

November 15, 1988

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Commissioner Ted Stewart  
Utah Public Service Commission  
160 East 300 South  
Salt Lake City, Utah 84111

SERIALIZED

Dear Commissioner Stewart,

As employees, stockholders and ratepayers of Utah Power & Light Company we have put together our feelings on the pending merger of Utah Power & Light Company (UPL) and PacifiCorp (PC) which includes the absorption of UPL into Pacific Power & Light Company (PPL).

Following is summary list of items of concern:

.This is a takeover not a merger. This fact has been emphasized to us many times by PPL personnel.

.This takeover is no longer good for the UPL ratepayer, stockholder or employee.

.Please, do not be brainwashed by the testimony given to you, ask for facts, not opinions.

.You should obtain an unabridged copy of all of the merger plans put together by the merger transition teams.

.You should interview UPL members of the merger transition teams to obtain the real facts on savings and costs. Some merger plans were manipulated by PPL in favor of the merger.

.Because initial savings presented to you months ago have been proven unobtainable, their dollars have been changed to additional manpower reductions.

.You should realize that there will be over 400 professional jobs lost to the state of Utah with all that goes along with them, i.e. wages, benefits, offices, purchases and etc.

.Executives supporting the merger are on large ego trips and would go forward with the merger no matter what it costs the ratepayer in order to fulfill their ego and obtain the status and financial gain they have been promised in the new organization. If the merger does not go thru they will have to explain the over \$25,000,000 already spent on the merger.

.You should interview Dean Bryner to obtain an unbiased opinion as to what effect the FERC order will have and if the merger is good for UPL ratepayers.

.Resale sales will drop greater than \$1,000,000 you have been told.

The following references newspaper articles published in the Deseret New on November 10, 1988 as the basis of our comments. We will do so using cross reference numbers.

1. Skepticism should exist regarding promised rate reductions. With the FERC order, increased revenue previously identified cannot be obtained, in fact resale revenue will be much less than it presently is.
2. PC is reluctant to give you backup for the rate reduction because you will discover they fall into three categories: 1. Can be obtained without a merger. 2. Call for reduction of manpower in Utah. 3. Other savings.

Category 1 will have the largest number and category 2 will be next. Many benefits in Category 3 will never be obtained and if they are all obtained, the total savings will still not justify a merger. We know this because many of us have tried to prepare substantiating data for the savings and it cannot be found. Prepare your own list and you will see this is so. The justification path to the merger is paved with bodies of UPL employees.

President Frank Davis recently stated that, "If the merger is not achieved, UPL will reduce cost to achieve an immediate rate reduction". Without the merger, if re-centralization started right now, within 6 months a 3% rate reduction could be achieved.

3. We ratepayers are at risk. The possibility that the ratepayers will not be given the rate reductions promised is high but, the greatest risk is what the merger will do to the economy of the State of Utah. There will be over 400 top professional jobs lost to the state of Utah. Moving Utah Power & Light Company, one of the few Corporate Headquarters left in Utah, out of the state of Utah will have a large financial impact on the state's economy.

As an example to substantiate the 400 people, we have obtained a copy of the Information Services Merger Plan. In the plan it states that after one year there will only be one computer center for UPL & PPL (page 3). Talking with the UPL merger transition team representatives, they are convinced that it is already cut and dried that the one computer center will end up in Portland, Oregon. There is actually data substantiating it would be better for the computer center to be in Salt Lake but the PPL computer people have been promised that it will be placed in Portland.

The UPL computer center has a staff of about 75 people supporting it. Because PPL already has a computer staff in Oregon supporting the computer center there, it is estimated that around 50 of the UPL people will have to find another job within the company or be the victim of attrition. The merger plan further states that within 5 years there will be a total reduction of 110 people (page 84).

This is an example of what is planned in just one area. Similar manpower reductions are contained in all of the merger plans which we have seen. You need to obtain an unabridged copy of these plans for all areas and review them.

You have been told that manpower reductions would be achieved by attrition. The merger plans call for reducing the number of people in many departments immediately. The question which has been asked of the executives but has not been answered is, "Where do these people go and what do they do until attrition catches up with them?"

Because of the reduction of people employed by UPL you will see an increase in number of bankruptcies, unemployment, decrease in taxes paid, more vacant homes, reduction in retail sales and more companies going out of business.

When there is ample water to generate hydro power in the northwest you can be assured that the PC power plants with the highest cost per megawatt will be shutdown. Because the UPL coal fired plants use coal from underground mines, their fuel and total generation cost is higher than the PPL plants. The UPL plants will be shut down. This is the plan and will happen regardless of the assurances you have received.

YOU CAN BE ASSURED THAT IF THIS TAKEOVER GOES THRU, THE RATE PAYERS IN UTAH WILL BE AT RISK.

4. You are correct in fearing the FERC order conditions will hurt UPL revenues and affect local ratepayers. UPL has made \$58,000,000 in resale power so far this year without the merger and the FERC order conditions will greatly reduce this amount and the rate payers of Utah will be the losers.

5. As you have witnessed, the executives and board of UPL have egos tied to getting this merger thru which are so big they are willing to give UPL away if that will get the merger approved. Besides the egos, the executives which are pushing the merger have a position promised to them in the new organization with great financial gain. These executives at UPL are Verl Topham and Orrin Colby. Frank Davis will only gain financially.

Some of us have held off-the-record conversation with the other UPL executives, Harry Haycock, Sid Baucom and Curt Hoskins. We can affirm to you that these executives of UPL are not in favor of the merger and do not agree with the testimony you are receiving. Under the present circumstances they will not be able to tell you this publicly. You should hold private conversations with them yourself.

It was mentioned in the hearings, "Where is Dean Bryner when we need him?". You should obtain Dean Bryner's feelings on this merger. He is no longer obligated to try to support a stand given to him and can offer a unbiased opinion which will add considerable light on the effect the FERC order will have on revenues and the merger in general. You would be negligent if you do not talk with him.

6. It is interesting that it was stated that the stockholders will underwrite the rate cut even though we stockholders have not been asked to agree with such actions.

One of the main reasons the boards are still committed to the merger is that it has been estimated that UPL and PPL combined have spent \$25,000,000 on costs related to the merger. This is a UPL estimate and would be difficult to prove because we have not been asked to charge our labor or expenses to any specific accounting charge which would accumulate it but to bury it in our normal accounts. It would make the boards look very foolish to all concerned parties if after spending such money the merger did not go thru. I hope these expenses are coming from the stockholders who approved the merger and not from the ratepayer who has not had a voice.

7. The deadline of December 15, 1988 which the boards have set is superficial and they will change it without hesitation if you have not concluded the hearings by then. These boards believe they have too much invested to back out now and are willing to go thru with a bad decision.

As stated, UPL will become a division of Portland, Oregon based PC. If you look back in previous testimony you will find where UPL executives stated that UPL will be a sister utility to PPL and both will operate independently. Now they state UPL and PPL will be combined. You will soon see "Utah Power & Light Company" disappear. If you look at the old testimony you will find several other statements made to sell the merger which PC has not mentioned recently and do not intend to honor.

8. When PC talks of rate stability for PPL customers, you should be worried. The stabilization will come UPL revenue which could have reduced Utah rates. With PC being a conglomerate, it will be very difficult for you to track used and useful for Utah ratepayers and they will end up on the short end. You will lose control and the stability you have created over the last few years will be gone.

9. Once again, there is so much personal gain riding for the executives of UPL and PPL, that are for the merger, that they are willing to sacrifice the benefits lost thru the FERC order to get the merger thru. The statement "The FERC order was initially believed to have wiped out many of the merger's benefits tied to merged company's sales of excess power to the southwest" is still fact regardless of what Verl Topham tells you.

You should know that the UPL board approved the FERC merger without even knowing what effect it would have because they were told by PC to do so. That is how obligated they are to PC to push the merger. This is another example of who is really running UPL right now. If you think this is bad, just wait till the merger goes thru, the UPL board will not be able to make any decisions without clearing them first with PC.

10. You are aware of the amazement by other electric utilities that UPL and PC agreed with the FERC order. Attached is a copy of the article titled "Investor utilities join opposition to UP&L deal" which appeared in the Deseret News. As you can see, 10 major utilities are fearing it (the UPL acceptance of the FERC order) could impose unwanted regulatory reforms industry wide. This could lead to FERC moving in on state PSCs and taking over regulation which is presently done by the state PSCs. Is this what you want, a federally controlled power system?

It also states "That condition (FERC requiring UPL & PC to open their interstate transmission system to competing utilities as a condition of approving the merger) would turn our transmission systems over to public power and others at the expense of our customers and hurt the system reliability. It may even be a taking of property without fair compensation". IS THIS WHAT THE UTAH PUBLIC SERVICE COMMISSION WANTS FOR THE RATEPAYERS IN UTAH? I would hope that you realize that this is a serious problem.

11. Commissioner Bryne asked a good question but did not receive an honest answer. Any one with any sense at all knows you do not 'Position yourselves for the future' by giving away the farm. The answerer you received was pure hogwash to try to disguise the truth. Some UPL executives and board members are bound and determined to go thru with this merger regardless of how much it costs the ratepayer in Utah. They have taken this merger on as a personal crusade and have lost touch with reality, objectivity, honesty and the facts. The word at UPL is "Promise them anything because it will be much easier to obtain forgiveness than approval".

We have talked to several hundred ratepayers of UPL and asked them if they think a 2% rate decrease is worth losing the UPL corporate headquarters. 100% of them said they would forgo the 2% rate decrease to keep UPL in Utah. If the ratepayers want it this way we feel you should support them.

We ask that you as a Commissioner use good sound judgement in your review of the facts presented to you. If it sounds too good to be true it probably isn't true. The testimony you are receiving is structured such that it appears the merger cannot be anything but good. Please take the time to break apart that testimony and ask for audited backup for each piece of data given to you. Beware of people with a vendetta who are trying to destroy Utah Power & Light Company like Ken Powell, the recommendations you get from them will be tainted.

Ratepayers, Stockholders &  
Employees of  
Utah Power & Light Company

# Merge? to cut rates? PSC still skeptical

**By Matthew Brown**  
Deseret News business writer

1 After two days of hearing assurances from Utah Power & Light Co. and PacifiCorp officials, regulators remain skeptical about the utilities' promise of reducing rates 5 percent if the two companies are allowed to merge.

"I see ratepayer risks," Public Service Commissioner Brent Cameron told attorneys for both utilities.

2 Fueling the skepticism was frustration on the part of the three-member commission, which scolded the companies Tuesday for not filing adequate information to back up claims that rates will fall, despite new federal conditions placed on the merger.

"We understand the parties do have the material, but the commission doesn't have it," commissioner James Byrne said.

3 In response to an assurance by PacifiCorp attorney George Galloway that it can be proven that ratepayers won't be at risk, commission chairman Ted Stewart said, "I don't think you can prove that with the testimony that's been filed."

The hearings were called after the Federal Energy Regulatory Commission approved the merger on condition PacifiCorp and UP&L open their seven-state transmission system to competing electric utilities.

4 The Utah PSC, fearing the condition could hurt UP&L's revenues and affect local ratepayers, suspended its merger approval and called new hearings to consider the impact of the FERC conditions.

5 UP&L and PacifiCorp have filed testimony saying the merger still has net economic benefits even if they have to open their transmission to competitors. Executives from both companies testified this week that they are committed to reducing rates at least 5 percent for UP&L customers after the merger, and the rate cut will be underwritten by shareholders.

7 Boards of both utilities have set Dec. 15 as the deadline to approve the merger. Under the merger agreement, UP&L would become a division of Portland, Ore.-based PacifiCorp. Combining the two companies would create an \$8 billion electric utility serving 1.2 million customers in seven Western states.

8 PacifiCorp and UP&L say the merger would result in savings of \$500 million after five years, enabling rate reductions of 5-10 percent for UP&L customers and stable rates for customers of PacifiCorp's electric utility, Pacific Power & Light.

9 The FERC order, which would make the merged company provide competitors access to its interstate transmission system, was initially believed to have wiped out many of the merger's

benefits tied to the merged company's sales of excess power to the southwest.

10 Neither utility nor the parties intervening in the special hearings have decided whether to petition the FERC for a rehearing on any aspect of the federal order.

11 But Byrne questioned how UP&L, after jealously guarding its transmission in the past, could so quickly agree to give up one of its prized assets. He said UP&L has told the commission for 10 years how valuable their transmission system is and now "it's all out the window."

UP&L chief financial officer Vert Topham said federally mandated access to UP&L's transmission would come sooner or later and the merger is preparing both companies to be viable competitors.

"We want to position ourselves for a future that won't be like the past," Topham said. "That's why we want to merge."

A main concern of parties intervening in the hearings is whether UP&L and PacifiCorp could "roll in" or combine the retail rates into a single rate, which would lower costs for Utah customers but increase rates for PacifiCorp's customers. The FERC order requires a single, rolled-in rate for the merged company's wholesale business.

Hearings on the FERC order's impact on Utah ratepayers will reconvene Nov. 28.

## Investor utilities join opposition to UP&L deal

■ Will rates drop? PSC skeptical, Page D7  
**By Matthew Brown**  
Deseret News business writer

As if Utah Power & Light Co. and PacifiCorp didn't have enough obstacles to completing their merger, now kindred investor-owned electric utilities are fighting the deal — fearing it could impose unwanted regulatory reforms industrywide.

In a telegram sent last week, 10 of the country's major investor-owned utilities are urging other electric utilities to file objections to the Federal Energy Regulatory Commission's order approving the merger.

The FERC order requires UP&L and PacifiCorp to open their interstate trans-

mission system to competing utilities as a condition of approving the merger.

That condition "would turn our transmission systems over to public power and others at the expense of our customers and hurt system reliability. It may even be a taking of property without fair compensation," the telegram said.

The notice was sent to "a substantial number of the larger investor-owned utilities" throughout the country, said Lewis Phelps spokesman for Southern California Edison Co., whose chairman signed the telegram along with executives from nine other electric utilities.

Also signing the plea to object were The Southern Co., American Electric Power

Co., Alabama Power Co., Oklahoma Gas & Electric Co., Carolina Power & Light Co., Puget Sound Power & Light Co., Centennial Energy Corp., Houston Lighting & Power Co., and Boston Edison Co.

UP&L was cautious in its reaction to the telegram, declining to say how its recent opposition will affect the merger's prospects of going through.

Numerous objections filed with the FERC could delay final federal approval of the deal for months. UP&L, PacifiCorp and other parties have until mid-December to file orders accepting or rejecting the merger, or requesting a rehearing.

"Delay is a concern, but we don't want to speculate on how appeals will delay the

merger," UP&L spokesman Dave Mead said.

Phelps also declined comment on if the protesting utilities considered the impact their objections could have on the merger taking place. "We are concerned about the precedential nature of the merger not the merger itself," he said.

Both utilities agreed to merge last year and have spent more than 14 months painstakingly gaining regulatory approval of their proposed marriage. The merger, the largest among utilities in more than 50 years, would create an electric utility serving more than 1 million customers in seven Western states.

Please see MERGER on B2