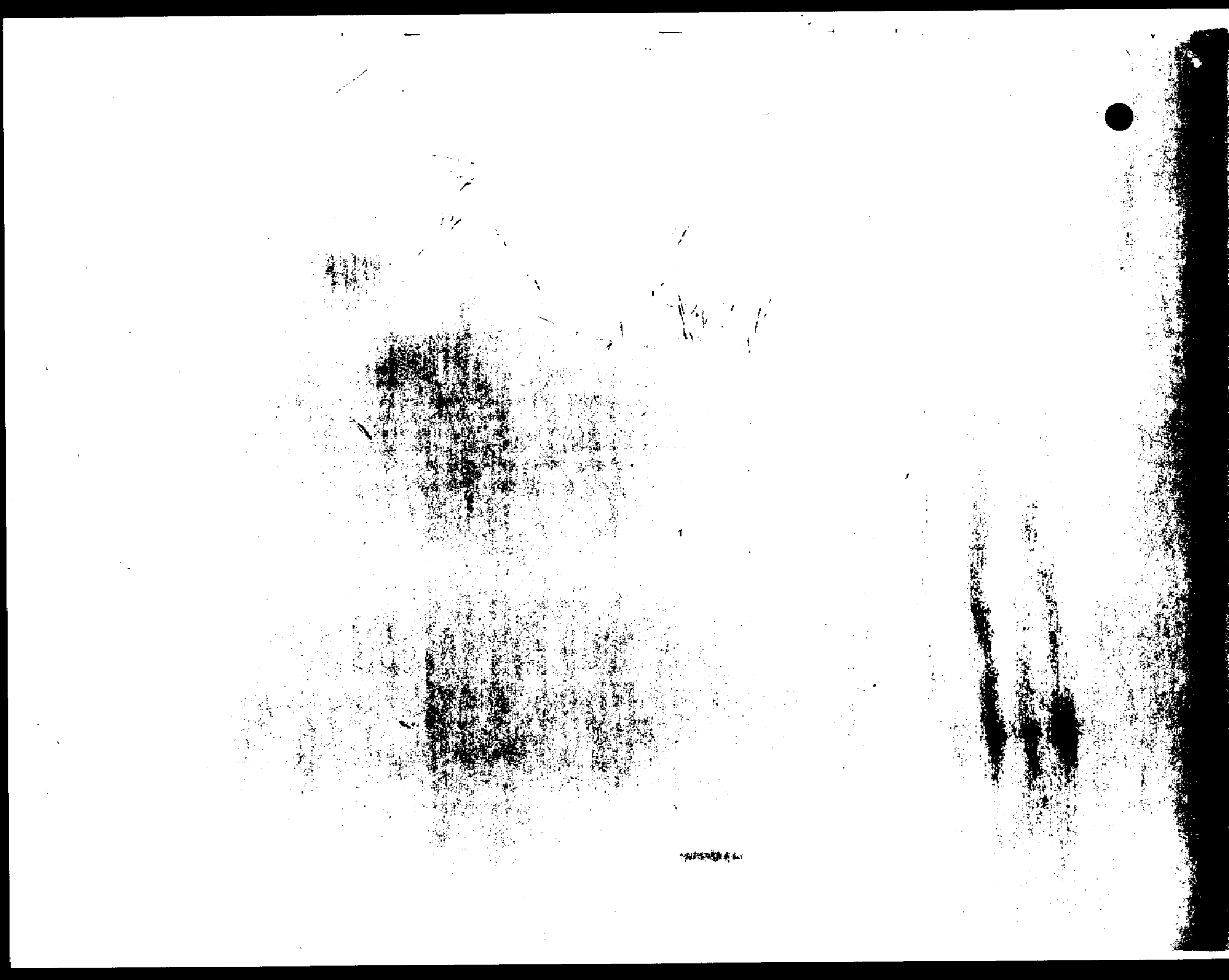
I understand that PC/UP&L Merging Corp. has expressed its willingness to provide firm wheeling service from Idaho Power Company to Washington City pursuant to an Agreement Respecting Transmission Facilities and Services with Idaho Power Company dated March 1988 (Agreement). This is to advise you that Washington City does not oppose the principle that lost opportunity costs may be included in the rate for firm transmission service to be provided pursuant to the Agreement and that Washington City will not oppose that principle in any future Federal Energy Regulatory Commission proceeding related to transmission service provided pursuant to the Agreement.

Nothing herein should be construed as agreement by Washington City that lost opportunity costs will be incurred as a result of firm transmission service provided pursuant to the Agreement, or construed as relieving PC/UP&L Merging Corp. from the responsibility of demonstrating that such lost opportunity costs will be incurred and demonstrating the amount or level of such costs, if any. Further, nothing herein should be construed as agreement by Washington City to any specific methodology for calculating the lost opportunity costs, if any, to be included in the rate for firm transmission service provided pursuant to the Agreement. It is also our understanding that the lost opportunity costs, if any, shall not include lost revenues resulting from loss of current or future electric sales by PC/UP&L Merging Corp. to Washington City.

Yours truly,

Robert A. Slack

Robert A. Slack
Mayor, Washington City



APPENDIX C

March 17, 1988

Mr. Verl Topham
Utah Power & Light Company
1407 West North Temple
Salt Lake City, Utah 84111

Dear Mr. Topham:

I understand that PC/UP&L Merging Corp. has expressed its willingness to provide firm wheeling service from Idaho Power Company to Utah Associated Municipal Power Systems (UAMPS) pursuant to an Agreement Respecting Transmission Facilities and Services with Idaho Power Company dated March 1988 (Agreement). This is to advise you that UAMPS does not oppose the principle that lost opportunity costs may be included in the rate for firm transmission service to be provided pursuant to the Agreement and that UAMPS will not oppose that principle in any future Federal Energy Regulatory Commission proceeding related to transmission service provided pursuant to the Agreement.

Nothing herein should be construed as agreement by UAMPS that lost opportunity costs will be incurred as a result of firm transmission service provided pursuant to the Agreement, or construed as relieving PC/UP&L Merging Corp. from the responsibility of demonstrating that such lost opportunity costs will be incurred and demonstrating the amount or level of such costs, if any. Further, nothing herein should be construed as agreement by UAMPS to any specific methodology for calculating the lost opportunity costs, if any, to be included in the rate for firm transmission service provided pursuant to the Agreement. It is also our understanding that the lost opportunity costs, if any, shall not include lost revenues resulting from loss of current or future electric sales by PC/UP&L Merging Corp. to UAMPS members served within the State of Utah.

Yours truly,

Carolyn S. McNeil
General Manager

ENERGY PURCHASE AND TRANSMISSION SERVICE AGREEMENT

This Energy Purchase and Transmission Service Agreement ("Agreement") dated ___ day of _____, 1988, is entered into between PC/UP&L Merging Corp., an Oregon Corporation ("Merged Company") and The Montana Power Company, a Montana Corporation ("Montana").

Section 1 Merger Proceeding

In return for the mutual commitments set forth in this Agreement, Montana will not offer any testimony or additional exhibits except to the extent requested by the Presiding Judge or otherwise required to do so by legal process, cross-examine any witnesses, or submit any briefs or arguments in opposition to positions taken by the Applicants in pending Federal Energy Regulatory Commission ("FERC") Docket No. EC88-2-000 after the date of this Agreement.

Section 2 Energy Purchases

Beginning on January 1, 1990 and continuing through December 31, 1995, Montana shall sell and the Merged Company shall purchase firm energy to be delivered to the Merged Company at the Yellowtail Substation. The Merged Company agrees to purchase 15 average megawatts at a constant delivery rate of 15 megawatts per hour (i.e., an annual load factor of 100%) for the period from January 1, 1990 through December 31, 1992. Merged

Company agrees to purchase 10 average megawatts at a constant delivery rate of 10 megawatts per hour (i.e., an annual load factor of 100%) for the period from January 1, 1993 through December 31, 1995. The prices for this firm energy shall be as follows:

Year	Energy Charge (Mills/kWh)
1990	26.10
1991	30.10
1992	34.73
1993	40.06
1994	46.21
1995	53.31

Section 3 Transmission Services

A. During the period of energy purchases under Section 2, Montana agrees to provide the Merged Company firm transmission service as follows:

(1) up to 15 Mw between the Merged Company's 161 kV point of interconnection with Montana at Billings, Montana to the Colstrip 500 kV Transmission System at Broadview and

(2) up to an additional 15 Mw between the Merged Company's 161 kV point of interconnection with Montana at Billings, Montana to the 230 kV line terminal of the Amps line at Anaconda Substation.

B. (a) Montana agrees to provide, during the period of energy purchases under Section 2, the transmission service set forth in A(1) above at no cost to the Merged Company.

(b) Montana agrees to provide such service as set forth in A(2) above at no cost to the Merged Company for the period January 1, 1990 through December 31, 1992. The Merged Company, if it wishes to use this service after 1992, shall give one year advance notice and shall pay Montana its then-effective FERC-filed embedded system firm transmission service charges, including losses, and continue such service until December 31, 1995.

Section 4 Consummation of Merger

If the proposed merger of PacifiCorp and Utah Power is not consummated, Sections 2 and 3 of this Agreement shall have no force or effect.

Section 5

Within 90 days of the execution of this Agreement, the parties shall negotiate and execute a Contract containing detailed terms and conditions necessary to implement Sections 2 and 3 of this Agreement. Said Contract will be filed with the FERC and concurred in by the Merged Company. In the event the parties are unable to reach agreement on such Contract in 90 days, Montana shall file unilaterally with FERC a proposed contract implementing Section 2 and 3 above, provided, however, that such unilateral filing shall not be inconsistent with the provisions of this Agreement. The Merged Company shall take

service under such proposed contract and pay the charges thereunder, subject to refund, and shall have the right to oppose such terms as are inconsistent with this Agreement.

Section 6 Regulatory Approval

It is the intent and belief of the Parties that this Agreement shall be a binding and enforceable contract upon its execution by the Parties and that this Agreement is not subject to filing with or approval by FERC under the Federal Power Act or FERC's regulations thereunder. It is the Parties intent that this Agreement shall be binding and enforceable regardless of any action or inaction of any regulatory body. In the event FERC determines that this Agreement is subject to such filing and/or approval, the Parties agree to put forth their best efforts to have this Agreement approved by FERC without modification or condition so as to preserve the balance of consideration herein. The Parties agree to support this Agreement in its entirety before any court or agency in any proceeding, state or federal.

Section 7 Execution In Counterpart

This Agreement may be executed by counterparts, and upon execution by the Parties each executed counterpart shall have the same force and effect as an original instrument and as if the Parties had signed the same instrument. Any signature page of this Agreement may be detached from any counterpart of this Agreement without impairing the legal effect of any

signatures thereon, and may be attached to another counterpart of this Agreement identical in form hereto but having attached to it one or more signature page.

WITNESS WHEREOF, the Parties have executed this Energy Purchase And Transmission Service Agreement effective as of the date first written above.

ATTEST: PC/UP&L MERGING CORP.

_____ By _____

ATTEST: THE MONTANA POWER COMPANY

_____ By _____ OOR

WHEELING POLICY

Following is the wheeling policy (Policy) of PacifiCorp (Company). The Policy shall be put in effect on the effective date of the merger of Utah Power & Light Company (Utah Power) and Pacificorp and shall remain in effect for at least five years. Any amendments of the Policy proposed by the Company will be submitted to the Federal Energy Regulatory Commission (FERC) for review and approval.

I. DEFINITIONS

As used herein, the following terms shall have the following meanings:

1. "Embedded Costs" means the actual fixed and variable costs associated with transmission facilities calculated in accordance with established FERC regulations.

2. "Firm Wheeling" means a contractual obligation to stand ready to transmit power and energy up to a specified amount for a specified term, subject to such interruptions as are agreed to between the contracting parties to maintain system reliability.

3. "Integrated Service Area" means a geographic area of the Company's system within which it is generally unconstrained in its ability to respond to requests to transmit power in the quantities that can be reasonably expected. A listing of the Company's Integrated Service Areas is attached hereto.

4. "Net Power Costs" means the Company's purchased power, wheeling and use-of-facilities expenses, and variable generation costs, less sale-for-resale revenues, determined on an operating year basis.

5. "Non-firm Wheeling" means transmission service that is interruptible at the sole discretion of the Company, or interruptible for any reason other than system reliability as agreed to between the contracting parties.

6. "Opportunity Costs" means the loss of economic benefits measured by any increase in the Company's Net Power Costs caused by providing Firm Wheeling service, not including lost benefits associated with the loss of the sale of firm power by the Company that is displaced by the power being transferred pursuant to this Policy.

7. "Point of Delivery" means the point at which power wheeled by the Company is received by another Utility.

8. "Point of Replacement" means the point at which the Company takes delivery of power to be wheeled for another Utility.

9. "Source" means the Mona Substation or any facility that generates electricity located within an Integrated Service Area.

10. "Transmission Dependent Utilities" means Deseret Generation and Transmission Co-operative, Utah Associated Municipal Power Systems, Inc. and its present members, and the present members of the Utah Municipal Power Association.

11. "Utility" means any public or private entity that is lawfully engaged in the business of selling electricity at wholesale or retail.

II. EXISTING CONTRACTS

All transmission contracts to which Utah Power or Pacific Power & Light Company were parties as of the effective date of this Policy shall be honored by the Company for their remaining term.

III. FIRM WHEELING WITHIN AN INTEGRATED SERVICE AREA

When both the Source and Point of Delivery are within one of its Integrated Service Areas, the Company will provide Firm Wheeling service for a requesting Utility as a matter of course unless the amount of power to be wheeled exceeds the engineering limitations of the Company's system.

The rate for Firm Wheeling service provided pursuant to this Paragraph III will be designed to recover an allocated portion of either system embedded cost or an allocated portion of the embedded cost of the facilities used to provide the requested service.

To the extent additions to the Company's transmission facilities are necessary to provide Firm Wheeling within an Integrated Service Area, and are technically feasible, the Company will construct such additions if sufficient lead time is provided and a contract term is agreed upon that is adequate to economically support the facilities required.

IV. FIRM WHEELING SERVICE INTO, OUT OF, OR THROUGH AN INTEGRATED SERVICE AREA

When either or both the Point of Replacement or the Point of Delivery are not internal to a single Integrated Service Area, the Company will determine, on a case-by-case basis, whether it is prepared to provide Firm Wheeling service for a requesting Utility. This determination will be based upon a reasonable evaluation of the following factors only:

1. The duration of the requested service;

2. Whether new facilities would have to be constructed in order to provide the requested service over the Company's facilities;

3. Whether other Utilities desire the same transmission services;

4. Whether the provisions of transmission contracts with other Utilities permit the requested service;

5. Whether the intentions of the Utility requesting service are lawful (for example would there be a violation of laws related to a certificated area);

6. The degree of firmness of the requested service;

7. The service priority of the requested service;

8. The system impacts of the requested service;

9. To the extent the requested service involves the control area of another Utility, whether that other Utility will cooperate in providing the service;

10. Whether the Utility requesting the service is a scheduling Utility;

11. Whether the Utility requesting the service has other reasonable opportunities available to it through other transmission paths; and

12. Current laws and regulations as they apply to the Company and its competitors.

The rates for Firm Wheeling service provided pursuant to this Paragraph IV shall be designed to recover an allocated portion of embedded system costs, together with Opportunity Costs incurred as a result of providing the service. At the option of the Utility requesting the service, exercised at the time of entering into a contract, Opportunity Costs will be based upon either projected or experienced operating conditions and wholesale marketing opportunities. If the Utility requesting wheeling service agrees in principle to the appropriateness of including an Opportunity Cost component in the Firm Wheeling rate, but the Company and the Utility requesting service are unable to reach agreement as to the appropriate level or methodology of such a component, the Company shall provide the requested service and unilaterally file a proposed rate including an Opportunity Cost component with the FERC, subject to refund.

V. USE OF FACILITIES CHARGES

To the extent that providing Firm Wheeling services requires the installation of facilities that are not generally useful to the Company in providing transmission services, the Company may require the payment of a use of facilities charge or contribution in aid of construction to recover costs associated with the installation of such facilities.

VI. ANCILLARY SERVICES

To the extent a request for Firm Wheeling service requires the provision of generating reserves by the Company, or load following services, which the Company is able to provide, or if transmission losses are not otherwise provided, the Company will attempt to negotiate an appropriate charge for such ancillary services with the requesting Utility. If the parties are unable to agree on an appropriate charge, the services will be provided and the Company will unilaterally file a proposed charge with the FERC, subject to refund.

VII. REQUESTS

Requests for Firm Wheeling should be made in writing to the Company. The Company will respond to written requests for wheeling services in writing in a reasonable period of time. In cases where the Company is not prepared to provide the requested service, an explanation of the factors underlying the Company's decision will be provided.

VIII. PARTICIPATION BY OTHER UTILITIES IN TRANSMISSION CONSTRUCTION

1. With respect to the construction of transmission facilities of voltage levels of 345 kV or higher and subject to applicable state regulatory approval, the Company will afford other Utilities the opportunity to participate in the project, provided that: (a) the potential participants have a legitimate interest or service-related purpose in such participation, (b) the joint participation will not unreasonably delay the project or render it impractical for the Company as a matter of economics or engineering, (c) the potential participants are prepared to equitably share in the costs and benefits of the project, considering the cost of the project, the value of the Company's existing investment in related facilities and the benefits to be derived by each party, and (d) the Utility requesting the opportunity to participate has not unreasonably denied the Company's participation in comparable projects.

2. With respect to Transmission Dependent Utilities, the Company will agree to joint participation in upgrades, improvements or additions to backbone transmission (138 kV or higher), interconnections and substation facilities that are internal to an Integrated Service Area, so that such Utilities may, subject to applicable state regulatory approval, reasonably participate in the project, provided that: (a) the potential participants have a legitimate interest or service-related purpose in such participation, (b) the joint participation will not unreasonably delay the project or render it impractical for the Company as a matter of economics or engineering and (c) the potential participants are prepared to equitably share in the costs and benefits of the project considering the cost of the project, the value of the Company's existing investment in related facilities and the benefits to be derived by each party.

3. With respect to Transmission Dependent Utilities, the Company shall not unreasonably withhold its consent to requests for upgrades, improvements or additions to interconnections, transmission and substation facilities located within an Integrated Service Area, and subject to applicable state regulatory approval, provided that: (a) the requesting Utility pays for the upgrades, improvements or additions, (b) the upgrades, improvements or additions are required to serve the retail or wholesale customers of the Transmission Dependent Utility, (c) are consistent with the Company's engineering and construction standards, and (d) the parties are able to agree upon a fair allocation among them of the additional resulting transfer capability considering the cost of the project and the value of the Company's existing investment in related facilities.

IX. REDRESS

Any Utility believing that the Company has violated this Policy, or unreasonably administered this Policy, may file a complaint with the FERC. The Company will submit to the jurisdiction of the FERC to consider any such complaint and provide for an appropriate remedy, but not to alter, modify or enlarge the Policy without the Company's consent. Parties may mutually agree to submit any dispute arising under this Policy to some other impartial arbiter whose decision will be subject, where required, to review by the FERC as an uncontested offer of settlement. This Paragraph IX shall not apply to Paragraph VIII to the extent that a state agency has jurisdiction over complaints arising from the Company's alleged failure to adhere to the provisions of Paragraph VIII.

X. NON-FIRM WHEELING

To the extent it has physical capability to do so, the Company will provide

Non-firm Wheeling to signatories of the Western Systems Power Pool Agreement or the Intercompany Pool Agreement in accordance with the terms of those agreements. In addition, the Company stands ready to negotiate separate contracts with Utilities for Non-firm Wheeling which provide for an equitable sharing of benefits between the Company and other Utilities participating in the transactions.

XI. WHEELING FOR QUALIFYING FACILITIES

The Company will provide transmission service for Qualifying Facilities to Utilities in accordance with the provisions of 18 CFR § 292.303.

INTEGRATED SERVICE AREAS

1. The existing UP&L service area in the State of Utah;
2. The existing UP&L service area in the State of Idaho;
3. The existing UP&L service area in the State of Wyoming;
4. The existing PP&L service area in Southern Oregon and Northern California;
5. The existing PP&L Coos Bay, Oregon service area;
6. The existing PP&L Lincoln City, Oregon service area;
7. The existing PP&L Willamette Valley, Oregon service area;
8. The existing PP&L Central Oregon service area;
9. The existing PP&L Hood River, Oregon service area;
10. The existing PP&L Portland, Oregon service area;
11. The existing PP&L Clatsop, Oregon service area;
12. The existing PP&L Enterprise, Oregon service area;
13. The existing PP&L Pendleton, Oregon service area;
14. The existing PP&L Walla Walla, Washington service area;
15. The existing PP&L Yakima, Washington service area;
16. The existing PP&L Sandpoint, Idaho service area;
17. The existing PP&L Libby, Montana service area;
18. The existing PP&L Kalispell, Montana service area;
19. The existing PP&L service area in the State of Wyoming;

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UF 4000

In the Matter of the Application of PACIFICORP and PC/UP&L Merging Corp. for an Order Authorizing the Merger of PACIFICORP and UTAH POWER & LIGHT COMPANY into PC/UP&L MERGING CORP. (to be renamed PacifiCorp upon completion of the merger), and Authorizing the Issuance of Securities, Assumption of Obligations, Adoption of Tariffs, and Transfer of Certificates of Public Convenience and Necessity, Allocated Territory, and Authorizations in Connection Therewith.	STIPULATION

The staff of the Public Utility Commission of Oregon (Staff), appearing by and through its attorney, W. Benny Won, Assistant Attorney General, and PacifiCorp and PC/UP&L Merging

Corp. (Applicants or Pacific), appearing by and through their attorney, James F. Fell, Attorney at Law, (jointly, Parties) hereby stipulate as follows:

I. Approvals Requested

The Applicants have filed an Application (Application) with the Public Utility Commission of Oregon (Commission) requesting the Commission's order:

1. Authorizing the merger of PacifiCorp (PacifiCorp Maine) and Utah Power & Light Company (Utah Power) with and into PC/UP&L Merging Corp., an Oregon corporation to be renamed PacifiCorp upon the closing of the merger (PacifiCorp Oregon), in accordance with an Agreement and Plan of Reorganization and Merger among PacifiCorp Maine, Utah Power, and PacifiCorp Oregon, dated August 12, 1987 (Merger Agreement), pursuant to ORS 757.480;

2. Authorizing the issuance by PacifiCorp Oregon of shares of its common and preferred stocks upon conversion of the outstanding shares of common and preferred stock of PacifiCorp Maine and Utah Power, in accordance with the terms of the Merger Agreement, pursuant to ORS 757.410;

3. Authorizing the assumption by PacifiCorp Oregon of all debt obligations of PacifiCorp Maine and Utah Power outstanding at the time of the merger, pursuant to ORS 757.440, and the continuation or creation of liens in connection therewith, pursuant to ORS 757.480;

4. Authorizing the transfer to PacifiCorp Oregon of all certificates of public convenience and necessity of PacifiCorp Maine, pursuant to ORS 758.015;

5. Authorizing the transfer to PacifiCorp Oregon of all rights to allocated territory granted to PacifiCorp Maine, pursuant to ORS 758.460;

6. Authorizing the adoption by PacifiCorp Oregon of all tariff schedules and service contracts of PacifiCorp Maine on file with the Commission and in effect at the time of the merger, pursuant to ORS 757.205;

7. Authorizing the transfer to PacifiCorp Oregon of all Commission authorizations and approvals granted to PacifiCorp Maine for transactions with controlled corporations or affiliated interests, pursuant to ORS 757.490 and 757.495;

8. Authorizing the transfer to PacifiCorp Oregon of

all Commission authorizations and approvals for the issuance of securities by PacifiCorp Maine which have not been fully utilized, pursuant to ORS 757.410; and

9. Directing that upon the merger PacifiCorp Oregon shall succeed to all of the rights and responsibilities of PacifiCorp Maine under the public utility laws of the State of Oregon and the orders of the Commission.

II. Basis of Stipulation

The Staff has reviewed the Application, Pacific's prefiled testimony and exhibits, and responses to discovery in this and other jurisdictions, and has conducted its own studies and investigation. The Staff has determined that the proposed merger would be in the public interest of the State of Oregon, provided that the terms of this Stipulation are adopted. The Parties enter into this Stipulation voluntarily to resolve matters not in dispute among them and to expedite the orderly conduct and disposition of this proceeding.

III. Approval Recommendation

The Parties recommend approval of the Application subject to Section IV of this Stipulation. Subject to Section IV, the

Parties specifically agree that the Merger Agreement and all transactions proposed in the Application are in the public interest and meet the requirements of the applicable Oregon statutes. To the extent the Application and this Stipulation conflict, this Stipulation shall govern.

IV. Terms of Approval

The terms of this Section shall apply to the approvals requested by Pacific. These terms are intended to ensure that (i) the proposed merger does not harm Pacific's Oregon customers, (ii) Pacific's Oregon customers receive a fair allocation of merger benefits, and (iii) Pacific's Oregon customers do not subsidize benefits provided to Utah Power's customers.

A. Exhibits to Stipulation

The following exhibits to Pacific's prefiled testimony are attached as Exhibits to this Stipulation, as they apply to the terms contained herein:

1. Exhibit 1, entitled Pacific Power & Light Company-Utah Power & Light Company, Consolidated Operating Benefits (Docket No.

UF 4000, Exhibit No. 4, pages 1 through 10, Witness: F. D. Reed); and

2. Exhibit 2, entitled Estimated Power Supply Savings from Merger (Docket No. UF 4000, Exhibit No. 8.1, Witness: D. P. Steinberg).

For purposes of this Stipulation, the years 1988 through 1992 as used in Exhibits 1 and 2 shall refer to calendar years 1 through 5 following the closing of the merger, as provided in Section V of this Stipulation.

B. Reporting Requirements

The Parties acknowledge that Pacific submits semi-annual regulatory results of operations to the Commission. The semi-annual reports contain information requested by the Staff, as modified from time to time. Pacific agrees that following the merger these reports as well as all general rate applications and Commission show-cause actions will demonstrate the effects of the merger on the various items referred to in Exhibits 1 and 2 to this Stipulation, as well as additional items for which benefits have been achieved but which have not been currently identified. Detailed workpapers shall be supplied that separately illustrate the savings

depicted in Exhibits 1 and 2, as well as other identified categories, and how they affect Oregon jurisdictional results. Initial reports shall include:

1. A showing of the consolidated operating merger benefits achieved for each category identified in Exhibits 1 and 2 to this Stipulation, as well as additional categories for which benefits have been achieved but which have not been currently identified or quantified. The showing shall be supported by detailed workpapers.

2. A showing of the Oregon allocated merger operating benefits achieved for each category identified in Exhibits 1 and 2 to this Stipulation, as well as additional categories not currently specified for which benefits have been achieved. All allocation methods employed shall be clearly described and supported by detailed workpapers. In demonstrating power supply benefits, Pacific shall provide a study showing net power supply costs for Pacific and Utah Power separately as if the merger had not occurred and net power supply costs for the merged company.

3. A statement of Pacific's then current bond ratings and an explanation of the rationale for any change in the ratings (from the currently acknowledged Standard and Poors, A-; Moody's, A3; Duff & Phelps, 7) subsequent to the merger.

4. A schedule of Pacific's preferred stock and debt series that delineates separately pre-merger Pacific preferred stock and debt series, pre-merger Utah Power preferred stock and debt series, and post-merger preferred stock and debt series. Recapitalizations of pre-merger preferred stock or debt series shall be included in the post-merger preferred stock and debt series and clearly identified as recapitalizations.

5. A description of all major post-merger additions to generation and system transmission plant and related system facilities, including the cost of each addition. For purposes of this paragraph, major additions shall be determined based upon Pacific's currently applicable budgetary criteria, a statement of which is attached as Exhibit 3 to this Stipulation.

C. Allocation of Merger Costs and Benefits

Pacific agrees to initiate an allocation committee consisting of representatives from all appropriate regulatory jurisdictions of the merged company within six weeks after the merger has been approved by all authorities. The function of this committee will be to develop just and reasonable methods for the allocation of joint costs and benefits of the merger. The Staff and Pacific agree to participate in the committee in good faith, although neither shall be bound by this Stipulation to accept the recommendations of such committee. Until the Staff and Pacific agree on final methods for the allocation of joint costs and benefits of the merger and until the Commission adopts such methods, the Parties agree that the general guidelines for allocating merger costs and benefits specified below shall be adhered to in Pacific's general rate applications or Commission show-cause actions. These guidelines are general in nature and are intended only to be used for determining the share of merger costs and benefits allocable to Pacific's Oregon customers. These guidelines do not take into consideration factors that may be significant to Pacific's other jurisdictions, to Utah Power's jurisdictions, or to the development of consensus among all jurisdictions.

1. Pre-merger generation and transmission

facilities of Pacific and Utah Power shall remain the responsibility of and shall be assigned directly to the Pacific Power and Utah Power divisions, respectively. Pre-merger facilities of this nature shall be comprised of facilities not occasioned by consideration of the merger included in plant in service as of December 31, 1988, facilities budgeted as of August 12, 1987, plus replacements, additions and betterments that do not result in appreciable changes to existing generation or system transmission plant.

2. Post-merger additions to generation and system transmission plant and related system facilities due to the merger shall be allocated between the Pacific Power and Utah Power divisions on an equitable basis that is based on sound economic principles and is mutually agreeable to the Staff and Pacific.

3. Net power cost changes due to the merger shall be allocated on an equitable basis that is mutually agreeable to Staff and Pacific. The allocation method shall embody the principle,

but not necessarily the practice, of Pacific's Allocation Notes 1 and 1A. Net power cost changes due to the merger shall be determined based on the results of studies showing net power costs for Pacific and Utah Power separately as if the merger had not occurred and net power costs for the merged company.

4. Other cost changes due to the merger shall be allocated using equitable allocation methods that (i) embody the principle that incurred costs and benefits follow the cause of such costs and benefits and (ii) are mutually agreeable to the Staff and Pacific. For example:

(a) Economic development costs that can be directly assigned to each operating division shall be so assigned. Such costs that cannot be directly assigned shall be allocated by a method that is mutually agreeable to the Staff and Pacific.

(b) Manpower costs shall be directly accounted for by operating division as much as practicable. For centralized functions,

manpower costs shall be allocated by a method that is mutually agreeable to the Staff and Pacific.

(c) Costs attributable to administrative combinations shall, in general, be accounted for at the consolidated total system level and allocated between the Pacific Power and Utah Power divisions by a method that is mutually agreeable to the Staff and Pacific. Costs referred to in this paragraph include those in areas such as group welfare plans, computer systems, legal expense, insurance, and financial services.

(d) Costs occasioned by the merger shall be directly assigned to each operating division where applicable. All other costs occasioned by the merger shall be pooled and allocated by a method that is mutually agreeable to the Staff and Pacific.

5. Wherever these guidelines require mutual agreement between the Staff and Pacific, if

the Staff and Pacific are unable to agree after reasonable efforts to do so, the method of allocation shall be determined by the Commission based upon the guidelines in this Subsection C.

Pacific agrees that its shareholders shall assume all risks that may result from less than full system cost recovery if inter-divisional allocation methods differ among the merged company's various jurisdictions.

The provisions of this Subsection C apply only to the allocation of merger costs and benefits between the Pacific Power and Utah Power divisions. Allocations within the Pacific Power division shall be governed by Pacific's existing jurisdictional allocation methods, as modified from time to time.

D. Future Rate Cases

Pacific represents and warrants that its Oregon customers shall be held harmless if the merger results in greater net costs to serve Oregon customers than if the merger had not occurred. More specifically, Pacific agrees as follows:

1. Pre-merger Utah Power rate base assets shall be excluded from calculations of Pacific's rate base assets devoted to serve Oregon customers.

2. By the end of the second quarter of calendar year 1989, Pacific shall file with the Commission a general rate case using a fully normalized test period based upon Pacific's December 1988 semi-annual report. This filing will include pro forma adjustments to reflect estimated merger benefits shown on Exhibit 1 as allocated to the State of Oregon, for the portions of calendar years 1 and 2 within the 12-month period ending June, 1990, as well as all known major costs and revenue changes. Pacific further agrees not to effect any overall increase in electric rates in Oregon prior to the end of calendar year 1992. The Parties acknowledge that, notwithstanding the rate-making commitments in this paragraph, Pacific may propose price adjustments (upward or downward) among or within various customer groups.

3. Staff reserves the right to propose adjustments

to Pacific's embedded debt and preferred stock costs in future rate proceedings. Pacific shall be given an opportunity to oppose any such adjustments.

4. Pacific agrees that a method of establishing common equity costs that relies upon the use of comparable companies will be used in future rate proceedings during calendar years 1 through 5.

E. Agreements Regarding Specific Approvals

With regard to the specific approvals requested in its Application, Pacific represents and agrees as follows:

1. Pacific shall demonstrate, when necessary, that the operation of the merged company does not negate the basis for existing certificates of public convenience and necessity.

2. Tariffs on file with the Commission at the time of action on this merger docket shall be the same tariffs in force after the merger is consummated, except for changes specifically approved by the Commission.

3. The terms and conditions of pre-merger existing affiliated interest and/or controlled corporation contracts approved by the Commission shall be unchanged in all material respects at the time of the merger, except for changes specifically approved by the Commission. As required by ORS 757.490 and 757.495, Pacific shall promptly file new affiliated interest or controlled corporation contracts that are occasioned as a result of the merger.

4. The information contained in the Application regarding the shares of PacifiCorp Oregon common stock to be issued upon the merger shall be unchanged in all material respects at the time of the merger. Further, Pacific agrees that if the issuance of additional shares must be made to accomplish the merger, it shall promptly amend its Application for approval to do so.

5. Pacific agrees to promptly file with the Commission Pacific's and Utah Power's Forms 10-K, 10-Q, and 8-K filed with the Securities and Exchange Commission prior to the date the Commission issues its Order in this

matter. If, subsequent to the Commission Order, Pacific or Utah Power files with the Securities and Exchange Commission a Form 10-K, 10-Q, or 8-K that reflects merger-related contingent liabilities not considered at the time of the Commission's decision, such information shall be reported to the Commission.

6. Pacific accepts all the terms and conditions attached to the existing authorizations by the Commission for the issuance of securities.

F. Modification of Terms

The terms of this Section IV may be modified by mutual agreement between the Staff and Pacific and upon approval of such modification by the Commission, subject to the applicable laws of the State of Oregon and rules and procedures of the Commission regarding notice, opportunity for comment or hearing, and agency decision-making.

V. Term of Stipulation

The terms of Section IV of this Stipulation shall be effective for a period of five calendar years from the date

of the closing of the merger.

VI. Parties' Recommendation

The Parties recommend that the Commission adopt this Stipulation in its entirety. The Parties have negotiated this Stipulation as an integrated document. Accordingly, if the Commission rejects all or any material portion of this Stipulation, each Party reserves the right, upon written notice to the Commission and all parties to this proceeding within 15 days of the date of the Commission's order, to withdraw from the Stipulation and request an opportunity for the presentation of additional evidence and argument.

VII. Effect of the Stipulation

The Parties understand that this Stipulation is not binding on the Commission in ruling on the Application and does not foreclose the Commission from dealing with other merger issues that are raised by other parties to this proceeding. Except as provided in Section IV.F. of this Stipulation, to the extent this Stipulation affects future rate proceedings, the Parties agree to recommend no actions by the Commission contrary to the terms set forth

in this Stipulation.

Dated this 3rd day of March, 1988.

James F. Fell
Attorney at Law
For Applicants

W. Benny Won
Asst. Attorney General
For Oregon PUC Staff

ah/5476H

Stipulation
Exhibit 1

Docket No. UF-4000
Exhibit No. 4
Page No. 1 of 10
Witness: F. D. Reed

PACIFIC POWER & LIGHT COMPANY
UTAH POWER & LIGHT COMPANY

CONSOLIDATED OPERATING BENEFITS*
(Millions Of Dollars)

	1988[1]	1989	1990	1991	1992
Reduced Construction[2]	$ 1	$ 3	$ 5	$ 8	$ 11
Economic Development[3]	1	2	6	11	17
Administrative Combinations[4]	19	20	20	20	20
Manpower Efficiencies[5]	10	20	30	42	53
Power Supply[6]	17	25	40	47	57
Total Benefits	$48	$70	$101	$128	$158

* Notes attached.

Note (1) - Calendar Year Basis

Consolidated Operating Benefits are shown on a calendar year basis, assuming the merger is consummated January 1, 1988.

Note (2) - Reduced Construction

Pacific Power

Removals or Deferrals Beyond 1992

The following fossil projects which were part of Pacific's 1987 construction program will be avoided or delayed past 1992 under the combined system: Jim Bridger Units 1, 2 and 4 turbine upgrades, Jim Bridger Units 1, 2, and 3 cooling towers, Jim Bridger Unit 4 economizer, and the Centralia cooling tower.

Projects Added to the Plan:

The need for additional transmission capacity for the merged system will necessitate the building of the following additional transmission projects: Naughton-Jim Bridger 230 kV line, Riverton and Rock Springs capacitors, and the Naughton phase shifter.

Rescheduled and Adjusted Existing Projects

The South Trona to Monument line and Firehole substation are expected to be moved from 1989 to 1988 to meet additional capacity needs. Information Management projects, Wyoming and Washington fossil projects, and Wyoming microwaves will be reduced due to efficiency savings in the merger.

Utah Power

Although it is premature to specifically identify all of the construction projects which will be specifically altered, as a result of the merger, between the two companies, it is estimated there will be a reduction of $14 million Production, $1 million Transmission, $34 million Distribution, and $18 million General Plant. This, of course, is offset by additions for transmission interconnections between the two systems of $8 million in 1988 through 1992.

Note (3) - Economic Development

Pacific has had an active and expanding economic development program for several years.

While this program has been successful, the nature of the service territory limits its competitiveness for projects.

A larger and more diverse service territory will make the combined companies more competitive for such projects than Pacific alone.

There are significant economies of scale in economic development activities. The combined companies will be able to market more than twice the geographic area for about a 50 percent increase in expenditures.

UP&L is just starting its economic development program. The merger will allow them to avoid most of the start-up and learning curve expenses usually associated with a new program.

Pacific has established a specific set of economic development goals (see Attachment 1). These were set using the results of the Company's 20-volume Target Industry Study, combined with an empirical evaluation of known opportunities. These goals are being further refined with the Site Economic Evaluation Data Base (SEED) also developed by the Company.

In order to develop a preliminary assessment of economic development benefits of the merger, Pacific reviewed its own analysis and research. Discussions have been held with UP&L marketing personnel regarding the potential for economic development in their service territory.

An assessment of economic development benefits was made jointly by Pacific Power and Utah Power. While there are a number of specific assumptions, the most important is that after a "ramp up" period the added economic development potential of the Utah Power service territory after the merger is roughly proportionate to that of Pacific's (see Attachment 2).

After the merger is complete the combined companies will perform a comprehensive evaluation of economic development potential in the current Utah Power service territory. This will, in all probability, draw on the methodology and results of the Pacific Power Target Industry and SEED studies.

This assessment includes only the benefits from increased electric sales. It does not include increased tax revenues to state and local government or any of the other positive results of economic growth and diversification resulting from these activities.

NOTE (4) - Administration Combinations

Group Welfare Plan Benefits

In the group welfare plan area, approximately $1 million annually in administrative costs could be saved by merging with Utah Power & Light. Utah has established mutual insurance companies to administer their claims, and Pacific's preliminary analysis indicates that since Utah is operating on a non-profit basis, Pacific could utilize Utah's services and systems to achieve these savings.

Computer Systems Benefits

Certain contracts can be reduced in cost because of the combination as well as utilization of systems in place versus acquiring new systems will reduce cost by some $2 million annually. Examples of these benefits include the following:

1) IBM Hardware and Software License and Maintenance

   Pacific analyzed the enterprise license agreement. The analysis showed that if Pacific had an additional site license they could save approximately $1.2 million on IBM license costs. With Utah Power, the additional site can be obtained.

2) Non-IBM System Software License Savings

   The second site license from most of the vendors is about 50% of the base cost. Maintenance (which is about 20% of base cost) would also decrease by 50%. As a result, Utah Power as a second site would experience a savings of $400,000.

Legal Expense

Utah Power & Light has a staff of in-house attorneys to take care of their legal issues. The combined companies can benefit from the better utilization of this in-house legal expertise and corresponding reductions to outside legal services expense. Estimated savings are approximately $1 million per year.

Environmental Services

Several management decisions in the environmental area, if modified, appear to have the potential to reduce operating costs:

1) PCB: Utah Power has a program of testing all electrical equipment and replacing any contaminated equipment. Over $3 million was budgeted for 1987 and $1.7 million has been expended through June 1987. When coupled with the testing program (approximately 75% of the equipment has been physically tested), a significant savings could be accomplished via modifications to this program.

2) Overall Management: Pacific Power has, over the last few years, developed expertise in actively participating in the handling of potential hazardous waste sites (such as AB and Utah Metal). This active participation role has helped Pacific reduce the overall costs of its programs, and we expect similar success can be achieved at Utah Power sites.

3) Other: A complete review of all environmental service of both companies is expected to disclose other potential savings.

It is estimated that $3 million in annual savings are possible, given modifications to the aforementioned and perhaps other programs.

Insurance

Combining the casualty and property insurance coverages for Utah Power and Pacific Power will result in a significant reduction in expense (approximately $10-11 million a year). This expected reduction is based upon the following assumptions:

1) Pacific Power has discussed adding Utah Power to its insurance programs with its insurance brokers. The incremental cost for property and casualty insurance for Utah's electric operations will be approximately $5 million, without significantly impacting the level of coverage for Pacific or Utah.

This compares with $13 million for proeprty and casualty insurance for Utah Power in 1987, or a savings of $8 million (excluding coverage for Utah's mining operation).

2) It is anticipated that the need for separate Director and Officer liability insurance can be phased out over the next few years, thereby saving $3 million.

Financial Services

At a minimum, it is estimated that the combination of Utah Power with Pacific Power will save approximately $1 million through the elimination of duplicated financial services.

These services include: (1) DH&S and FERC audit expense; (2) stockholder's services; and (3) investor relations.

Power Plant Maintenance Savings

Power plant maintenance savings of some $2 million per year result from consolidation of functions, sharing of expertise and use of capabilities developed by one utility at some tangible cost, but transferable and beneficial to the other utility.

Note (5) - Manpower Efficiencies

As the merger evolves, efficiencies and combination of functions will occur over time, allowing for a gradual reduction of manpower based on normal attrition. The attrition rates are estimated at 3% for Pacific and 1.7% for Utah Power (early retirement options in 1983, 1985 and 1987 have impacted attrition for the next few years). The specific areas and job functions have not been identified--as the merger formally occurs, teams will be assigned to examine opportunities, and make specific recommendations.

The following is a summary of the attrition savings related to the merger:

PP&L 1987 Attrition

1987 Saved Positions	124
Benefits	$6.0 million

In anticipation of the merger, Pacific Power elected to not replace these positions. Utah Power also had material manpower reductions in 1987; however, it appears they would not be replaced whether the merger occurs or not.

Forecast Attrition

Utah Power & Light Company
Pacific Power & Light Company

Forecast Attrition
(In Millions)
1988-1992

	1988	1989	1990	1991	1992
Utah Power					
Positions[1/]	42	85	84	82	81
Accum. Positions	42	127	211	293	374
Benefits[2/]	$1.1	$4.6	$9.3	$14.4	$19.5
Pacific Power					
Positions[3/]	120	117	113	110	106
Accum. Positions	120	237	350	460	566
1987 Attrition	$ 6.0	$ 6.0	$ 6.0	$ 6.0	$ 6.0
Benefits[4/]	$ 2.9	$ 8.9	$15.0	$21.3	$27.8
Total Benefits	$ 8.9	$14.9	$21.0	$27.3	$33.8
Total Incl. 1987	$10.0	$19.5	$30.3	$41.7	$53.3

1/ Based on 1.7% annual attrition rate.

2/ Includes wages, labor overheads & reduction in annex office space reductions.

3/ Based on 3.0% annual attrition rate.

4/ Includes wages and employee benefits.

Note (6) - Power Supply

Power Supply benefits are described in detail in Mr. Steinberg's testimony and Exhibit 8.2. The benefits shown in this line of the exhibit, however, exclude the benefits from reduced generation and transmission construction included in that testimony.

These benefits rather are reflected in the reduced construction line (see Note 2 above).

ATTACHMENT NO. 1

PACIFIC POWER & LIGHT COMPANY

Economic Development Program Results

Year End
1988-1992

	1988	1989	1990	1991	1992
Basic Jobs	3,000	4,000	5,000	7,000	10,000
Total Sales (MWH)[1]	300,000	500,000	700,000	1,000,000	1,400,000
Total Revenues[1]	$12,000,000	$19,000,000	$26,000,000	$37,000,000	$52,000,000
Total Margins Before Operating Expenses	$ 8,000,000	$12,000,000	$16,000,000	$22,000,000	$29,000,000
Operating Expenses	$ 3,040,000	$ 4,162,000	$ 4,294,000	$ 3,979,000	$ 3,514,000
Total Margins After Operating Expenses	$ 4,960,000	$ 7,838,000	$11,706,000	$18,021,000	$25,486,000

(1) Includes direct and indirect effects

November 20, 1987
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Exhibit No. 4
Page No. 9 of 10
Witness: F. D. Reed

ATTACHMENT NO. 2

PACIFIC POWER & LIGHT COMPANY

Incremental Economic Development Benefits
Resulting from Merger of

Pacific Power & Light Company
and
Utah Power & Light Company

Year End
1988-1992

	1988	1989	1990	1991	1992
Basic Jobs	2,200	2,700	3,600	4,500	6,400
Total Sales (MWH)[1]	70,000	104,000	325,000	583,000	828,000
Total Revenues[1]	$3,900,000	$6,200,000	$14,400,000	$24,200,000	$34,800,000
Total Margins Before Operating Expenses	$2,700,000	$3,900,000	$ 8,400,000	$13,400,000	$18,700,000
Operating Expenses	$1,800,000	$2,100,000	$ 2,100,000	$ 2,000,000	$ 1,800,000
Total Margins After Operating Expenses	$ 900,000	$1,800,000	$ 6,300,000	$11,400,000	$16,900,000

(1) Includes direct and indirect effects

November 20, 1987
SRH-4-2.tbl

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Stipulation
Exhibit 2

Docket No. UF-4000
Exhibit No. 8.1
Witness: D.P. Steinberg

Estimated Power Supply Savings from Merger
(Millions of Dollars)

	1988	1989	1990	1991	1992
(1) Net Savings in New Generation and Transmission Capacity	-1.8	-2.2	-0.2	2.0	8.5
(2) Net Power Cost Savings	16.7	22.4	35.5	40.2	44.2
(3) Total	14.9	20.2	35.3	42.2	52.7

Power Planning - 11/20/87

Expense and Capital Definitions

- Major Project

  1. Total Project cost to exceed $2,000,000 in Direct cost.

  2. Generally, the duration is for more than one budget year.

  3. Executive Council or Budget Committee to have discretionary authority to classify specific projects as major, regardless of dollar value or duration of the project.

AGREEMENT FOR MITIGATION
OF MAJOR LOOP FLOW

THIS AGREEMENT is executed as of February 12, 1988, by and between PACIFIC GAS AND ELECTRIC COMPANY (PG&E), PACIFICORP (Pacific), SOUTHERN CALIFORNIA EDISON COMPANY (SCE) AND UTAH POWER & LIGHT COMPANY (Utah), corporations organized and existing under the laws of their respective states of incorporation.

IN CONSIDERATION of the mutual covenants herein set forth, the Parties agree as follows:

1. Development of Plan of Action.

In consultation with other scheduling utilities in the WSCC, the Parties will endeavor to establish a plan of action designed to minimize Major Loop Flow on the most efficient and cost-effective basis and will endeavor to agree upon cost responsibility for that plan of action as among members of the WSCC; provided, that no Party shall have any obligation to support or accept the presently proposed WSCC administrative proposal. Further, Pacific and Utah shall have the responsibility to be the leading entities in endeavoring to establish such a plan of action

and shall coordinate such effort.

If a plan of action and agreement as to cost responsibility has not been developed that all Parties concur in by August 10, 1988, Section 2 shall be implemented.

2. Phase Shifter Plan of Action.

2.1 Utah and Pacific shall proceed expeditiously to arrange for the installation of phase shifting transformers and associated control and electrical equipment (Phase Shifters) as described below.

2.2 Utah shall order the Phase Shifters as described below not later than 240 days after February 12, 1988, or if that day is a Saturday, Sunday or holiday, on the first business day thereafter. Utah shall make a good faith effort to have the Phase Shifters installed within 24 months following the date on which the order is placed.

2.3 Utah and Pacific shall install Phase Shifters on the Sigurd-Glen Canyon transmission line and the Pinto-Four Corners transmission line together with such associated control and electrical equipment as necessary for

their installation and operation consistent with prudent utility practice.

2.4 The Phase Shifters to be installed pursuant to Section 2.3 shall be selected to be compatible with and comparable in phase shifting range and capability to the phase shifters which WAPA is installing on the Lost Canyon-Shiprock 230 kV and the Long Hollow-San Juan 345 kV transmission lines. Utah's selection of these Phase Shifters shall be subject to the review and approval of all Parties. No Party shall unreasonably withhold its approval.

2.5 Utah shall at all times, maintain the Phase Shifters installed pursuant to Section 2.3 in accordance with prudent utility practice, including replacing them if necessary, and so operate them such that the total actual flow on the Sigurd-Glen Canyon transmission line and the Pinto-Four Corners transmission line is controlled in both directions approximately equal to the total scheduled flow on these lines (to the extent technically practicable), unless otherwise agreed by all the Parties.

2.6 No Party shall construct transmission facilities or be a majority participant in the construction of transmission facilities that substantially undermine the

effectiveness of the Phase Shifters to meet the control objectives set forth in Section 2.5. If, despite the best efforts of the Parties, transmission facilities are constructed which substantially undermine the effectiveness of the Phase Shifters to meet the control objectives set forth in Section 2.5, Utah's obligations pursuant to Section 2.5 shall be adjusted in a reasonable manner by the mutual agreement of the Parties. No Party shall unreasonably withhold its approval.

2.7 Utah shall be responsible for all design, construction, operation and maintenance, including replacements, of the Phase Shifters installed pursuant to Section 2.3.

2.8 Utah and Pacific shall be responsible for all costs of design, construction, operation and maintenance, including replacements, of the Phase Shifters installed pursuant to Section 2.3.

2.9 PG&E and SCE shall pay Utah and Pacific an annual fee. Such fee shall be payable beginning December 31 of the first year of commercial operation of the Phase Shifters installed pursuant to Section 2.3 and shall be designed to recover the costs reasonably incurred by Utah

and Pacific in installing, operating and maintaining the Phase Shifters pursuant to Section 2 of this Agreement. This annual fee will recover 30% of the Annual Capital Carrying Charge Percentage multiplied by the actual cost of purchasing and installing the Phase Shifters plus 30% of the annual operating and maintenance expenses incurred by Utah and Pacific on the Phase Shifters; provided that, for the purpose of this calculation, the figure for the cost of purchasing the Phase Shifters shall not exceed $20,000,000.

If it is mutually agreed among the Parties that one or more of the Phase Shifters must be replaced in order to meet the control objectives set forth in Section 2.5, then PG&E and SCE shall pay 30% of the Annual Capital Carrying Charge Percentage multiplied by the cost of purchasing and installing the replacement Phase Shifter(s). The cost, for the purpose of calculation, of purchasing the replacement Phase Shifter(s) will be calculated by taking the actual cost of purchasing a replacement Phase Shifter(s) reduced by the: (1) salvage value of the damaged Phase Shifter(s), and (2) any insurance recovery and any recovery from third parties relating to the Phase Shifter(s) being damaged.

For the purpose of this Section, the term "Annual Carrying Charge Percentage" shall consist of the following components:

Return - based on Utah's then currently authorized return on FERC rate base.

Income taxes - based on any applicable state and Federal tax rates, reflecting state and Federal tax depreciation and interest on debt.

Ad valorem taxes.

Depreciation - based on Utah's then currently authorized FERC depreciation rates.

Administrative and general expenses, including insurance premiums, equal to or less than 1% of the original cost of the Phase Shifters.

Operation and maintenance expenses will reflect actual expenses.

2.10 The Parties shall jointly endeavor to obtain contributions to the cost of implementing this

Section 2 from others. If others contribute to the cost of implementing this Section 2, the annual fee to be paid by PG&E and SCE pursuant to Paragraph 2.8 shall be adjusted in the following manner:

> The annual fee shall be adjusted so as to credit PG&E and SCE with 50% of any and all contributions received from other parties until the PG&E/SCE cost responsibility equals 25%. Thereafter, the annual fee shall be adjusted by crediting PG&E/SCE with 25% of any such contributions at the time they are made.

3. Record Keeping. If Pacific and Utah merge as proposed in Federal Energy Regulatory Commission Docket No. EC88-02-000, and thereafter decide to combine into one control area what are presently their three separate control areas, they shall maintain records of their transfers of electric power into and from what is now Pacific's western control area as if it remained a separate control area and electric power transfers from and into it were scheduled as they presently are. The merged company shall provide these records to PG&E and SCE upon request.

4. No Dedication.

4.1 Any undertaking by one Party to the other Party under any provision of this Agreement is rendered

strictly as an accommodation and shall not constitute the dedication of the electric system or any portion thereof by the undertaking Party to the public or to the other Party or any third party, and it is understood and agreed that any such undertaking under any provisions of or resulting from this Agreement by a Party shall cease upon the termination of such Party's obligations under this Agreement.

4.2 The signatories by entering into this Agreement do not hold themselves out to enter into like or similar undertakings for any other person or entity.

5. Rights of Third Parties. Nothing in this Agreement shall be construed to create any duty to, any standard of care with reference to, or any liability to any third party.

6. Uncontrollable Forces. No Party shall be considered to be in default in the performance of any obligation under this Agreement when a failure of performance shall be the result of uncontrollable force. The term "uncontrollable force" shall mean any cause or causes beyond the control of the Party unable to perform such obligation, including, but not limited to, failure of or threat of failure of facilities, flood, earthquake, storm, drought, fire, pestilence, lightning and other natural

catastrophes, epidemic, war, riot, civil disturbance or disobedience, sabotage, strike, lockout, labor disturbance, labor or material shortage, government priorities and restraint by court order or public authority or regulatory authority, any of which by exercise of due diligence such Party could not reasonably have been expected to avoid and which by exercise of due diligence it has been unable to overcome.

7. Control and Ownership of Facilities. Phase Shifters installed pursuant to Section 2.3 shall at all times be and remain in the exclusive ownership, possession and control of Utah, and nothing in this Agreement shall be construed to give any other Party any right or liability of ownership, possession or control of that system except as provided in Section 2 of this Agreement.

8. Assignment.

8.1 No transfer or assignment of all or any part of this Agreement or any rights, benefits or duties under it by any Party shall be effective without the prior written consent of the other Parties; provided, that this Section shall not apply to interests which arise by reason of any deeds of trust, mortgages, indentures or security agreements

heretofore granted or executed by a party; provided further, that this Section shall not apply to the proposed merger of Pacific and Utah into a successor corporation, as proposed in FERC Docket No. EC88-02-000.

8.2 Any successor to or transferee or assignee of the rights or obligations of any Party, whether by voluntary transfer, judicial sale, foreclosure sale, or otherwise, shall be subject to all terms and conditions of this Agreement to the same extent as though such successor, transferee or assignee were an original Party.

8.3 The transferor or assignor of all or any part of this Agreement or any right or benefit under it shall continue to be obligated by the terms and conditions of this Agreement in the event its successor, transferee or assignee fails to perform as required by this Agreement.

9. Audit Rights. Any Party shall have the right to review supporting documents upon which Utah and Pacific base any charges to PG&E and SCE for a period up to two years after receipt of a bill for such charges.

10. Term and Termination.

10.1 Effective Date. This agreement shall become effective when it is signed by all Parties. Services to be performed under this Agreement, which are subject to the jurisdiction of the FERC, however, shall only become effective when this Agreement is permitted to become effective as to such services by FERC; provided, that this Agreement is expressly conditioned upon FERC's acceptance of all provisions hereof, without change or condition, and shall not become effective as to such services unless so accepted, unless otherwise agreed by the Parties; provided further, that if upon filing FERC enters into a hearing to determine whether this Agreement is just and reasonable as to such services, this Agreement shall not become effective until the date when an order, no longer subject to judicial review, is issued by FERC determining this Agreement to be just and reasonable without changes or new conditions unacceptable to any Party. All Parties shall support filing of this Agreement at the FERC.

10.2 Termination. This Agreement shall terminate on February 12, 2020.

11. Unilateral Rate Changes. Nothing contained herein shall be construed as affecting in any way the right of the Party furnishing service under this rate schedule to unilaterally make application to the Federal Energy Regulatory Commission for a change in rates under Section 205 of the Federal Power Act and pursuant to the Commission's Rules and Regulations promulgated thereunder.

12. Execution By Counterpart. This Agreement may be executed by counterparts, and upon execution by all Parties each executed counterpart shall have the same force and effect as an original instrument and as if all Parties had signed the same instrument. Any signature page of this Agreement may be detached from any counterpart of this Agreement without impairing the legal effect of any signatures thereon, and may be attached to another counterpart of this Agreement identical in form hereto but having attached to it one or more signature page.

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IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of February 12, 1988

Pacific Gas and Electric Company

By: Robert J. Haywood
Vice President

PacifiCorp, doing business as
Pacific Power & Light Company

By: _____
Vice President

Southern California Edison Company

By _____
Senior Vice President

Utah Power & Light Company

By: _____
Senior Vice President

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of February 12, 1988

Pacific Gas and Electric Company

By: _____
Senior Vice President

PacifiCorp, doing business as
Pacific Power & Light Company

By: _____
Vice President

Southern California Edison Company

By _____
Senior Vice President

Utah Power & Light Company

By: _____
Senior Vice President

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of February 12, 1988

Pacific Gas and Electric Company

By:_____
Senior Vice President

PacifiCorp, doing business as
Pacific Power & Light Company

By:_____
Vice President

Southern California Edison Company

By_____
Senior Vice President

Utah Power & Light Company

By:_____
Senior Vice President

ATTACHMENT A

Definitions

The following terms, when used in this Agreement with the initial letters capitalized, whether in the singular or the plural, shall have the following meanings:

A.1 Agreement: The Agreement to which this Attachment A, Definitions, is appended.

A.2 Contract Path: A transmission path for the transfer of electric energy which consists of transmission lines over which the transmitting party has the right to transmit energy, whether by ownership or by contract with the owners.

A.3 FERC: The Federal Energy Regulatory Commission or its regulatory successor, as appropriate.

A.4 Loop Flow: The difference between scheduled and actual flow of electric energy over a Contract Path.

A.5 Major Loop Flow: Loop Flow which occurs in the WSCC interconnected transmission system which results from the net of all electric energy scheduled over various

Contract Paths by all WSCC entities but which in fact flows over transmission lines other than the Contract Paths. For the purposes of this Agreement, Major Loop Flow is to be measured on the Malin-Round Mountain 500 kV transmission lines and any other parallel lines that may be constructed.

A.6 PG&E: Pacific Gas and Electric Company.

A.7 Pacific: Pacific Power & Light Company, an assumed business name of PacifiCorp.

A.8 Parties: The signatories of this Agreement.

A.9 SCE: Southern California Edison Company

A.10 Utah: Utah Power & Light Company.

A.11 WAPA: The Western Area Power Administration, a federal power marketing agency.

A.12 WSCC: Western Systems Coordinating Council.

MEMORANDUM AGREEMENT

Utah Power & Light Company, having entered into an Agreement for Mitigation of Major Loop Flow wherein Pacific Gas & Electric, PacifiCorp, Southern California Edison Company and Utah Power & Light Company, respectively, the parties, and

Whereas, Utah Power & Light Company and PacifiCorp have jointly undertaken certain duties and obligations under said Major Loop Flow Agreement,

NOW, THEREFORE, the parties having bargained one with the other, agree as between them that their joint obligation under said Agreement for Mitigation of Major Loop Flow will be shared 60 % by PacifiCorp and 40% by Utah Power & Light Company.

UTAH POWER & LIGHT COMPANY

By _____
F. N. DAVIS

PACIFICORP

By _____
RODNEY M. BOUCHER

F.E.R.C.

APPLICANTS' PROPOSED CONDITIONS

Without conceding either the authority of the Commission to impose such conditions or the adequacy of the record to justify such conditions, the Applicants will not object to the following conditions:

1. The Merged Company shall adopt the Wheeling Policy set forth in Exhibit 1 hereto as of the date the merger becomes effective, and the Merged Company shall agree that (a) this Commission shall be authorized to resolve disputes arising under the Policy, but not to alter, modify or enlarge that Policy without the consent of the Merged Company, and (b) no material change shall be made in the Policy without prior approval by this Commission.

2. As of the effective date of the merger, the UP&L Division wholesale Fuel Adjustment Clause (FAC) shall be frozen at 13 mills, subject to refund, until approved allocation procedures are applied to the FAC. Within one year of the effective date of the merger, the Company shall file with the Commission any necessary modifications to the FAC.

3. Firm wholesale rates for the UP&L Division shall be reduced 2%, effective 60 days after the effective date of the merger, and shall remain in effect until approved allocation procedures are applied to the wholesale FAC.

4. An allocated cost of service study equivalent to Statement BK (18 C.F.R. § 35.13(h)(36)) shall be filed for the wholesale rates of the UP&L Division within nine months of the effective date of the merger. Such an allocated cost of service study shall be filed annually thereafter upon the request of the Commission. If such a study demonstrates a rate decrease is justified, such a decrease will be filed.

5. Rates for firm transmission services provided by UP&L just prior to the effective date of the Merger of UP&L and PacifiCorp shall not be increased over levels established in FERC Docket ER84-571 for a period of ten years after the Merger, insofar as such increase may be caused by rolling in all or a portion of the costs of transmission facilities located in the pre-merger Pacific system. However, nothing herein shall prevent the Merged Company from adopting a rolled-in method of cost allocation at any time, or increasing firm wheeling rates after the merger, to the extent that the increase reflects increased costs of service that would be indicated using the cost allocation methods approved in Docket No. ER84-571.

6. Within the first year following the Merger, the Merged Company shall file with the FERC a cost-of-service study for the UP&L Division that shows, inter alia, the costs of providing service, including a transmission loss factor, under its contracts for firm wheeling service. If the cost-of-service study shows a decrease from the cost-of-service study supporting the then-effective wheeling rates for such contracts, the Merged Company shall file for a rate decrease to reflect such lower costs. The same procedures shall be followed with respect to any later cost-of-service studies the Merged Company files with the FERC within five years of the effective date of the Merger.

7. In any cost-of-service study applicable to wheeling service by the UP&L Division that is filed with the FERC within five years of the effective date of the merger, the Merged Company shall apply the method of allocating revenue credits to wheeling service utilized by UP&L in Docket No. ER84-571.

WHEELING POLICY

Following is the wheeling policy (Policy) of PacifiCorp (Company). The Policy shall be put in effect on the effective date of the merger of Utah Power & Light Company (Utah Power) and Pacificorp and shall remain in effect for at least five years. Any amendments of the Policy proposed by the Company will be submitted to the Federal Energy Regulatory Commission (FERC) for review and approval.

I. DEFINITIONS

As used herein, the following terms shall have the following meanings:

1. "Embedded Costs" means the actual fixed and variable costs associated with transmission facilities calculated in accordance with established FERC regulations.

2. "Firm Wheeling" means a contractual obligation to stand ready to transmit power and energy up to a specified amount for a specified term, subject to such interruptions as are agreed to between the contracting parties to maintain system reliability.

3. "Integrated Service Area" means a geographic area of the Company's system within which it is generally unconstrained in its ability to respond to requests to transmit power in the quantities that can be reasonably expected. A listing of the Company's Integrated Service Areas is attached hereto.

4. "Net Power Costs" means the Company's purchased power, wheeling and use-of-facilities expenses, and variable generation costs, less sale-for-resale revenues, determined on an operating year basis.

5. "Non-firm Wheeling" means transmission service that is interruptible at the sole discretion of the Company, or interruptible for any reason other than system reliability as agreed to between the contracting parties.

6. "Opportunity Costs" means the loss of economic benefits measured by any increase in the Company's Net Power Costs caused by providing Firm Wheeling service, not including lost benefits associated with the loss of the sale of firm power by the Company that is displaced by the power being transferred pursuant to this Policy.

7. "Point of Delivery" means the point at which power wheeled by the Company is received by another Utility.

8. "Point of Replacement" means the point at which the Company takes delivery of power to be wheeled for another Utility.

9. "Source" means the Mona Substation or any facility that generates electricity located within an Integrated Service Area.

10. "Transmission Dependent Utilities" means Deseret Generation and Transmission Co-operative, Utah Associated Municipal Power Systems, Inc. and its present members, and the present members of the Utah Municipal Power Association.

11. "Utility" means any public or private entity that is lawfully engaged in the business of selling electricity at wholesale or retail.

II. EXISTING CONTRACTS

All transmission contracts to which Utah Power or Pacific Power & Light Company were parties as of the effective date of this Policy shall be honored by the Company for their remaining term.

III. FIRM WHEELING WITHIN AN INTEGRATED SERVICE AREA

When both the Source and Point of Delivery are within one of its Integrated Service Areas, the Company will provide Firm Wheeling service for a requesting Utility as a matter of course unless the amount of power to be wheeled exceeds the engineering limitations of the Company's system.

The rate for Firm Wheeling service provided pursuant to this Paragraph III will be designed to recover an allocated portion of either system embedded cost or an allocated portion of the embedded cost of the facilities used to provide the requested service.

To the extent additions to the Company's transmission facilities are necessary to provide Firm Wheeling within an Integrated Service Area, and are technically feasible, the Company will construct such additions if sufficient lead time is provided and a contract term is agreed upon that is adequate to economically support the facilities required.

IV. FIRM WHEELING SERVICE INTO, OUT OF, OR THROUGH AN INTEGRATED SERVICE AREA

When either or both the Point of Replacement or the Point of Delivery are not internal to a single Integrated Service Area, the Company will determine, on a case-by-case basis, whether it is prepared to provide Firm Wheeling service for a requesting Utility. This determination will be based upon a reasonable evaluation of the following factors only:

1. The duration of the requested service;

2. Whether new facilities would have to be constructed in order to provide the requested service over the Company's facilities;

3. Whether other Utilities desire the same transmission services;

4. Whether the provisions of transmission contracts with other Utilities permit the requested service;

5. Whether the intentions of the Utility requesting service are lawful (for example would there be a violation of laws related to a certificated area);

6. The degree of firmness of the requested service;

7. The service priority of the requested service;

8. The system impacts of the requested service;

9. To the extent the requested service involves the control area of another Utility, whether that other Utility will cooperate in providing the service;

10. Whether the Utility requesting the service is a scheduling Utility;

11. Whether the Utility requesting the service has other reasonable opportunities available to it through other transmission paths; and

12. Current laws and regulations as they apply to the Company and its competitors.

The rates for Firm Wheeling service provided pursuant to this Paragraph IV shall be designed to recover an allocated portion of embedded system costs, together with Opportunity Costs incurred as a result of providing the service. At the option of the Utility requesting the service, exercised at the time of entering into a contract, Opportunity Costs will be based upon either projected or experienced operating conditions and wholesale marketing opportunities. If the Utility requesting wheeling service agrees in principle to the appropriateness of including an Opportunity Cost component in the Firm Wheeling rate, but the Company and the Utility requesting service are unable to reach agreement as to the appropriate level or methodology of such a component, the Company shall provide the requested service and unilaterally file a proposed rate including an Opportunity Cost component with the FERC, subject to refund.

V. USE OF FACILITIES CHARGES

To the extent that providing Firm Wheeling services requires the installation of facilities that are not generally useful to the Company in providing transmission services, the Company may require the payment of a use of facilities charge or contribution in aid of construction to recover costs associated with the installation of such facilities.

VI. ANCILLARY SERVICES

To the extent a request for Firm Wheeling service requires the provision of generating reserves by the Company, or load following services, which the Company is able to provide, or if transmission losses are not otherwise provided, the Company will attempt to negotiate an appropriate charge for such ancillary services with the requesting Utility. If the parties are unable to agree on an appropriate charge, the services will be provided and the Company will unilaterally file a proposed charge with the FERC, subject to refund.

VII. REQUESTS

Requests for Firm Wheeling should be made in writing to the Company. The Company will respond to written requests for wheeling services in writing in a reasonable period of time. In cases where the Company is not prepared to provide the requested service, an explanation of the factors underlying the Company's decision will be provided.

VIII. PARTICIPATION BY OTHER UTILITIES IN TRANSMISSION CONSTRUCTION

1. With respect to the construction of transmission facilities of voltage levels of 345 kV or higher and subject to applicable state regulatory approval, the Company will afford other Utilities the opportunity to participate in the project, provided that: (a) the potential participants have a legitimate interest or service-related purpose in such participation, (b) the joint participation will not unreasonably delay the project or render it impractical for the Company as a matter of economics or engineering, (c) the potential participants are prepared to equitably share in the costs and benefits of the project, considering the cost of the project, the value of the Company's existing investment in related facilities and the benefits to be derived by each party, and (d) the Utility requesting the opportunity to participate has not unreasonably denied the Company's participation in comparable projects.

2. With respect to Transmission Dependent Utilities, the Company will agree to joint participation in upgrades, improvements or additions to backbone transmission (138 kV or higher), interconnections and substation facilities that are internal to an Integrated Service Area, so that such Utilities may, subject to applicable state regulatory approval, reasonably participate in the project, provided that: (a) the potential participants have a legitimate interest or service-related purpose in such participation, (b) the joint participation will not unreasonably delay the project or render it impractical for the Company as a matter of economics or engineering and (c) the potential participants are prepared to equitably share in the costs and benefits of the project considering the cost of the project, the value of the Company's existing investment in related facilities and the benefits to be derived by each party.

3. With respect to Transmission Dependent Utilities, the Company shall not unreasonably withhold its consent to requests for upgrades, improvements or additions to interconnections, transmission and substation facilities located within an Integrated Service Area, and subject to applicable state regulatory approval, provided that: (a) the requesting Utility pays for the upgrades, improvements or additions, (b) the upgrades, improvements or additions are required to serve the retail or wholesale customers of the Transmission Dependent Utility, (c) are consistent with the Company's engineering and construction standards, and (d) the parties are able to agree upon a fair allocation among them of the additional resulting transfer capability considering the cost of the project and the value of the Company's existing investment in related facilities.

IX. REDRESS

Any Utility believing that the Company has violated this Policy, or unreasonably administered this Policy, may file a complaint with the FERC. The Company will submit to the jurisdiction of the FERC to consider any such complaint and provide for an appropriate remedy, but not to alter, modify or enlarge the Policy without the Company's consent. Parties may mutually agree to submit any dispute arising under this Policy to some other impartial arbiter whose decision will be subject, where required, to review by the FERC as an uncontested offer of settlement. This Paragraph IX shall not apply to Paragraph VIII to the extent that a state agency has jurisdiction over complaints arising from the Company's alleged failure to adhere to the provisions of Paragraph VIII.

X. NON-FIRM WHEELING

To the extent it has physical capability to do so, the Company will provide

Non-firm Wheeling to signatories of the Western Systems Power Pool Agreement or the Intercompany Pool Agreement in accordance with the terms of those agreements. In addition, the Company stands ready to negotiate separate contracts with Utilities for Non-firm Wheeling which provide for an equitable sharing of benefits between the Company and other Utilities participating in the transactions.

XI. WHEELING FOR QUALIFYING FACILITIES

The Company will provide transmission service for Qualifying Facilities to Utilities in accordance with the provisions of 18 CFR § 292.303.

INTEGRATED SERVICE AREAS

1. The existing UP&L service area in the State of Utah;
2. The existing UP&L service area in the State of Idaho;
3. The existing UP&L service area in the State of Wyoming;
4. The existing PP&L service area in Southern Oregon and Northern California;
5. The existing PP&L Coos Bay, Oregon service area;
6. The existing PP&L Lincoln City, Oregon service area;
7. The existing PP&L Willamette Valley, Oregon service area;
8. The existing PP&L Central Oregon service area;
9. The existing PP&L Hood River, Oregon service area;
10. The existing PP&L Portland, Oregon service area;
11. The existing PP&L Clatsop, Oregon service area;
12. The existing PP&L Enterprise, Oregon service area;
13. The existing PP&L Pendleton, Oregon service area;
14. The existing PP&L Walla Walla, Washington service area;
15. The existing PP&L Yakima, Washington service area;
16. The existing PP&L Sandpoint, Idaho service area;
17. The existing PP&L Libby, Montana service area;
18. The existing PP&L Kalispell, Montana service area;
19. The existing PP&L service area in the State of Wyoming;

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Washington, D.C., this 19th day of April, 1988.

Arnold H. Quint

Arnold H. Quint
Hunton & Williams
P.O. Box 19230
Washington, D.C. 20036
(202) 955-1500

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF PACIFICORP, UTAH POWER & LIGHT COMPANY, AND PC/UP&L MERGING CORP. (TO BE RENAMED PACIFICORP) FOR AN ORDER AUTHORIZING THE MERGER OF PACIFICORP AND UTAH POWER & LIGHT COMPANY INTO PC/UP&L MERGING CORP AND AUTHORIZING THE ISSUANCE OF SECURITIES, ASSUMPTION OF OBLIGATIONS, ADOPTION OF TARIFFS AND TRANSFER OF CERTIFICATES OF PUBLIC CONVENIENCE AND NECESSITY AND AUTHORITIES IN CONNECTION THEREWITH.	CASE NO.	U-1152-1 U-1009-184 U-1046-161
	ORDER NO.	21867

PacifiCorp, dba Pacific Power & Light Company, is a Maine Corporation. Among its activities, PacifiCorp conducts an electric utility business in six states, including the Sandpoint area in Idaho. Utah Power & Light Company is a Utah corporation. It operates an electric utility business in three states, including substantial portions of southeastern Idaho.

In August of 1987, these utilities announced their intention to merge. On September 17, 1987, they and PC/UP&L Merging Corp. (an Oregon corporation to be renamed PacifiCorp) applied to this Commission for authority to merge the two existing utilities into the third corporation, which would then take over all of their electric utility operations. By this Order, we approve the merger subject to reasonable conditions.

I. THE APPLICANTS FOR MERGER

A. Pacific Power. PacifiCorp is a Maine corporation engaged in a number of businesses: mining, telecommunication, leasing of capital and business equipment, lending against receivables and inventories, and providing equity investments in leveraged lease transactions. PacifiCorp's largest line of business, however, and one relevant to this

application, is its electric utility operation pursued under the business name of Pacific Power & Light Company (Pacific, Pacific Power, or PP&L).

In 1986, Pacific Power had revenues of $1.072 billion on sales of 24.8 billion kilowatt hours (kwh). It had over 670,000 retail customers, including approximately 570,000 residential, 97,000 commercial, 3,400 industrial and 700 miscellaneous customers. Its total assets exceeded $3 billion.

Total Idaho revenues were $10.1 million on sales of 189 million kwh. Idaho had 9,265 customers, including 7,106 residential customers, 2,010 commercial, 114 industrial and 35 miscellaneous.

PP&L provides retail electric service in parts of Oregon, Wyoming, Washington, California, Montana and Idaho. On average, 70% of its generation comes from coal-fired plants and 30% from hydroelectric facilities. It has a small (2.5%) interest in the Trojan nuclear facility and agreements with the Bonneville Power Administration (BPA) to purchase firm capacity and nonfirm energy.

Pacific's principal sources of electric supply include ownership of and access to Pacific Northwest hydroelectric facilities and substantial coal-fired generation. In 1986 its total resource capability of 5,859 megawatts (mw) included 3,073 mw from its coal-fired resources, 1,027 mw of BPA peaking capability, 868 mw of its own system hydro resources, 583 mw of purchased hydro resources, and 308 mw of other resources. In 1986, Pacific met 59.2% of its total energy requirements from its thermal resources, 15.3% from firm purchases, 14.5% from its hydro resources, and 11.0% from other resources.

Pacific's 1986 system peak was in the winter, with monthly peaks of 3,600–3,900 mw in January, February, November and December. Its monthly peaks were below 3,500 mw the rest of the year, staying in a 3,000–3,250 range from May through September.

Pacific's rates reflect its hydro-thermal diversity—they exceed the rates of utilities like Idaho Power Company or the Washington Water Power Company, which have higher percentages of hydroelectric generation, but are lower than Utah Power's.

Pacific's investment in operating nuclear plant is minimal. Pacific invested in Washington Public Power Supply System Washington Nuclear Plant No. 3, but its write-offs in that plant are behind it.

Pacific's transmission system is predominantly east-west, designed to move generation from Wyoming, where it has the bulk of its coal-fired generation, through Idaho and into Oregon, where it may be distributed to its loads in the coastal states. In addition, Pacific has significant transmission interties from the Pacific Northwest to California for use in wholesale transactions.

B. Utah Power. Utah Power & Light (Utah Power or UP&L) provides retail electric service in Utah, Idaho and Wyoming. Its operations unrelated to electric utility service or coal mining for its thermal plants are minimal.

Utah Power had total revenues of $985 million in 1986 on sales of 17.7 billion kwh. It had approximately 516,000 retail customers, including 461,000 residential customers, 45,000 commercial customers, 8,000 industrial customers, and nearly 2,000 miscellaneous customers. In 1986, its total assets also exceeded $3 billion.

In Idaho, Utah Power had total revenues of $81.8 million on sales of 1.7 billion kwh. It had 34,795 residential customers, 4,622 commercial, 1,855 industrial and 78 miscellaneous customers.

UP&L's total capacity in 1986 was 2,946 mw. The bulk of that capacity was coal-fired. 118 mw were system hydro, and 131 mw came from other resources—the remaining 2,697 mw (91.5%) were from coal. In 1986 Utah Power derived 72.1% of its

from its coal-fired plants, 5.2% from its hydro facilities, 0.2% from firm purchases, and 22.5% from other resources.

Utah Power's system peaks in summer. In 1986, its June, July and August monthly peaks were in the range of 2,400–2,600 mw. Its monthly peaks fell to the 2,000–2,100 mw range in March and October, rising gradually in the winter months to 2,200–2,400 mw.

Utah Power's rates reflect its coal-fired system. They are the highest rates of any major electric utility this Commission regulates. Utah Power, however, has no investment in nuclear plant.

Utah Power's principal transmission system is north–south. It is the bottleneck linking utilities in the Pacific Northwest, with their hydro base on the Columbia–Snake River system, and utilities in the Inland Southwest of Arizona and New Mexico.

C. The Merged Company. The merged company (Merging Corporation or PacifiCorp Oregon) will benefit from the diversity of Pacific Power's and Utah Power's loads. The sum of the two systems' noncoincident peaks for 1986 was approximately 6,400 mw; the merged system's coincident peak never exceeded 6,000 mw. The difference between the two, 436 mw, represents a reduced need for capacity for the two systems when their dispatch is integrated and their transmission systems further intertied to allow larger exchange between the two.

Furthermore, the combination of the two companies' transmission systems is advantageous, giving the merged company access from the Pacific Northwest to California, from Idaho and Wyoming to the Inland Southwest, and from Wyoming to the Northern Plains states. This transmission system is well situated for purchases, sales and exchanges with other utilities.

II. THE MERGER AGREEMENT

The AGREEMENT AND PLAN OF REORGANIZATION AND MERGER was entered into on August 12, 1987, by PacifiCorp, Utah Power and PC/UP&L Merging Corp., an Oregon Company (Merging Corp.). The agreement calls for Utah Power and PacifiCorp to be merged with and into Merging Corp., with Merging Corp. to be the surviving corporation. Merging Corp. would then be renamed PacifiCorp, with its electric utility operations to continue under the assumed business names of Pacific Power & Light for PP&L's current operations and Utah Power & Light for UP&L's current operations.

In particular, the outstanding shares of capital stock of PacifiCorp and UP&L will be converted into shares of capital stock of Merging Corp. in a transaction intended to qualify as a tax-free reorganization under Internal Revenue Code §368(a)(1)(A). Each existing share of PacifiCorp common stock will be converted into one share of Merging Corp. common stock.

The situation is more complicated for Utah Power common stock—the conversion ratios depend upon market conditions for ten trading days (the computation period) immediately following the determination date that the conditions for the merger have been fulfilled or waived. The four possibilities for converting Utah Power stock into PacifiCorp Oregon stock depend upon the closing price X of PacifiCorp Maine determined in the ten-day computation period:

(a) If X exceeds $41.804, each Utah Power share shall be converted into $38/X Merging Corp. shares.

(b) If X exceeds $35.475, but is equal to or less than $41.804, each Utah Power share will be converted into .909 Merging Corp. shares.

(c) If X is more than $33.70, but is equal to or less than $35.475, each Utah Power share shall be converted into $32.25/X Merging Corp. shares.

(d) If X is less than $33.70, each Utah Power share will be converted into .957 Merging Corp. shares.

No fractional shares of common stock will be issued.

Both companies' preferred stock will be converted into Merging Corp. preferred stock bearing the existing dividend rate, except for shares owned by shareholders who have properly perfected their dissenters' rights.

After closing, two current members of Utah Power's board of directors and one other person residing in Utah Power's service territory will join Merging Corp.'s board of directors. In addition, Merging Corp. will structure a subboard of directors for the UP&L division substantially similar in structure and authority as PacifiCorp has structured a subboard of directors for its PP&L division. Every member of Utah Power's current board of directors consenting to do so will become a part of the UP&L division's subboard.

Among the conditions of consummation of the merger are shareholder approval, regulatory approval, and opinions of counsel, outside auditors and securities experts. Furthermore, if PacifiCorp's closing price is equal to or less than $33.70, Utah Power may either terminate the agreement or request that its terms be renegotiated.

III. THE APPLICATION

The Applicants requested permission and authority to do the following:

1. The merger of PacifiCorp Maine and Utah Power with and into PacifiCorp Oregon, with PacifiCorp Oregon to be the surviving corporation, in accordance with an Agreement and Plan of Reorganization and Merger among PacifiCorp Maine, Utah Power and the Merging Corp., dated August 12, 1987 (Merger Agreement), attached as Exhibit L, pursuant to Section 61-328, Idaho Code;

2. The issuance by PacifiCorp Oregon of shares of its common and preferred stocks upon conversion of the outstanding shares of common and preferred stocks of PacifiCorp Maine and Utah Power in accordance with the terms of the Merger Agreement, pursuant to Section 61-901, Idaho Code;

3. The assumption by PacifiCorp Oregon of all outstanding debt obligations of PacifiCorp Maine and Utah Power and the continuation or creation of liens in connection therewith, pursuant to Section 61-901, Idaho Code.

4. The adoption by PacifiCorp Oregon of all tariff schedules and service contracts of PacifiCorp Maine and Utah Power on file with the Commission and in effect at the time of the merger for service within all territories served prior to the merger by PacifiCorp Maine and Utah Power, respectively, pursuant to Section 61-305, Idaho Code;

5. The transfer to PacifiCorp Oregon of all certificates of public convenience and necessity of PacifiCorp Maine and Utah Power, pursuant to Sections 61-527 and 61-528, Idaho Code; and

6. The transfer to PacifiCorp Oregon of all Commission authorizations and approvals for the issuance of securities by PacifiCorp Maine which had not been fully utilized, pursuant to Section 61-901, Idaho Code.

IV. THE APPLICANTS' DESCRIPTION OF OPERATIONS FOR THE MERGED COMPANIES

If the merger is approved, PacifiCorp Oregon will operate two electrical divisions—one doing business as Pacific Power & Light and the other as Utah Power & Light. Each division will have a separate subboard of directors, similar to the PacifiCorp Maine's subboard of directors for Pacific Power & Light. Each division will be a separate "profit center" reporting to PacifiCorp. Initially, at least, the principal officers of Pacific Power and Utah Power will sit on both divisions' subboards.

Although the divisions will maintain their separate retail identities, the merged company will plan the divisions' power supply operations and dispatch their power supply as a single utility. In order to do this, the merged company will expand the two divisions' transmission interties and consolidate dispatching. The applicants also anticipate that the divisions will be able to reduce inventories maintained for power supply purposes.

On the "local" level of retail service, the applicants represent the divisions will operate largely as they have before. In particular, both divisions are expected to maintain their extant local offices in Idaho. They do not anticipate inventory consolidation at local office levels.

The Applicants pledge that Pacific's overall level of its retail rates in Idaho will not increase for four years following the merger. Furthermore, Utah Power's retail rates in Idaho will be reduced 2% across the board (except for special contract customers) within 60 days after the merger is approved. The Applicants anticipate additional reductions that together with the two percent reduction will total 5–10% for the Utah Power division in the first few years following the merger.

The Applicants promise rate stability for Pacific Power and rate reductions for Utah Power based upon their anticipation of cost savings of $50 million in the first year of the merger and approximately $150 million several years down the road. They anticipate these savings will come from a number of areas—increased power supply efficiency through common dispatch, increased net revenues from additional wholesale sales, consolidation of some administrative and general expenses (e.g., insurance, legal fees). Nevertheless, even in the absence of the merger, Utah Power's coal prices for generation in its own plants have been falling; and Utah Power and Pacific Power have both undertaken substantial cost-saving measures in each division's operations.

V. THE PARTIES' "BASIC" ISSUES

In response to the application for approval of the merger, we convened a prehearing conference to identify the issues. Furthermore, unlike most proceedings before the Commission, where intervenors need not initially identify their areas of interest, we required the intervenors to state their areas of concern in their Petitions to Intervene in order to identify issues of interest for the prehearing conference.

The Washington Water Power Company (Water Power or WWP), the Public Power Council (PPC), the Bonneville Power Administration (BPA), the Idaho Irrigation Pumpers Association (Pumpers), Monsanto Company, FMC Corporation, the Idaho Cooperative Utilities Association, Inc. (ICUA), Idaho Power Company (IPCo), J. R. Simplot Company (Simplot), and the Colorado River Energy Distributors Association, Inc. (CREDA), petitioned to intervene. We granted all the Petitions to Intervene except CREDA's.

Based upon the Petitions to Intervene, Commissioner Miller's agenda for the prehearing conference, and subsequent memoranda of the parties, our Orders identified six broad areas of concern: rate issues, BPA issues, transmission issues, comparison of the merger with Idaho Power's acquisition of Utah Power's eastern Idaho service territory, issues identified by Water Power concerning wholesale transmission policies, and issues identified by Idaho Power concerning the merger's possible burden on its transmission system. Furthermore, additional issues were apparently tried with the consent of the parties.

This Part V of the Order reviews those issues. Together with our "basic" findings in Part I describing the Applicants, in Part II describing the Merger Agreement, and in Part IV describing the Applicants' proposals, our discussions, observations or comments following each question in this Part V constitute our "basic" findings underlying our "ultimate" findings to approve the merger and our "basic" findings underlying the conditions attached to our approval.

A. Rate Issues. The following rate issues were identified:

1. Will there be a rate disparity between Pacific's Sandpoint service territory and Utah Power's eastern Idaho service territory after the merger?

Yes. For the foreseeable future, each operating division will independently set its rates based upon the division's costs or upon reductions promised in this proceeding.

2. What timetable, if any, will be followed to eliminate or reduce this rate disparity?

No timetable has been proposed to eliminate or reduce the disparity. There is no current proposal to eliminate it.

3. If a rate disparity will persist, how will the Applicants decide which resources will serve which territory?

Each division's existing resources will continue to be assigned to that division for ratesetting purposes. New investment in transmission facilities and new sources of generation will not be assigned to a division, but will be allocated system-wide under allocation methods to be established in the future.

4. Will Sandpoint rates increase to reflect higher cost resources on the UP&L system?

No.

5. Will the merger affect rates and service provided to Monsanto Company?

The merged company will continue Monsanto's special contract with Utah Power. Monsanto will not share in the immediate 2% reduction proposed for Utah Power's tariff customers, but would benefit by the merged system's reduced fuel costs through its fuel adjustment clause.

Monsanto will continue to be treated as an interruptible customer, not only for the Utah Power division, but for the entire merged system's power supply needs. However, it is unlikely that Monsanto will be interrupted in the near future because the merged company has ample capacity. Furthermore, as a matter of policy, the merged company will not seek to interrupt Monsanto to make more lucrative off-system sales.

6. Will the merger affect rates and service provided to the Idaho Irrigation Pumpers?

The Company's three options for irrigation service, including the two interruptible options, will share in the initial across-the-board 2% decrease.

7. Will the merger affect, directly or indirectly, rates and services provided to FMC in the Idaho jurisdiction (through Idaho Power Company) and in other jurisdictions?

No evidence was presented on this issue, and the issue is not further addressed.

8. What steps will the applicants take to lower Sandpoint's rates? Reinstatement of more of the historic wholesale purchase level from the Washington Water Power Company?

The merged company is not now proposing to lower the Sandpoint service territory's rates. Neither is it proposing to reinstate additional wholesale purchases from the Washington Water Power Company.

B. BPA Issues. The following BPA issues were identified:

1. How will average system costs be calculated for Pacific Power's customers?

The merged company will independently calculate average system costs (ASCs) for each division. ASCs for customers in Pacific Power's Sandpoint service territory will not be based upon Utah Power's costs of serving its customers in eastern Idaho.

2. Will BPA exchange credits currently available to eastern Idaho customers be reduced?

There will be no significant reduction in these credits as a result of the merger. However, there could be slight changes in calculations of ASCs.

Now, when Utah Power purchases from Pacific Power, the entire amount of that purchase is recognized by BPA for ASC purposes. However, since 1984, BPA has not

recognized for ASC purposes federal income taxes paid by investor-owned utilities and the equity return for those utilities to the extent it exceeds the cost of long-term debt. After the merger, if one division purchases from the other at a purchase price that includes some reimbursement for equity return or federal income taxes, BPA (under current policies) would not recognize that amount of the purchase for determining ASC.

Furthermore, BPA raised the possibility that Monsanto might be considered a new load exceeding 10 mw rather than an existing load, which under the terms of the Northwest Power Act would be excluded in calculating ASC. The effect of this is unclear. Monsanto's firm load does not exceed 10 mw, and its interruptible load is considered a system resource rather than assigned exclusively to Idaho for ratemaking purposes. It is possible that the exclusion of Monsanto could, in fact, increase Utah Power's ASC and the exchange credit for the firm Idaho retail load.

3. Will costs of BPA exchanges affect rates paid by the full requirements preference customers of BPA?

Effects are theoretically possible, but the effects described by the Public Power Council are most likely to be *de minimis* and unlikely to be significant.

4. Does the merged company intend to keep itself intact, or will it create subsidiaries for generation and transmission, thereby raising average system cost "subsidies" and removing retail rates from the Idaho Commission review?

The merged company does not intend to create subsidiaries for generation and transmission. See Part VI-C of this Order.

5. If the merged company adopts restrictive wheeling policies, will this increase the average system cost for utilities?

Like the third question in this series, it is theoretically possible that the merged company's wheeling policies would affect the ASCs, but the effects are more likely to be *de minimis* than significant.

6. Will the merged company attempt to exchange with BPA as one company or two?

Each division will attempt to exchange individually.

7. How will costs be allocated among jurisdictions in which the Company is exchanging?

Neither division intends to change its internal jurisdictional allocations. Furthermore, the risks of inconsistent or incomplete jurisdictional allocations fall upon the shareholders.

C. Transmission Issues. The following transmission issues were identified:

1. Will the transmission needs of other Idaho utilities be adversely affected?

PPC contended that the merged company would gain significant control of the transmission bottlenecks from the Pacific Northwest into the southern California–Nevada and into the Inland Southwest markets. The Applicants maintained that they would have but minimal control over these transmission corridors. The truth lies between the exaggerated claims of both sides. The testimony on this issue, which should have been largely technical and capable of easy resolution, instead was the least credible evidence received in the proceeding.

The merged company will control a substantial amount of transmission from the Pacific Northwest to California. But PP&L's 300 mw in the Pacific intertie is insignificant compared to the over ten times that amount along the same corridor. Transmission access from the Pacific Northwest to California is dominated much more by BPA than by PP&L, and Pacific's merger with Utah Power appears not to be of great consequence there.

That is not the case farther inland. From this state's perspective, Utah Power owns and controls the bottleneck for the most significant transmission corridor between the Pacific Northwest and the Inland Southwest. The merger will not increase Utah Power's control of this corridor, because it is already 100%, but it will increase Pacific Power's access to markets from which Utah Power could formerly exclude Pacific or other Northwest utilities. Pacific has advantaged itself in a manner that Water Power, Idaho Power, and publicly owned utilities have not.

Consideration of the implications of this and other transmission-related issues would have been the most troublesome area presented in this proceeding: first, jurisdictionally, because of the tension between our consideration of these issues and FERC's; and second, substantively, because of the difficulty of assessing the effects of the merged system's transmission on other utilities compared to the unmerged systems'.

But the issue has since subsided. Idaho Power has filed its agreements with the Applicants to settle their disputes before FERC and in Idaho District Court. Among the conditions of the settlement are that Idaho Power withdraw its intervention and recommendations in this proceeding and that Pacific agree not to oppose a subsequent Idaho Power proposal to build Idaho Power's own inland transmission ties (in return for Pacific obtaining a 20% share). This could be the beginning of an Inland Intertie, which would benefit generating utilities east of the Cascades and west of the Rockies.

Idaho Power, because of its location, was the utility most likely to be affected by the merged company's transmission system and transmission policies. It has now reached a settlement with the Applicants regarding a number of transmission-related issues. The ratepayers of other utilities in Idaho, be they investor-owned or public-owned, are much less sensitive to the combination of Pacific's generating

system with Utah Power's inland transmission system because their access to coastal transmission is superior to Idaho Power's. The effect of the combined transmission systems on ratepayers of these utilities is more attenuated, more likely to be *de minimis*. Thus, from this State's perspective, the effect of the merger upon the transmission needs of other utilities serving in Idaho is not so adverse as to outweigh direct benefits to the Applicants' ratepayers. Indeed, if the merger results in an Inland Intertie, its effect will be positive.

The reactions of the region's utility community to the Applications in this and other jurisdictions are of interest. This Commission notes a stir in other boardrooms. What is before us may be the catalyst, advancing inadvertently by several years the creation of a path—for multi-utility access independent of the massive Bonneville Power Administration presence on the Pacific Intertie—between the winter-peaking Inland Northwest and the summer-peaking arid Southwest.

Officers of investor-owned utilities by their own account are actively considering new strategems to counter this proposed new entity and to achieve greater flexibility for relations with California utilities and Bonneville.

Public Power spokesman (as demonstrated by their unaccustomed presence in this case) are stepping beyond their perennial bemusement with the Northwest Power Act and the Washington Public Power Supply System disarray.

Thus the short-term effect has not been paralysis at the prospect of an imminent reversion to pre-PUHCA monopoly, but has been invigorating. Neither in this record nor outside it do we see a climate for fatalism or paranoia.

The options are many for utilities, for public policymakers, and for the regulators. It is the individual ratepayer in a given certificated area who has the fewest

alternatives. Aware of regulation's accountability for that customer's welfare, we view the new configuration for transmission, in the Idaho Power settlement specifically and in the activity since the Application was filed, as a net gain.

2. What ability will PacifiCorp Oregon have to exclude other utilities from the California intertie?

Pacific cannot unreasonably exclude other utilities from use of the California intertie.

3. Will rural electric cooperative utilities in southeastern Idaho have reasonably priced transmission of power supply by the Bonneville Power Administration?

This issue was initially presented by the Idaho Cooperative Utility Association, which did not present a direct case. Accordingly, it need not be addressed.

4. Will the merger affect competition in the bulk power market or result in inappropriate concentration of economic power?

This issue is substantively a subissue of the first transmission issue. Nothing need be added to our analysis of that issue to address this one.

5. Will the merger have any effect on the value of existing transmission contracts?

This issue was presented by Idaho Power, which has since withdrawn it. It need not be further addressed.

D. Comparison With Idaho Power Acquiring Utah Power's Eastern Idaho Service Territory. The following issue was identified:

If Idaho Power were to acquire Utah Power's eastern Idaho service territory, could Idaho Power serve that territory more economically than Utah Power without adversely affecting Idaho Power's other ratepayers?

Under a range of several possible hypothetical alternatives for Idaho Power's acquisition of Utah Power's eastern Idaho service territory, Idaho Power in each instance would increase its own ASC.

E. The Water Power Issues. The following issues were identified by Water Power:

1. If Water Power makes available to Utah Power pricing information in connection with a proposed power transaction, will that information in turn be disclosed to Pacific Power, one of Water Power's primary competitors in Pacific's Southwest bulk power markets?

This information will be available to the two commonly dispatched divisions. The merged company will purchase from the cheapest source of electricity available.

2. Will the Pacific Power division be required to offer to sell to Utah Power under the same conditions as other potential sellers, that is, without knowing in advance the terms and conditions offered by its competitors?

No. The two divisions will be commonly dispatched.

3. If Pacific Power and Utah Power were ordered to operate their divisions without prior disclosure between them of offers for bulk power transactions, how will the public be assured that they will not be disclosing this information?

The Applicants have not offered to operate their divisions without prior disclosures.

F. The Burden on Idaho Power's Transmission System. These issues have been removed from the case by Idaho Power's withdrawal of its intervention and settlement with the Applicants.

G. Issues Presented at Hearing. The following issues were presented at hearing and presumably tried with the consent of the parties:

1. How will jurisdictional and divisional allocations be made?

Each division of the merged company will make its jurisdictional allocations as before. Allocations between the two divisions must still be worked out.

2. What will the merged company's wheeling policies be?

At hearing, Pacific indicated that the merged company will have a single wheeling policy, but Utah Power indicated that the merged company will not have uniform transmission policies because the divisions' conditions differ. The Applicants resolved this conflict by answering the question posed by our posthearing Order in the following manner:

The merged company will have a single wheeling policy. Firm wheeling requests within "integrated service areas" will be granted as a matter of course. Those between "integrated service areas" will be dealt with on a case-by-case basis. The merged company will provide nonfirm wheeling according to the Western Systems Power Pool Agreement and the Intercompany Pool Agreement. The merged company will provide transmission for qualifying facilities to other electric utilities pursuant to 18 CFR 292.303.

3. How will sales between the divisions be booked and recorded?

The Applicants will maintain a paper trail for sales between the divisions, but they have not yet decided their policies for determining costs of the sales or how sales will be reported. In particular, they have not determined whether one division will charge the other division fuel costs only, fuel costs plus some estimate of other running costs, a running cost plus some capital costs, etc. Nevertheless, any equity return or income tax payments included in transactions between the divisions will be traceable.

4. How will the merger affect the Applicants' long-term financial stability and ability to attract capital?

The merger will have no adverse effect upon the merged company's financial stability and ability to attract capital. The merged company will have a larger base over which to spread current or future losses or risks.

VI. THE STATUTORY OR ULTIMATE ISSUES

The specific statutory standards of *Idaho Code* §61-328 govern our consideration of transfer of the property of PacifiCorp dba Pacific Power & Light Company and Utah Power & Light Company to Merging Corp. That statute provides that the Commission shall not approve an application like this unless:

> [T]he commission shall find
>
> [1] that the public interest will not be adversely affected,
>
> [2] that the cost of and rates for supply and service will not be increased by reason of such transaction, and
>
> [3] that the applicant for such acquisition or transfer has the bona fide intent and financial ability to operate and maintain said property in the public service; provided,
>
> [4] that no such order or authorization shall be issued or granted to any applicant or party coming within the prohibitions set forth in this act.

In our order of priority, the first and foremost of those considerations is that the merged company provide efficient and reliable electric service to its customers. Second, the merged utility cannot increase its rates as a result of the merger.

A. Will the Public Interest Be Adversely Affected by the Merger?

We find that the public interest will not be adversely affected by the transfer of operating property to the merged corporation. Our finding is based primarily upon two factors: the promise of rate reductions for the Utah Power service territory and rate stability for the Pacific Power service territory.

Our finding is based on two factors. First, and most importantly, we are satisfied that the merged company will provide adequate and efficient electrical service to its customers. This is the primary duty of a utility. See I.C. 61-302. Additionally, as described at other places in this Order, we are satisfied that the merger will not impair the regulatory ability of this Commission to insure that the rates and charges for electrical service are just and reasonable as required by I.C. 61-301.

Second, the applicants promise rate reductions in the Utah Power service territory and rate stability in the Pacific Power service territory. These promises have value to the ratepayers of the merged companies, and particularly to the customers of Utah Power.

We emphasize, however, that a promise of rate reduction or of rate stability is insufficient, in itself, to obtain our approval of this transaction or of similar transactions that may be proposed in the future. We have no doubt that such promises, although well intentioned, are in part the result of a political or public relations strategy perceived by advocates as necessary to generate ratepayer support for the proposed merger. Our decision in this case must be, and is, based on an objective appraisal of the merits of the merger.

We recognize the possibility, indeed the probability, that there will be times when the merged company's favorable control of Utah Power's transmission bottleneck will give it market power and benefits it would not otherwise have at the expense of other investor-owned or publicly-owned utilities serving ratepayers in Idaho. The most vulnerable utility would be Idaho Power, which has reached a separate accommodation with the Applicants addressing many of it concerns. Indeed, the possibility of its participation in an Inland Intertie is positive. The other utilities serving ratepayers in Idaho are less vulnerable to the merged company's use of this transmission bottleneck.

Furthermore, the advantages of the merger to the ratepayers of Pacific Power and Utah Power are day-in and day-out and primary; the possible detriments to ratepayers of other utilities in Idaho are infrequent and secondary. The former predominate.

B. Will the Cost of and Rates for Supplying Service Be Increased by Reason of the Merger?

We find that the cost of and rates for supplying service will not be increased by the merger. The rate finding is the easier of the two findings. We have the Applicants' pledge that Pacific Power's rates will not increase in Idaho for four years following the merger and that Utah Power's rates will decrease 2% within 60 days after the merger is consummated and 5-10% in the following years. Furthermore, as noted later in this Order, one statutory condition of the merger is that rates will not increase even if costs related to the merger do increase.

The finding that costs will not increase as a result of the merger is more problematic. The Applicants have described projected additional investment in transmission in the first years following the merger. But they have also described a number of cost-saving measures—deferral of additional investment in production plant made unnecessary by the combined resources of the two companies, consolidation of services at the upper echelons of management, and anticipated increased net-power supply revenues to offset the increased investment in transmission. It is probable that the merger will decrease costs overall.

This Commission cannot by Order or decree prohibit costs from rising as a result of the merger. It can, however, prohibit rates from rising as a result of the merger. Our finding on rates is therefore more important than our finding on costs, and it predominates.

C. Does the Merged Corporation Have the Bona Fide Intent and Financial Ability to Operate and Maintain the Transferred Property in the Public Service?

We find that the merged corporation has this intent and ability. No party challenged the merged corporation's financial ability or its ability to operate the transferred property in the public service. There was, however, a question whether the merged company had a bona fide intent to operate the property in the public service. PPC presented the issue whether the merged company would seek to set up separate generation and transmission subsidiaries. David Bolender, Pacific Power's president, testified in his prepared direct testimony:

> Q. If PacifiCorp now is organized as a set of functionally separate "profit centers", is this in any sense a precursor to a breakup of the utility into separate distribution, transmission and generation companies?
>
> A. Again, our lawyers advise that, as a practical matter, PacifiCorp is precluded by the Public Utility Holding Company Act from creating separate subsidiaries for generation, transmission and distribution functions. We do not expect any change in the law to occur in the near future and therefore we have no plans for a separation of functions.

Tr. Vol. III, p. 213, lines 13–20.

This pledge, of course, is valuable. Statute and case law are even stronger. Pacific Power and Utah Power both have transmission lines in Idaho. In addition, Utah Power has some generation in Idaho. None of this generating or transmission property in Idaho can be transferred from the merged corporation to a separate "Genco" or "Transco" without an application like the one in this case. Thus, the pledges of the Applicants, this Order and the statute, taken together, assure us that the merged corporation will not set up separate generation and transmission subsidiaries without prior approval of this Commission. Furthermore, under the case law, ratepayers have equitable interest in this generating and transmission property to the extent it is depreciated. *Boise Water Corporation v. Idaho Public Utilities Commission*, 99 Idaho 158, 161–163, 578 P.2d 1039, 1092–1093 (1978).

D. Is Merging Corporation (the Party to Whom the Certificated Utilities' Property and Rights Will Be Transferred) Within the Prohibitions Set Forth in the Act?

The act in question is not the original Public Utilities Law, but Chapter 3 of the 1951 Session Laws, codified at I.C. §§61-327 - 61-331. The prohibition in question is contained in I.C. §61-327. That section prohibits transfers to:

> [1] [A]ny government or municipal corporation, quasi-municipal corporation, or governmental or political unit, subdivision or corporation, organized or existing under the laws of any other state; or
>
> [2] any person, firm, association, corporation or organization acting as trustee, nominee, agent or representative for, or in concert or arrangement with, any such government or municipal corporation, quasi-municipal corporation, or governmental or political unit, subdivision or corporation; or
>
> [3] any company, association, organization or corporation, organized or existing under the laws of this state or any other state, whose issued capital stock, or other evidence of ownership, membership or interest therein, or in the property thereof, is owned or controlled, directly or indirectly, by any such government or municipal corporation, quasi-municipal corporation, or governmental or political unit, subdivision or corporation; or
>
> [4] any company, association, organization or corporation, organized under the laws of any other state, not coming under or within the definition of an electric public utility or electrical corporation as contained in Chapter 1, Title 61, Idaho Code, and subject to the jurisdiction, regulation and control of the public utilities commission of the state of Idaho under the public utilities law of this state.

Merging Corp. is not within any of the four prohibited categories of the act; on the contrary, it is in the one allowed category—an electrical corporation to be regulated by this Commission. Accordingly, we find that Merging Corp. is not within the prohibition of the act.

VII. TERMS AND CONDITIONS OF APPROVAL OF THE MERGER

Finally, I.C. §61-328 gives the Commission discretionary authority to "attach to its authorization and order such terms and conditions as in its judgment the public convenience and necessity may require." In this Part VII, we attach terms and conditions to our approval of the application.

A. Public Power Council's Recommendations. PPC recommends eight conditions be attached to the merger:

1. Merger-Related Rate Increases. PPC recommends that the merger be subject to the understanding that future integration of the two divisions' rate bases is a merger-related activity and cannot result in a rate increase to any customers in Idaho. We grant this condition because it is required by statute. I.C. §61 328 specifically provides that we cannot approve the merger without finding "that the cost of and rates for supplying service will not be increased by reason of such transaction."

We must elaborate. There is some tension between this statute and I.C. §61-315's prohibition against any public utility establishing or maintaining "any unreasonable difference as to rates, charges, service, facilities or in any other respect, either as between localities or as between classes of service." The development of rates and charges under this section has taken many paths.

For example, in the telephone industry, it is common to have different rates based upon the number of customers in a telephone exchange and the distance from the telephone company's "base rate area" of lowest rates to outlying rural zones. This has historically been justified as reasonable to take into account for a telephone subscriber (1) that service is more valuable if the subscriber can reach a larger number of subscribers without paying toll charges than can a subscriber in a less populated area, and (2) the costs

associated with extending service from a central switching facility or facilities to a remote subscriber's location exceed those for nearby subscribers.

In the electric utility industry, it is a matter of indifference to one customer how many other customers also take electric service nearby. Transformers and substations need not be located in a central "switching" facility similar to that of a telephone company's. So, it has generally been the practice to have "postage stamp" electric rates, i.e., rates independent of a customer's location within the service territory. (Electric utilities, however, generally require customers remote from their existing lines to contribute some or all of the cost of extension of lines to a new customer.)

The prohibition against locality-based rates is not absolute. The prohibition is against *unreasonable* differences, not against all differences. The merger of two formerly unintegrated electrical systems, whose local service territories are hundreds of miles apart, with no previously shared common distribution, transmission or generation facilities, and with independently developed tariff classes based upon local customer needs, is a circumstance in which different rates and rate schedules are reasonable. Thus, under I.C. §61-315 alone, the merged company could initially maintain differences in rates based upon locality (the former Pacific Power service territory versus the former Utah Power service territory). Presumably, as the two merged companies integrated their production and transmission systems, their rates would gradually grow closer, and after a generation of utility plant (which is considerably more long-lived than a generation for human beings) will be retired and replaced, the rates could reach parity.

The specific provision of I.C. §61-328, which controls in this instance over I.C. §61-315, requires some rate disparity unless certain conditions are met. First, the

lower-priced service territory's rates cannot be increased by reason of the merger. Accordingly, rates to the merged company's Sandpoint service territory cannot reflect any costs associated with the merged company's acquisition of Utah Power or with investment in transmission line connecting the two divisions as a result of the merger unless the merged company can show offsetting benefits from the merger equaling or exceeding merger-related costs.

Furthermore, this Commission has publicly supported increasing the Sandpoint territory's wholesale purchase of lower-priced electricity from the Washington Water Power Company to displace Pacific Power's higher-cost resources and attendant reduction in the Sandpoint service territory's rates. Our approval of the merger has not changed this view. We still take the position that the Sandpoint service territory will be well-served by Pacific Power increasing its wholesale purchases from Water Power to serve that territory in order to displace more expensive Pacific generation.

2. Jurisdictional Allocation. PPC recommends that the merger be subject to the understanding that future jurisdictional allocations will not result in rate increases beyond what there would have been without the merger. This recommendation is a corollary of the previous one, and it likewise is a statutory requirement. As Pacific's Mr. Reed noted, the risk of inconsistent allocations, including those required in Idaho by statute, is borne by the company's shareholders.

Also, the merged utility will now be operating in seven states. Idaho is prepared to participate in formalized proceedings to consider jurisdictional allocations.

3. Divestiture of the Sandpoint Service Territory. PPC recommends that the merger be subject to the merged company demonstrating at a future hearing why it should not divest itself of the Sandpoint service territory. We reject this recommendation.

Neither statute nor the record suggests that the merged company's divestiture of one of its service territories is a reasonable requirement for approving the merger.

4. Cost Shifting. PPC recommends that the merger be subject to the condition that divisional transactions not be used as a vehicle to shift costs from non-exchanging to exchanging jurisdictions. We deny this condition as superfluous. This Commission will not tolerate cost-shifting to the Idaho jurisdiction, even if some of those shifted costs would be borne by the exchange.

Moreover, BPA polices exchanges at an expense that exceeds this Commission's entire budget for regulation of all utilities. Furthermore, Utah Power's rate cases have historically been the subject of aggressive investigation by Staff and intervenors. The intervenors are generally ineligible for the exchange credit or only partially eligible. They have a strong incentive to object to shifts of costs from non-exchanging jurisdictions to this one. So does the Staff, whose charge is to protect all of the ratepayers of Idaho, not merely those eligible for the exchange.

5. Transactions Between Divisions. PPC recommends the merger be approved subject to records being maintained and periodically provided to the Commission showing all components of actual costs of transactions between the divisions, regardless of how transactions between the divisions are booked. We impose this condition. It is essential that all transactions between the divisions be properly booked and a paper trail for Staff and intervenor audit be maintained. This is decidedly critical in the power supply area.

We expect the companies to cooperate with Staff in devising a reporting system. We will not attempt to set out the minutiae of reporting in this Order, but we direct the company to meet with Staff informally to determine what reporting arrangements will be necessary. Furthermore, should the merged company conduct

business of any nature with any of PacifiCorp's other divisions or affiliates, those transactions must also be recorded to produce a clear audit trail.

6. Formation of Generation or Transmission Subsidiaries. PPC recommends the merger be approved subject to a prohibition against the formation of generation or transmission subsidiaries. We approve this condition; with respect to generation and transmission plant within Idaho, the condition is already statutory. Furthermore, as we noted earlier, Mr. Bolender stated that the Company does not intend to form separate generation and transmission subsidiaries; we will hold the merged company to Mr. Bolender's promise.

Finally, we remind the Applicants that under Idaho law utility ratepayers are the equitable owners of depreciated utility plant. ***Boise Water Corporation v. Idaho Public Utilities Commission, supra.*** The ratepayers have an equitable interest in all of Pacific Power's and Utah Power's generation and transmission facilities to the extent that they have been depreciated. This Commission will not permit the merged company to strip depreciated plant from rate base to the detriment of ratepayers by transferring it to a Transco or Genco.

7. Interlocutory Order. PPC recommends that any approval of the merger be interlocutory pending a final decision by the Federal Energy Regulatory Commission and a final evaluation by this Commission whether the merger is consistent with the statutory standards of I.C. §61-328. We reject this condition. Idaho Power's settlement with the Applicants before FERC and its withdrawal from this proceeding ends our major interest in the interplay between FERC's decision and our decision. Accordingly, we have no reason to delay our final decision. This Order is a final Order, not interlocutory.

However, the merger will not be *effective* in Idaho simply by this Order's *finality*. For the merger to be effective, the Applicants must receive the approval of six

other state commissions and the Federal Energy Regulatory Commission plus the acquiescence of federal authorities in the Justice Department and the Securities and Exchange Commission. Accordingly, for this Commission's Order to become effective (as opposed to final), the Applicants must submit to this Commission copies of the Orders of the other six state commissions, the Order of the Federal Energy Regulatory Commission, and whatever formal or informal actions were undertaken by the Justice Department's Antitrust Division and the Securities and Exchange Commission. Furthermore, they must submit to us a statement or affidavit to the effect that all of the conditions listed in the merger agreement have been met or waived and that the merger will proceed.

After receiving this material, the Commission Secretary will perform the purely ministerial function of notifying the parties and the public at large pursuant to this Order of the transfer of the certificates currently held by PacifiCorp dba Pacific Power & Light and Utah Power & Light to the merged entity, together with necessary assumptions of tariffs, contracts, etc. The parties may submit their proposed language for doing so with their report to us that the merger has become effective. Of course, should the parties report to us that the merger will not be effective, the Commission Secretary would perform the ministerial task of issuing a notice to that effect.

Furthermore, the Commission may from time to time issue subsequent Orders clarifying or interpreting this Order, should the need arise.

8. Merger-Related Benefits and Detriments. PPC recommends that the merger be approved subject to ratepayers recognizing benefits claimed by the Applicants in their Application before benefits are recognized by the shareholders. We decline to impose this condition.

Two kinds of benefits may be recognized by shareholders. The first is appreciation of the market value of their shares, over which regulators have no direct control. If the value of shareholders' stock appreciates as a result of this merger,

so be it. If it depreciates, so be it. In either case, the Commission will neither recapture the value of appreciation or cushion against depreciation.

The second possibility is that the merged company may realize additional earnings as a result of the merger. If that is the case, we will not in this Order attempt to allocate those benefits between shareholders and ratepayers. The Applicants have pledged rate stability for four years for Pacific Power customers and a 2% reduction for Utah Power customers within 60 days of approval of the merger and expected 5–10% reductions in the following years. If the merger is so beneficial that the merged corporation may carry out both of its pledges and increase its earnings to shareholders, we will cross the bridge of allocation of additional benefits between shareholders and ratepayers when we get there. It is a prospect to be endured.

B. Idaho Power's Conditions. Idaho Power has withdrawn from this proceeding, and the conditions that it presented to us have been settled. We need not address Idaho Power's conditions.

C. The Staff's Conditions. The Staff recommended two conditions:

1. Rate-Related Effects of the Merger. Staff recommends that newly built plant common to both systems not be allocated to either system in a manner that will cause higher rates than there would be without the merger, i.e., the division to which the plant is allocated must show savings to that division exceeding the cost of the plant allocated to the division. This is substantively the same as PPC's first two recommendations, and this condition is also accepted.

2. Jurisdictional Allocations to Sandpoint. Staff recommends that no new jurisdictional allocations of the merged system or either division be approved if the change would increase jurisdictional revenue requirement allocated to the Sandpoint territory. Again, this is a variation of other Staff and PPC recommendations. It is incorporated as a condition.

D. The Conditions Imposed. This section individually lists the conditions that are imposed as a result of our analysis of the recommendations of PPC and the Staff. The precise terms of the conditions are those listed below, not the more general discussion contained in our earlier analysis. The Application is approved with the following conditions:

1. Merger-Related Rate Increases Prohibited. Neither the rates charged b the Pacific Power division to its Sandpoint service territory in northern Idaho nor the ates charged by the Utah Power division to its eastern Idaho service territory can increas by reason of the merger.

2. Transactions Between Divisions and Affiliates to Be Documented. The merged company must maintain a proper audit trail of all transactions between its two electric utility divisions and all of these divisions' transactions with any of the merged company's other divisions or affiliates.

3. Generation or Transmission Subsidiaries Prohibited. The merged company is prohibited from forming generation or transmission subsidiaries, or otherwise disposing of any generating, transmission or distribution property in the State of Idaho, without application to this Commission and this Commission's subsequent approval.

The first condition will be implemented through this Commission's fact-finding in individual rate proceedings involving one division or the other. We cannot in this Order anticipate or identify every potential merger-related effect on rates or costs. Those will be handled on a case-by-case determination in the future. The second condition will be implemented through informal meetings between the merged company and this Commission's and other commissions' staffs. The third condition is self-implementing.

O R D E R

IT IS THEREFORE ORDERED that the Application of PacifiCorp, a Maine corporation dba Pacific Power & Light Company, Utah Power & Light Company, a Utah corporation, and PC/UP&L Merging Corp., an Oregon corporation to be renamed PacifiCorp upon completion of the merger, for an Order granting permissions and authorities, be and hereby is granted. In particular,

1. IT IS FURTHER ORDERED that the merger of PacifiCorp Maine and Utah Power with and into PacifiCorp Oregon, with PacifiCorp Oregon to be the surviving corporation, in accordance with an Agreement and Plan of Reorganization and Merger Among PacifiCorp Maine, Utah Power, and Merging Corp., dated August 12, 1987 (merger agreement) be authorized and approved.

2. IT IS FURTHER ORDERED that issuance by PacifiCorp Oregon of shares of its common and preferred stocks upon conversion of the outstanding shares of common and preferred stock of PacifiCorp Maine and Utah Power in accordance with the terms of the merger agreement be authorized and approved.

3. IT IS FURTHER ORDERED that the assumption by PacifiCorp Oregon of all outstanding debt obligations of PacifiCorp Maine and Utah Power and the continuation or creation of liens in connection therewith be authorized and approved.

4. IT IS FURTHER ORDERED that the adoption by PacifiCorp Oregon of all tariff schedules and service contracts of PacifiCorp Maine and Utah Power on file with the Commission and in effect at the time of the merger for service within all territories served before the merger by PacifiCorp Maine and Utah Power, respectively, be authorized and approved.

5. IT IS FURTHER ORDERED that the transfer to PacifiCorp Oregon of all certificates of public convenience and necessity of PacifiCorp Maine and Utah Power be authorized and approved.

6. IT IS FURTHER ORDERED that the transfer to PacifiCorp Oregon of all Commission authorizations and approvals for the issuance of securities by PacifiCorp Maine that have not yet been fully used be authorized and approved.

7. IT IS FURTHER ORDERED that PacifiCorp Oregon's issuance of not more than 128 million shares of its $3.25 par value common stock, not more than 126,533 shares of its 5% preferred stock, not

more than 754,802 shares of its serial preferred stock, and not more than 3,183,815 of its no par showed preferred stock upon the conversion of all outstanding shares of common and preferred stock of PacifiCorp Maine and Utah Power in accordance with the merger agreement be authorized and approved.

IT IS FURTHER ORDERED that the approvals and authorizations previously listed be subject to the conditions set forth in Part VII of this Order.

IT IS FURTHER ORDERED that the Applicants inform the parties to this proceeding and the Commission Secretary on or before September 1, 1988, whether they will exercise the authorities granted to them by this Order or whether they will need additional time to determine whether they will exercise those authorities. If they have not yet determined whether those authorities will be exercised on September 1, 1988, they shall continue to report to the Commission Secretary at two-week intervals until they have determined whether they will exercise those authorities.

IT IS FURTHER ORDERED that following the Applicants' report to the Commission Secretary whether they will exercise the authorizations given to them in this Order, PacifiCorp Oregon will succeed to all of the rights and responsibilities of PacifiCorp Maine and Utah Power under the Public Utilities Law and Orders of the State of Idaho upon the date requested (which must be at least seven days after the Applicants' notice to the Commission Secretary) if the Applicants report that the merger will proceed.

IT IS FURTHER ORDERED that the Commission Secretary issue the notices required by this Order upon the Applicants' notification to her of their intention whether to exercise the authorizations granted in this Order.

THIS IS A FINAL ORDER. Any person interested in this Order (or in issues finally decided by this Order) or in interlocutory Orders previously issued in these

Case Nos. U-1009-184, U-1046-161 and U-1152-1 may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order or in interlocutory Orders previously issued in these Case Nos. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration in response to issues raised in the petition for reconsideration. See *Idaho Code* §61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho, this 15th day of April, 1988.

DEAN J. MILLER, PRESIDENT

PERRY SWISHER, COMMISSIONER

RALPH NELSON, COMMISSIONER

ATTEST:

MYRNA J. WALTERS, COMMISSION SECRETARY

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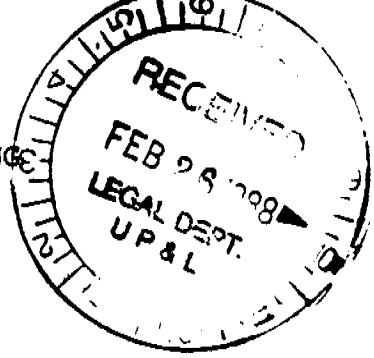

BEFORE THE PUBLIC SERVICE COMMISSION OF WYOMING

IN THE MATTER OF THE APPLICATION OF PACIFICORP AND PC/UP&L CORP., (TO BE RENAMED PACIFICORP), FOR AN ORDER AUTHORIZING THE MERGER OF PACIFICORP AND UTAH POWER & LIGHT COMPANY INTO PC/UP&L MERGING CORP., AND AUTHORIZING THE ISSUANCE OF SECURITIES, ASSUMPTION OF OBLIGATIONS, ADOPTION OF TARIFFS AND TRANSFER OF CERTIFICATES OF PUBLIC CONVENIENCE AND NECESSITY AND AUTHORITIES IN CONNECTION THEREWITH.	DOCKET NO. 9266 SUB 104
IN THE MATTER OF THE APPLICATION OF UTAH POWER & LIGHT COMPANY FOR AN ORDER AUTHORIZING THE MERGER OF UTAH POWER & LIGHT COMPANY AND PACIFICORP INTO PC/UP&L MERGING CORP., (TO BE RENAMED PACIFICORP), AND AUTHORIZING THE ISSUANCE OF SECURITIES, ASSUMPTION OF OBLIGATIONS, ADOPTION OF TARIFFS AND TRANSFER OF CERTIFICATES OF PUBLIC CONVENIENCE AND NECESSITY AND AUTHORITIES IN CONNECTION THEREWITH.	DOCKET NO. 9199 SUB 83

A P P E A R A N C E S

HOUSTON G. WILLIAMS of Williams, Porter, Day & Neville, Casper, Wyoming, and JAMES F. FELL of Stoel, Rives, Boley, Jones & Grey, Portland, Oregon, for Joint Applicants PacifiCorp Maine D.B.A. Pacific Power & Light Company (hereinafter referred to as PacifiCorp Maine or Pacific Power), and PC/UP&L Merging Corp., to be renamed PacifiCorp Oregon upon completion of the merger (hereinafter referred to as Merging Corp. or PacifiCorp Oregon.)

HARRY L. HARRIS of Harris and Morton, Evanston, Wyoming, and EDWARD A. HUNTER, JR. and THOMAS W. FORSGREN, Salt Lake City, Utah, for Joint Applicant Utah Power & Light Company (hereinafter referred to as Utah Power.)

WILLIAM J. THOMSON of Dray, Madison & Thomson, Cheyenne, Wyoming, and DAVID M. COVER,

Englewood, Colorado, for Intervenor
The Pittsburg & Midway Coal Company
(hereinafter referred to as Pittsburg & Midway.)

JOHN A. SUNDAHL of Godfrey, Sundahl & Jorgenson,
Cheyenne, Wyoming, for Intervenors Amoco
Production Company and Chevron USA, Inc.
(hereinafter referred to as Amoco and Chevron.)

DONALD N. SHERARD of Sherard, Sherard & Johnson,
Wheatland, Wyoming, and GARY A. DODGE of Kimball, Parr,
Crocket and Waddoups, Salt Lake City, Utah, for
Intervenor Colorado River Energy Distribution Association
(hereinafter referred to as Colorado River Association.)

DONALD I. SHULTZ of Holland & Hart,
Cheyenne, Wyoming, for Intervenor Exxon USA
(hereinafter referred to as Exxon.)

THOMAS LYNN HUTCHINSON, Evanston, Wyoming,
for Intervenor City of Evanston, and for the
Southwest Wyoming Utility Users Association
(hereinafter referred to as Southwest Wyoming Consumers.)

THOMAS A. NICHOLAS of Hirst & Applegate, Cheyenne,
Wyoming, for Idaho Cooperative Utilities Association
(hereinafter referred to as Idaho Cooperative.)

CRAIG THOMAS, Casper, Wyoming, as General Manager
of the Wyoming Rural Electric Association and as a
State Representative, Casper, Wyoming; TED FROME for
Lower Valley Power & Light, Inc., Afton, Wyoming;
and WILLIAM R. LEWIS as Manager of Bridger Valley
Electric Association, Inc., Mountain View, Wyoming;
appearing to make statements.

H E A R D B E F O R E

CHAIRMAN JOHN R. SMYTH,
DEPUTY CHAIRMAN BIL TUCKER,
COMMISSIONER NELS J. SMITH
Chairman Smyth presiding.

FINDINGS, CONCLUSIONS AND ORDER
(Issued February 24, 1988)

This matter is before the Commission upon the Joint Application of Pacific Power, PacifiCorp Oregon and Utah Power

hereinafter they may also be referred to as Applicants), filed pursuant to W.S. 37-1-104, 37-2-119, 37-2-120, 37-2-205, 37-3-102, 37-3-111, 37-3-112 and 37-6-101 through 37-6-107, for an expeditiously issued order authorizing:

1. The merger of PacifiCorp Maine and Utah Power with, and into, PacifiCorp Oregon, with PacifiCorp Oregon to be the surviving corporation, in accordance with an Agreement and Plan of Reorganization and Merger among PacifiCorp Maine, Utah Power and PacifiCorp Oregon, dated August 12, 1987 (Merger Agreement) which agreement expires August 12, 1988;

2. Authorizing PacifiCorp Oregon to issue not more than 128,000,000 shares of its $3.25 par value common stock, not more than 126,533 shares of its 5% Preferred Stock, not more than 754,802 shares of its Serial Preferred Stock, and not more than 3,183,815 shares of its No-Par Serial Preferred Stock upon the conversion of all outstanding shares of common and preferred stock of PacifiCorp Maine and Utah Power in accordance with the terms of the Merger Agreement;

3. The assumption by PacifiCorp Oregon of all outstanding debt obligations of PacifiCorp Maine and Utah Power and the continuation or creation of liens in connection therewith;

4. The adoption by PacifiCorp Oregon of all tariff schedules and special service contracts of PacifiCorp Maine and Utah Power on file with the Commission and in effect at the time of the merger, for service within all territories served prior to the merger by PacifiCorp Maine and Utah Power respectively;

5. The transfer to PacifiCorp Oregon of all certificates of public convenience and necessity and rights and responsibilities under Wyoming law of PacifiCorp Maine and Utah Power;

6. The transfer to PacifiCorp Oregon of all Commission authorizations and approvals for the issuance of securities by PacifiCorp Maine which have not been fully utilized; and

7. Approval of proposed journal entries.

FINDINGS ON PROCEDURE AND PARTIES

1. Published notice and personal notice was given to persons having expressed an interest or believed by the Commission to have an interest in this case. Public hearings in this case were held: at the City Council Chambers, City Hall, Casper, on December 14 and 15, 1987; at the City Council Chambers, City Hall, Kemmerer on December 15, 1987; at the City Council Chambers, City Hall, Evanston on December 7, 1987, and at Room 1299, Herschler Building, Cheyenne on January 11, 1988. Briefs were duly filed by Applicants, by Intervenors Pittsburg Mining and Idaho Cooperative, and by the City of Evanston.

2. The Commission set the additional public hearing in Cheyenne mainly at the request of Colorado River Association. Colorado River Association notified the Commission that they would not appear at the Cheyenne public hearing and subsequently did not appear.

3. Pacific Power is a Maine Corporation qualified to do business in Wyoming with its main Wyoming office at Casper. It

is authorized by the Commission to provide electric utility service within designated urban and rural certificated service areas throughout Wyoming as set forth in orders issued in Dockets Nos. 484, 511, 530, 542, 562, 578, 589, 633, 638, 657, 677, 679, 742, 743, 990, 992 through 1001, 1934, 8300, 9047, 9062, 9083, 9213, 9251, 9271, 9297, 9311, 9319, 9349, 9360, 9366, 9399, 9408, 9419, 9437, 9440, 9537, 9582, 9594, 9602, 9626 and 9659 and subs thereunder. Pacific Power is also authorized to operate as an electric public utility in the states of California, Idaho, Oregon, Montana and Washington. PacifiCorp Maine operates its electirc utility business in Wyoming and elsewhere as Pacific Power.

Pacific Power serves 670,000 retail customers systemwide in 240 communities within 63,000 square miles of service areas. Its utility distribution service is divided as follows: 56% in Oregon; 21% in Wyoming; 14% in Washington; 5% in California and 1% in Idaho. Approximately 66% of Pacific Power's power supply is obtained from its coal-fired plants, 16% from its hydroelectric plant generation, and 18% from long-term power purchases and other power purchases. Pacific Power employs 4100 persons. Pacific Power is currently interconnected with Utah Power at Utah Power's Naughton coal-fired steam electric generating plant located near Kemmerer, Wyoming.

4. Utah Power is a Utah Corporation qualified to do business in Wyoming with its main Wyoming business office at Evanston. It is authorized by the Commission to provide electric utility

service within designated urban and rural certificated service areas in southwestern Wyoming including the municipalities of Evanston and Kemmerer. Utah Power's Wyoming service areas are set forth in orders issued in Dockets Nos. 338, 339, 340, 486, 700, 1934, 9027, 9062, 9425 and 9441 and subs thereunder. Utah Power also provides electric public utility service in the states of Idaho and Utah.

Utah Power serves 510,000 retail customers systemwide within a total 90,000 square miles of service areas. Approximately 86% of its power is obtained from its coal-fired generation, 3% from its hydroelectric generation, and the remainder from other sources.

5. Merging Corp. was incorporated in the State of Oregon on August 11, 1987. All outstanding shares of Merging Corp. are owned by PacifiCorp Maine. When the Joint Applicants have obtained all required state and federal authorities for the merger, the Joint Applicants propose that: the separate corporate existences of PacifiCorp Maine and Utah Power will cease; the Merging Corp. will be the surviving entity; the name of Merging Corp. will be changed to PacifiCorp Oregon, an Oregon corporation; and PacifiCorp Oregon will be qualified to transact business and operate as a public utility in the states of Wyoming, California, Idaho, Montana, Oregon, Utah and Washington.

6. Intervenor Pittsburg & Midway is a customer of Utah Power, and Pittsburg & Midway is the supplier of coal from its Kemmerer mine for the operation of Utah Power's Naughton Plant.

7. Intervenors Exxon, Amoco and Chevron are large industrial customers of Applicants. Exxon is Pacific Power's largest systemwide customer. Amoco is a self-generator and cogenerator of power (40 Megawatt plant near Rock Springs) selling power to Pacific Power under Pacific Power tariffs filed pursuant to the Public Utility Regulatory Policies Act of 1978 (P.L. 95-617) and Commission Rule Section No. 317.

8. Intervenor Colorado River Association is a nonprofit Colorado corporation representing 117 electric systems in Wyoming, Utah, Colorado, New Mexico, Arizona and Nevada. Colorado River Association's Wyoming electric utility members are Tri-State Generation and Transmission Association and the Wyoming Municipal Power Agency.

9. The Intervenor City of Evanston is a customer of Utah Power and represents its citizens who are served by Utah Power. The Southwest Wyoming Consumers represents utility customer members throughout the area served by Utah Power.

10. Intervenor Idaho Cooperative is a nonprofit Idaho organization created to represent its Idaho members in utility matters. Its members include Fall River Rural Electric Cooperative, Inc., and Lower Valley Power & Light, Inc., which provide electric utility service in Idaho as well as in western Wyoming.

11. The Wyoming Rural Electric Association, Lower Valley Power and Light, Inc., and Bridger Valley Electric Association, Inc., appeared to voice certain concerns and obtain answers to questions.

FINDINGS OF FACT

Joint Applicants' evidence:

12. The utility systems of Pacific Power and Utah Power, when merged into PacifiCorp Oregon, are proposed to be planned and operated on a single utility basis. The merged companies will be managed on a divisional basis. Pacific Power and Utah Power operations will each become a division of PacifiCorp Oregon and each division will continue providing service within each utility's present service areas under currently authorized rates, tariffs, and contracts. Joint Applicants state that each division will be given equitable representation on the Board of Directors of PacifiCorp Oregon based upon measures such as the proportional investment and revenues of each division.

13. Applicants provided evidence to show that they are each financially sound, and that their long-term utility operations in Wyoming demonstrate that each has been, and is, providing efficient reliable and adequate service at reasonable rates to the public within their service areas.

14. Each Applicant offered evidence to show that its money market positions have improved and will continue improving with or without the merger. Applicants evidence shows that the financial community is still in the process of evaluating the short-term impact of the merger; but have expressed a positive view of the long-term effects of the merger. Applicants offer that these positive financial market indicators point toward a lower long-term cost of capital for the merged company.

15. Applicants show that both have taken action and conducted studies, including investigation of various merger "partners", pointed toward lowering costs and increasing efficiency. Applicants state the principal reason for this action is to meet the challenges of rigorous competition: from other power suppliers, especially those suppliers in the Northwest with low power production costs; from oil, wood and gas fuels; from cogenerators; and from new and emerging technologies, including fuel cells and photovotaics.

16. Applicants provided substantial evidence showing that the extensive actions taken by each of them in recent years to lower operational costs include: hiring freezes; termination of less essential employees (Utah Power); early retirements; and deferred and cancelled maintenance and construction. Applicants show that these economies were accomplished by each of them while maintaining a high degree of safety and quality service.

17. Applicants each represent that their studies show that a consolidated, coordinated operation of their facilities provides a "tailor made" opportunity for accomplishing further efficiencies and cost savings that will substantially benefit their customers and will permit PacifiCorp Oregon to compete in a manner that will sustain and improve service quality at reasonable rates.

18. Applicants state that their detailed studies are conservatively based, and will result in operating benefits of $48 million for the initial year of the merged operations,

advancing progressively to a total of $158 million in the fifth year of the merged operation. The fifth-year estimates of benefits are shown to be: $11 million in net reduced construction; $17 million from economic development; $20 million from administration efficiencies; $53 million from manpower efficiencies; and $57 million in power supply savings and sales. Applicants show that the merger transaction will be a tax free reorganization under Section 368(a)(1)(A) of the Internal Revenue code.

19. Applicants evidence supporting the amounts of the merger benefits include:

a. PacifiCorp Maine is a winter-peaking utility and Utah Power is a summer-peaking utility, the combination of which will result in a more efficient and cost saving higher load factor operation;

b. better utilization of Applicants' existing facilities and power resources by integration, including improved interexchange and movement of power by central dispatch;

c. planned new transmission facility construction which will increase the interdivisional and interstate interexchange and movement of power;

d. PacifiCorp Oregon gaining access to potential new wholesale markets in the southwestern United States, which will provide an estimated 200 megawatts in new wholesale sales and provide PacifiCorp Oregon with access to lower cost power supplies throughout the western United States;

e. postponement for several years of new energy and capacity construction;

f. increased flexibility in the maintenance of the generating plants, and reduced load following burden as a result of the coordinated power plant and transmission facility operations;

g. reduced inventories and elimination of duplications;

h. sharing expertise and services between divisions; and

i. systemwide adoption of successful operational programs, including Utah Power's adoption of Pacific Power's successful and progressive economic development policies, and Pacific Power utilizing Utah Power's efficient automatic load-following techniques.

20. Based upon the merger improvements and benefits demonstrated by their detailed studies, Applicants have committed to near-term, non-cost based rate reductions under the merger, as follows:

a. reduction of rates of Utah Power's firm customers by 2% within 60 days of the merger effective date; and as operational experience is gained under the merger, and no later than December 31, 1988, to submit a detailed plan for reducing such rates an additional 3% to 8% for a total of 5% to 10% over the next five years; and

b. to maintain "stable" the rates of customers of Pacific Power over the five-year period, commencing with the

merger authorization.

21. Applicants state that if merger benefits exceed those included in the proposed rate reductions, the rate regulating agencies will determine how the benefits will be shared among the jurisdictions. Applicants state that the merger benefits will continue beyond the five-year period, but that commitments by them beyond that period are not reasonable because of the volatility of the economy. Applicants commit that, in any case, no rate increases will occur as a result of the merger.

22. Applicants state that it is not reasonable at this time to include in the merger proposal the incorporation of Utah Power's Wyoming service area into the proposed Pacific Power division because the rates of PacifiCorp Maine are lower than those of Utah Power. This price disparity results mainly from Pacific Power's much larger proportion of lower-cost hydroelectric power supplies. Applicants show that such action taken at this time would unfairly require rate increases to the rates of Pacific Power's Wyoming customers. Applicants state that the consolidation of the Pacific Power and Utah Power properties may be accomplished after the initial five-year term of the merger when the PacifiCorp Oregon utility operating divisions show a similar cost of service.

23. Applicants answer the general concerns expressed by Intervenors and the other persons appearing, as follows:

a. all existing transmission contracts will be honored by PacifiCorp Oregon, and all affected persons have access to the

Federal Energy Regulatory Commission, which has jurisdiction over bulk power sales and transmission, in case of controversy;

b. Applicants, individually or as merged, will negotiate on power purchase and transmission matters with public and private entities on a one-on-one basis, just as Pacific Power is now negotiating with the Bonneville Power Administration;

c. no evidence was provided by Intervenors or others disclosing existing utility purchase or transmission contracts in Wyoming, the Southwest or in other areas that will be interfered with by the merger.

d. PacifiCorp Oregon will provide an important market for public and other bulk power suppliers;

e. PacifiCorp Oregon should be granted reciprocal transmission line access rights on other transmission systems to the same extent that that entity is granted access rights on PacifiCorp Oregon's transmission system;

f. all power utilities must take steps, including mergers if appropriate, to improve their competitive positions in this era of economically generated, and federal governmental promoted, competition; and

g. it is not possible to accomplish all of the benefits of the proposed merger by the alternative of contracting between Pacific Power and Utah Power.

24. Concerning the issue of the Commission's ability to regulate the larger PacifiCorp Oregon, Applicants state that: the Commission has fully and adequately regulated each Applicant; a

comprehensive "audit trail" will be provided to permit tracking of changes under the merger for regulatory purposes; and Applicant will provide periodic detailed reports as required by each jurisdiction. Applicants state that the Commission will, under the merger, be able to fully and adequately address all issues including complex interjurisdictional and intrajurisdictional allocations.

25. Concerning the Naughton generating plant operation under the merger, Applicants state that: generation from all the merged companies' generating plants will be increased as required for anticipated additional bulk power sales; planned plant curtailments will be accomplished on the basis of the lowest total power production costs; and that a benefit of the merger is that curtailments will be made over a much broader base.

26. Applicants state that systemwide load-control and load-following on an economic basis require immediate decisions, and that obtaining prior authority for changes in generation mix would be costly, unreasonable and would encumber efficient plant operations. Applicants offer that the Commission has and can monitor plant operations to determine that operations are conducted on a prudent, non-discriminatory, public interest basis. Applicants state that no agreements have been made that would require uneconomic use of coal mined in another state.

27. Applicants request prompt Commission action on their Joint Application based on the public hearing record now before the Commission; and they offer that the public interest does not

support any delay for the purpose of determining the action of the Federal Energy Regulatory Commission or other regulatory agencies.

28. Utah Power states that it has been contacted concerning service to a potential oil and gas developer customer in the Hickey Mountain area claimed by Bridger Valley as being within its service area; that the service authority in the area is not clear; and Utah Power would apply to the Commission before seeking to extend service to this new location.

29. Applicants stated that applications would be made prior to changes in the areas of concern as stated by Intervenors Exxon and Amoco and Chevron including: the timing of the proposed inclusion of the Naughton Plant Unit No. 3 in Utah Power's rate base; the sale of utility assets; the sale or transfer of assets between divisions; and any planned changes in cogeneration rates, charges, and service conditions.

30. Applicants state the final action by the Commission should not be delayed for the purpose of ruling on allocations, since this issue and other rate issues are properly matters for future determination.

Intervenor Pittsburgh & Midway:

31. Utah Power's Naughton generating plant utilizes 60% of Pittsburg & Midway's Kemmerer mine production. The Kemmerer mine has an estimated 50-year life at present production levels. Pittsburg & Midway employs about 400 persons and provides 36% of the tax base of the local school district.

32. Pittsburg & Midway's main concern is that PacifiCorp Oregon may unfairly burn coal for generation from the merged company's mines, or from its affiliates' mines, in preference to coal from independently owned mines.

33. Pittsburg & Midway states that the data in Joint Applicants' Exhibit Nos. 8.5 and 11, which shows the Naughton plant fuel cost to be higher than Joint Applicants' other generating plant fuel costs, is inaccurate because the utility owned mine costs do not include provision for rate of return on investment.

34. Pittsburg & Midway offers that the Commission should require Joint Applicants to obtain prior approval for any planned reduction of coal burn at any plant which obtains its coal supplies from non-utility owned mines. Pittsburg & Midway requests that the threshold for requiring prior approval should be a reduction of 10% of the average 1985-7 calendar years' coal burn.

Position of Intervenors Amoco and Chevron:

35. Intervenors Amoco and Chevron stated that they do not oppose the merger; and that Applicants' evidence and the information provided to Intervenors as a result of Commission staff's investigation answered their concerns, which include:

a. that the proposed merger should not cause rate increases to Pacific Power's customers;

b. a cost benefit analysis of the merger risks should be made; and

c. that the Commission should rule upon any proposed change in currently authorized interjurisdictional allocation bases, with adequate prior public notice and public hearing opportunity.

Exxon's position:

36. Exxon is Pacific Power's largest customer systemwide and is also a large industrial customer of Utah Power.

37. Intervenor Exxon, based on the evidence of record and Commission staff's investigation information, supports approval of the merger, but reserved the right to request additional rate decreases during the initial five-year term of the merger.

38. Exxon requested information on the plans of Utah Power to include the generating unit No. 3 of the Naughton Plant in its rate base, and on any proposed changes in cogeneration rates, charges or service conditions.

Intervenor Colorado River Association voiced the following concerns:

39. The merged company will gain excessive control of access to surplus and low cost power sales markets.

40. Third parties' ability to obtain wheeling of their power through the merged utility area will be hampered by the more concentrated use by Applicants of their own transmission facilities.

41. The integrated system operation may adversely affect the merged system reliability.

42. The benefits of the merger may not develop as forecast.

43. The Commission should consider, as an alternative to approving the merger, requiring Applicants to contract for their planned coordinated operation.

Questions posed by the Intervenor City of Evanston and by the Southwest Wyoming Consumers:

44. Intervenor the City of Evanston and the Southwest Wyoming Consumers request that the Commission closely monitor the management of the proposed Utah Power division and the coal use under the merged company, to prevent any action that would adversely, unfairly and unnecessarily impact the customers and economy of southwestern Wyoming. The City and the Southwest Wyoming Consumers request that, at the earliest reasonable opportunity, Utah Power's Wyoming service area be integrated into PacifiCorp Oregon's Wyoming service area, for rate, service and management parity throughout Wyoming.

Request of Idaho Cooperative:

45. Intervenor Idaho Cooperative argues that the issues of transmission access and of wholesale rates are exclusively within the jurisdiction of the Federal Energy Regulatory Commission, and should not be ruled upon in this case.

Statements of other persons appearing:

46. Representative Thomas stated concerns, including that:

a. the merged company will have increased economic leverage which may be a barrier to the marketing of power in Wyoming by public power entities in behalf of Wyoming rural electric utilities;

b. the expanded and strengthened merged Company may be difficult to regulate; and

c. the Commission should consider, as an alternative to the merger, requiring Applicants to contract for the power transmission, exchanges and sale planned by them.

47. Bridger Valley stated the following concerns:

a. the merger may make it more difficult for its wholesale supplier Deseret Generation and Transmission Association to transmit power to Bridger Valley;

b. the merged company may eliminate Bridger Valley as a competitor, and increase Bridger Valley's cost of power; and

c. Utah Power is seeking to serve a potential oil field customer in service area exclusively certificated to Bridger Valley.

48. No other persons appeared to make a statement.

CONCLUSIONS

1. Adequate public and personal notice was given as required by Wyoming law.

2. This is a reorganization of public utilities as defined by W.S. 37-1-104(b) which provides:

> (a) No reorganization of a public utility shall take place without prior approval by the public service commission. The commission shall not approve any proposed reorganization if the commission finds, after public notice and opportunity for public hearing, that the reorganization will adversely affect the utility's ability to serve the public.

The determination that a utility's ability to serve the public will not be adversely affected requires consideration of

each element of the Commission's jurisdiction as set forth in Chapters 1, 2, 3 and 6 of Title 37, Wyoming Statutes 1977. These elements include: rates; any matters affecting or influencing cost and value of the utility property and business; the financial ability and good faith of applicant; the present and future public convenience and necessity; and the adequacy, efficiency and safety of utility service and facilities so as to promote the safety, health, comfort and convenience of the public, the utility's employees and the utility's customers. Under W.S. 37-2-119 the Commission must determine for all regulatory purposes whether a utility's property located within or outside of Wyoming is "used and useful" for Wyoming service.

Additionally Section 12 of Title 37, Wyoming Statutes 1977, requires the Commission to determine that the issuance of securities payable at a period of more than 18 months are consistent with the public interest and that the aggregate amount of the securities will not exceed the face value of the business of the public utility.

The Wyoming Supreme Court has consistently held that in certification and rate matters the paramount consideration must be the public interest and that in certification matters any incidental disadvantages must be weighed in balance against public advantages. Riverton Valley Elec. Co. v. Pacific Power & Light Co., 391 P.2d 489, (Wyo. 1964); Matter of Rule Radio Service, Inc., 621 P.2d 241, (Wyo. 1980); McCulloch Gas Transmission Co. v. Public Service Commission, 627 P.2d 173,

(Wyo. 1981); and Mountain Fuel Supply Co. v. Public Service Commission, 662 P.2d 878 (Wyo. 1983).

3. The uncontroverted evidence discloses that Pacific Power and Utah Power have, over the many years of their authorized service, provided adequate, efficient, safe and reliable service to the public within areas certificated to them. During this period the Commission has presided over the several purchases of other Wyoming utilities by Pacific Power and by Utah Power.

Pacific Power's Wyoming electric utility merger and purchase transaction presided over by the Commission include: Mountain States Power Company in 1954; Western Public Service Company in 1955; Shannon Gas & Electric Company in 1959; Rawlins Electric Company in 1959; Southern Wyoming Utilities in 1960; South Superior electric system in 1967; Farmers' Light & Power in 1967; Town of Sinclair electric system in 1967; and Consumer Lite & Power in 1982. The Commission is currently considering Pacific Power's application to purchase Shoshone River Power, Inc. and Garland Light & Power Company.

The Commission has presided over the Wyoming electric utilities purchases by Utah Power of S.R. Inch in 1923, Green River Power and Light in 1925, California-Pacific in 1963 and Lincoln Service in 1981.

These cases involved, in varying degrees, all the issues of the subject Joint Application, including: the regulation of a separate unit or divisional basis of the new acquired service areas; the progressive melding of these units into one Wyoming

service area; facility adjustments and construction for centralized efficient operations; rate adjustments progressing toward uniform Wyoming systemwide rates for each utility; the determination of facilities "used and useful" for Wyoming service; and very complex but accomplished intrastate and interstate allocations. In each acquisition case PacifiCorp Maine and Utah Power demonstrated superior ability in providing and improving (and in most cases substantially improving) utility service, accomplishing economies, providing adequate information for decision making and coordinating with various regulating jurisdictions, on interstate allocation questions.

4. The substantial evidence of this case supports the conclusions that:

a. PacifiCorp Oregon will be able, financially and otherwise, to continue to provide adequate, efficient, safe and reliable electric utility service within the Applicants' assigned Wyoming service areas under its divisional operations plan;

b. the rate proposals of Joint Applicants are in the present and future interests of the Wyoming public presently served and to be served by them;

c. the value of the utility property of Joint Applicants will not be adversely affected by the merger;

d. the aggregate amount of the securities outstanding and as authorized by this order will not exceed the fair value of the properties and businesses of Pacific Power and Utah Power;

e. no substantive evidence was presented by any party

that shows that the merger will be detrimental to Wyoming electric utilities or their customers; and

f. there is no evidence of record to show that this Commission cannot adequately and timely investigate, issue public notice and hold public hearings, and rule upon any jurisdictional PacifiCorp Oregon matter in the interests of the Wyoming public, including future rate and service changes, determinations that facilities in the state and outside the state are "used and useful" for Wyoming service, and intrastate and interstate allocation determinations.

g. the advantages to the Wyoming public of the merger as shown by the evidence of record outweigh the concerns voiced on the record.

5. Requiring prior authorization from the Commission before a utility can adjust power plant and large power transmission operation and dispatch is not reasonable or in the public interest as it may hamper the utility's ability to adequately, efficiently, and responsively serve the public.

6. This Commission is deeply aware and concerned about the potential adverse economic consequence of cut backs in the operation of Wyoming generating plants, as aptly expressed by Intervenors Pittsburg & Midway and the City of Evanston. The utility power plant operations in Wyoming communities is a predominant economic factor. Pursuant to W.S. 37-2-120, 37-3-112 and 37-3-114, the Commission has required utilities to report concerning any major changes in operations, and will continue

his practice concerning any major planned or emergency changes in the operations of the Joint Applicants' power plants. Any person can file a complaint concerning any change in a utility's operation that would affect the "safety, health, comfort and convenience" of the public (W.S. 37-3-114). Also plant cost data is a matter investigated by the Commission in each general rate case proceeding, providing another forum for any person to question utility management practices.

7. The courts have uniformly held that regulatory agencies should expeditiously consider and rule upon matters before them. The record does not disclose any legal reason for delaying final action. The interests of the Wyoming public will be served by a prompt decision. Additionally, it may be useful for the other jurisdictions to be advised of the evaluation and rulings of that state jurisdiction (Wyoming) wherein both Pacific Power and Utah Power have provided extensive electric utility service for many years, recognizing however that the state of Idaho also regulates both utilities. The Commission will closely monitor the progress and final action of the other federal and state agencies also having jurisdiction over this merger.

O R D E R

IT IS HEREBY ORDERED THAT:

1. The Joint Application of PacifiCorp Maine and Utah Power for the merger of PacifiCorp Maine and Utah Power with, and into, PacifiCorp Oregon in accordance with the Agreement and Plan of Reorganization and Merger dated August 12, 1987 be, and it hereby

s, approved.

2. PacifiCorp Oregon be, and it is hereby authorized, to issue not more than 128,000,000 shares of its $3.25 par value Common Stock, not more than 126,533 shares of its 5% Preferred Stock, not more than 754,802 shares of its Serial Preferred Stock, and not more than 3,183,815 shares of its No Par Serial Preferred Stock upon the conversion of all outstanding shares of common and preferred stock of PacifiCorp Maine and Utah Power in accordance with the terms of the Merger Agreement.

3. PacifiCorp Oregon be, and it is hereby authorized to assume all debt obligations of PacifiCorp Maine and Utah Power outstanding as of the merger, and authorized to continue, and to create liens in connection therewith, subject to compliance with the requirements of Wyoming law and Commission rules.

4. Pursuant to Commission Rule Section 219, PacifiCorp Oregon, doing business as Pacific Power & Light Company, be, and it hereby is, authorized to adopt all tariff schedules and special service contracts of PacifiCorp Maine in effect as of the merger for service within Pacific Power's service area.

5. Pursuant to Commission Rule Section 219, PacifiCorp Oregon, doing business as Utah Power & Light Company, be, and it hereby is, authorized to adopt all tariff schedules and special service contracts of Utah Power in effect as of the merger, for service within Utah Power's authorized service area.

6. PacifiCorp Oregon, doing business as Pacific Power & Light Company, be, and it hereby is, granted the transfer of all

certificates of public convenience and necessity of PacifiCorp Maine.

7. PacifiCorp Oregon, doing business as Utah Power & Light Company, be, and it hereby is, granted the transfer of all certificates of public convenience and necessity of Utah Power.

8. The Commission authorizations and approvals for the issuance of securities by PacifiCorp Maine which have not been fully utilized as of the merger be, and hereby are, transferred to PacifiCorp Oregon.

9. PacifiCorp Oregon shall, upon the merger, succeed to the utility rights and responsibilities of PacifiCorp Maine and Utah Power under the public utility laws of Wyoming and the orders of the Commission.

10. PacifiCorp Maine and Utah Power shall, at appropriate intervals advise the Commission of the status of the merger application proceedings in the other jurisdictions.

11. PacifiCorp Maine, Utah Power and, upon the merger, PacifiCorp Oregon will continue to advise the Commission of any major operation changes affecting Wyoming service, including those involving the operations of Utah Power's Naughton Plant and PacifiCorp Maine's power plants.

12. Applicants proposed journal entries set forth in Applicants' Exhibit 4M be, and hereby are approved.

13. This order documents the Commission's final action taken in special open meeting of February 4, 1988, concerning which all the parties were given notice.

14. This Order is effective immediately.

MADE and ENTERED at Cheyenne, Wyoming, this 24th day of February, 1988.

PUBLIC SERVICE COMMISSION OF WYOMING

JOHN R. SMYTH, Chairman

BIL TUCKER, Deputy Chairman

NELS J. SMITH, Commissioner

PUBLIC SERVICE COMMISSION OFFICIAL SEAL WYOMING

ATTEST:

ALEX J. ELIOPULOS, Secretary

Service Date: February 23,1988

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

* * * * * *

IN THE MATTER of the Montana Public Service Commission's Investigation of the Merger of the Pacific Power and Light Company and the Utah Power and Light Company.	UTILITY DIVISION 87.9.51
In the Matter of the Application of PC/UP&L Merging Corp. (to be renamed PacifiCorp) to: (1) Issue its Common Stock and Preferred Stock to effect a merger with PacifiCorp and Utah Power & Light Company, (2) Assume all debt obligations of PacifiCorp and Utah Power & Light Company, and (3) Issue its securities under authorizations previously granted to PacifiCorp by the Commission.	UTILITY DIVISION DOCKET NO. 87.9.49 ORDER NO. 5297a

BACKGROUND

1. On or about August 12, 1987, the Pacific Power and Light Company and the Utah Power and Light Company announced publicly that they had reached a definite agreement to merge the two companies. On August 26, 1987, Frederic Reed, a PP&L Vice President, met publicly with the members of the Montana Public Service Commission (PSC or Commission) to discuss the impacts of the proposed merger upon the rates and services offered by PP&L in its Montana service territory. At that time Mr. Reed indicated that he did not believe that the merger would have any detrimental impacts upon PP&L's ratepayers in Montana.

2. On September 17, 1987, PC/UP&L Merging Corp. (to be renamed PacifiCorp) (PacifiCorp Oregon), a corporation organized

Maine on file with the Commission and the data filed with this application.

The application sets forth Counsel who will pass upon the legality of the proposed issuance, the other regulatory authorizations required, and the propriety of the proposed issue.

3. On September 28, 1987, the Commission voted to waive the 30 day deadline for consideration of such an application, extending the deadline to February 17, 1988. See Section 69-3-503, MCA.

4. On October 2, 1987, the Commission issued an order initiating an independent investigation of the extent of its jurisdiction and the ramifications of the proposed merger. The Commission determined that, at a minimum, the following issues should be addressed:

1) Does the Commission have jurisdiction over the proposed merger? That is, does review of the proposed merger fall under the Commission's statutory duty to assure that ratepayers receive adequate service at reasonable rates?

2) If the Commission does have jurisdiction over the proposed merger, what further action is appropriate?

See Order No. 5298.

5. The securities application described above, Docket No. 87.9.49, was consolidated into the investigation docket for further consideration and final disposition.

cease and thereupon PacifiCorp Maine, Utah Power and PacifiCorp Oregon will be a single corporation (renamed PacifiCorp) subject to the Restated Articles of Incorporation and Bylaws of PacifiCorp Oregon. By operation of law, all of the assets of PacifiCorp Maine and Utah Power will become assets of PacifiCorp Oregon. The merger also will have the effect of changing PacifiCorp Maine's state of incorporation from Maine to Oregon.

11. PacifiCorp Oregon was incorporated on August 11, 1987 as an Oregon corporation with 100 shares of no par value common stock, which are now owned by PacifiCorp Maine. These 100 shares will be canceled at the time of the merger. In order to effect the merger with PacifiCorp Maine and Utah Power, PacifiCorp Oregon will issue its common stock upon conversion of the common stocks of PacifiCorp Maine and Utah Power and will issue its preferred stocks of various classes and series upon conversion of the preferred stocks of PacifiCorp Maine and Utah Power. The application describes the conversion of stock and lists the classes and series of stock to be issued. As described in the Merger Agreement, PacifiCorp Oregon may be required to pay cash to holders of Utah Power preferred stock who exercise dissenters' rights and for fractional shares of Utah Power common stock that are converted in the merger.

12. Upon the effective date of the merger, PacifiCorp Oregon will be responsible for all debts, liabilities and obligations of PacifiCorp Maine and Utah Power, including all notes and first

15. The securities proposed to be issued by PacifiCorp Oregon do not, in the aggregate, exceed the fair value of the properties and business of the merged companies.

16. The issuance of an order authorizing the proposed financing does not constitute agency determination/approval of: 1) any issuance-related ratemaking issues, which issues are expressly reserved until the appropriate proceeding; or 2) the extent of the Commission's jurisdiction, if any, over the proposed merger, and what action by the Commission is appropriate.

CONCLUSIONS OF LAW

1. The proposed issuance of capital stock, assumption of debt, and transfer of authority previously granted to PacifiCorp Maine, to which the application relates will be for lawful objects within the corporate purposes of PacifiCorp Oregon. The method of financing is proper.

2. The proposed issuance of capital stock, assumption of debt and transfer of authority previously granted to PacifiCorp Maine, is consistent with the public interest.

3. The issuance of this order does not constitute determination/approval of either any issuance-related ratemaking issues, or the extent of the Commission's jurisdiction, if any, over the proposed merger which underlies the proposed securities transaction.

ORDER

IT IS THEREFORE ORDERED by the Commission that:

c. Verified copies of any agreement entered into in connection with the issuance of securities by PacifiCorp Oregon under authorizations previously granted by the Commission to PacifiCorp Maine.

5. Issuance of this order does not constitute acceptance of PacifiCorp Oregon's exhibits or other material accompanying the application for any purpose other than the issuance of this order.

6. Approval of the security transaction authorized shall not be construed as precedent to prejudice any future action of this Commission, including appropriate ratemaking treatment or resolution of the remaining issues in this consolidated docket.

7. Section 69-3-507, MCA, provides that neither the issuance of securities by PacifiCorp Oregon pursuant to the provisions of this order, nor any other act or deed done or performed in connection with the issuance, shall be construed to obligate the State of Montana to pay or guarantee in any manner whatsoever any security authorized, issued, assumed, or guaranteed. construed to obligate the State of Montana to pay or guarantee in any manner whatsoever any security authorized, issued, assumed, or guaranteed.

8. This order shall be effective upon the issuance of a subsequent Order in this Docket approving the merger of PacifiCorp Maine and Utah Power with and into PacifiCorp Oregon.

9. This approval extends to de minimis variations from the financing proposal contained in the application filed herein, which are necessary to effectuate the merger.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

CLYDE JARVIS, Chairman

HOWARD L. ELLIS, Commissioner

TOM MONAHAN, Commissioner

DANNY OBERG, Commissioner

JOHN B. DRISCOLL, Commissioner

ATTEST:

Ann Purcell
Commission Secretary

(SEAL)

NOTE: Any interested party may request that the Commission reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.

MONTANA PUBLIC SERVICE COMMISSION

CERTIFICATE OF SERVICE

* * * * * *

I hereby certify that a copy of ORDER NO. 5297a, in DOCKET NO. 87.9.49/87.9.51, in the matter of PACIFICORP/UP&L MERGING CORP., dated February 17, 1988, has today been served on all parties listed below by mailing a copy thereof to each party by first class mail, postage prepaid.

Date: February 23, 1988

For The Commission

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