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State of Utah

DEPARTMENT OF BUSINESS REGULATION
Division of Public Utilities

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U.P. & L.
SERVICE COMMISSION

To: **Utah Public Service Commission**

From: **Division of Public Utilities**
Frank Johnson, Director *by FJ*
Electric Section
Kenneth B. Powell, Manager *KBP*
Mary Cleveland, Engineer *MC*
Ronald L. Burrup, Auditor *RLB*

April 19, 1989

RE: UP&L Merger Related Rate Reduction
Docket 87-035-27

ISSUE:

On March 23, 1989 the Division recommended that the 2% rate reduction resulting from the merger also be applied to steam heating customers.

RECOMMENDATION:

The Division met with representatives of UP&L and discussed the impact of giving the rate reduction to steam heating customers. UP&L produced figures to indicate that steam heating was not covering its costs. The 1988 figures, shown on the attached exhibit, do not include a new gas transportation contract nor merger related electric rate reductions. Steam heating rates were reduced recently in response to competition.

Based on this additional information, the Division agrees with UP&L that steam heating customers be excluded from the 2% rate reduction. Steam heating returns will be examined as part of the 1989 general rate case.

CC:
UP&L, Attn: Tim Hunter
David L. Buhler, Exec Director
Michael Ginsberg
Barbara Williams
CCS

UTAH POWER & LIGHT COMPANY
 Steam Heat Rate of Return Statement

	1988 Average R/B
Operating Revenues:	
Steam Heating	\$858,244
Other	0
Total Operating Revenues	858,244
Operating Expenses	930,645
Depreciation & Amortization	119,215
Tax Changes	(46,451)
Total Expenses	1,003,409
Net Operating Income for Return	(\$145,165)
Rate Base:	
Steam Heating Plant	\$1,432,697
Deduct:	
Accumulated Depreciation	78,472
Steam Plant - Adjusted	1,354,225
Working Capital	149,262
Total Rate Base - Average	\$1,503,487
Rate of Return	-9.655%

- Substantive
 CUB, M, J, S
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